Sappi Group
(Sappi Limited)
INTEGRATED REPORT FOR FISCAL YEAR 2021
FINANCIAL RESULTS
26 SEPTEMBER 2021

15 December 2021

This report is being furnished to The Bank of New York Mellon as trustee for the Senior Secured Notes of Sappi Papier Holding GmbH due 2026 issued pursuant to the indentures dated as of March 12, 2019; and the Senior Secured Notes of Sappi Papier Holding GmbH due 2028 issued pursuant to the indentures dated as of March 10, 2021; in each case pursuant to Section 4.03 of the indentures governing such Senior Notes.

On 31 August 2016, Sappi has released all existing security previously granted to secure certain indebtedness, including these Senior Notes.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this release that are neither reported financial results nor other historical information, are forward-looking statements, including but not limited to statements that are predictions of or indicate future earnings, savings, synergies, events, trends, plans or objectives. The words “believe”, “anticipate”, “expect”, “intend”, “estimate”, “plan”, “assume”, “positioned”, “will”, “may”, “should”, “risk” and other similar expressions, which are predictions of or indicate future events and future trends and which do not relate to historical matters, may be used to identify forward-looking statements. You should not rely on forward-looking statements because they involve known and unknown risks, uncertainties and other factors which are in some cases beyond our control and may cause our actual results, performance or achievements to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements (and from past results, performance or achievements). Certain factors that may cause such differences include but are not limited to:

- the highly cyclical nature of the pulp and paper industry (and the factors that contribute to such cyclicality, such as levels of demand, production capacity, production, input costs including raw material, energy and employee costs, and pricing);
- the impact on our business of adverse changes in global economic conditions;
- the Covid-19 pandemic;
- unanticipated production disruptions (including as a result of planned or unexpected power outages);
- changes in environmental, tax and other laws and regulations;
- adverse changes in the markets for our products;
- the emergence of new technologies and changes in consumer trends including increased preferences for digital media;
- consequences of our leverage, including as a result of adverse changes in credit markets that affect our ability to raise capital when needed;
- adverse changes in the political situation and economy in the countries in which we operate or the effect of governmental efforts to address present or future economic or social problems;
- the impact of restructurings, investments, acquisitions, dispositions and other strategic initiatives (including related financing), any delays, unexpected costs or other problems experienced in connection with dispositions or with integrating acquisitions or implementing restructuring and other strategic initiatives and achieving expected savings and synergies; and
- currency fluctuations.

For a discussion of the above factors and certain additional factors, refer to the document entitled “Risk Report” attached to this integrated annual report. These factors are not necessarily all of the important factors that could cause our actual results to differ materially from those expressed in any forward-looking statements. Other unknown or unpredictable factors could also have material adverse effects on future results.

You are cautioned not to place undue reliance on these forward-looking statements. These forward-looking statements are made as of the date of this report or as of the date specified therein and are not intended to give any assurance as to future results. We undertake no obligation to publicly update or revise any of these forward-looking statements, whether to reflect new information or future events or circumstances or otherwise.

2021 ANNUAL INTEGRATED REPORT

sappi

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How to navigate our report

Throughout our annual integrated report, the following icons are used to show the connectivity between sections:

Referencing

Page | Online | Risk

Sappi's 3Ps

Prosperity | People | Planet

Thrive25 strategy

- Grow our business
- Drive operational excellence
- Sustain our financial health
- Enhance trust

Our capitals

- Human capital
- Intellectual capital
- Finance capital
- Natural capital
- Social and relationship capital
- Manufactured capital

Sappi and the United Nations (UN) Sustainable Development Goals (SDGs)

1 NO POVERTY *
4 QUALITY EDUCATION *
6 CLEAN WATER AND SANITATION
7 AFFORDABLE AND CLEAN ENERGY
8 DECENT WORK AND ECONOMIC GROWTH
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION
15 LIFE ON LAND
17 PARTNERSHIPS FOR THE GOALS

* *Sappi Southern Africa (SSA) priority SDGs.*

This report is printed on Sappi Magno Plus Silk 135 and 350 g/m².

About this report

Our **annual integrated report** for the year ended September 2021 provides an overview of how we create value in terms of our purpose, vision and strategy. The report deals with key opportunities and risks in our markets as well as our performance against financial and non-financial objectives, together with our priorities and expectations for the year ahead. While the report addresses issues pertinent to a broad group of stakeholders, the primary audience is our shareholders. Our global and regional sustainability reports address the wider audience in more detail on key material issues. In addition to our annual integrated report (pages 1 to 177), we have included supporting appendices (pages 178 to 202).

Integrated thinking and the 3Ps

We understand that the long-term sustainability of our business will only be ensured by delivering sustained value for our stakeholders. In understanding our value-creation process, we take an integrated approach, considering Prosperity, People and Planet (the 3Ps) – an approach that is aligned with the International Integrated Reporting Council's (IIRC) six capitals model.

Prosperity

Intellectual capital
Our technology centres and research and development (R&D) initiatives promote a culture of innovation to support the development of commercially and environmentally sustainable solutions for the company.

Financial capital
We manage our financial capital, including shareholders' equity, debt and reinvested capital to maintain a solid balance between growth, profitability and liquidity.

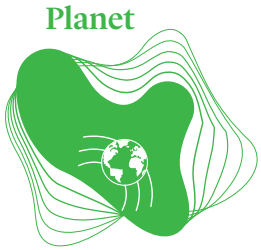
Manufactured capital
Our operations require significant investments in manufactured capital. Investing in building, maintaining, operating and improving this infrastructure requires financial, human and intellectual capitals.

People

Human capital
We require engaged and productive employees to create value. By creating a safe and healthy workplace for our people in which diversity is encouraged and valued, and providing them with ongoing development opportunities, we enhance productivity and our ability to service global markets.

Social and relationship capital
Building relationships with our key stakeholders in a spirit of trust and mutual respect enhances both our licence to trade and our competitive advantage, thereby enabling shared value creation.

Planet



Natural capital
Recognising that our business depends on natural capital, we focus on understanding, managing and mitigating our impacts.

Ensuring holistic value creation

Value for Sappi is not only about delivering returns to our shareholders, it is also about maximising the value of every resource along our value chain to ensure those returns are sustainable. We recognise that our sphere of influence and impact extends beyond our mill gates.

Through this lifecycle approach that harnesses the power of the circular economy, we strive to minimise our negative impacts and increase our positive impacts on people and the planet, while securing sustainable profit margins.

We then measure value created, preserved and eroded in terms of our defined, holistic targets, as outlined and set out in the **Business model** on pages 18 to 21.

Scope and boundary

The scope of this report includes all our operations (see Where we operate on page 6). We aim to present information that is material, comparable, relevant and complete. The issues and indicators we cover reflect our significant economic, environmental and social impacts, and those we believe would substantively influence the assessments and decisions of investors.

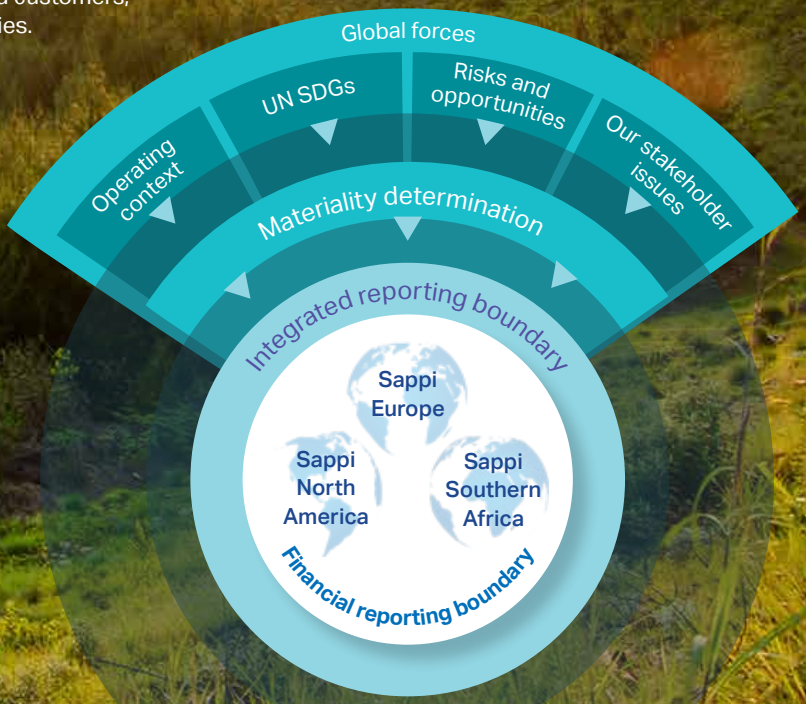
The materiality of the information presented has been determined on the basis of extensive ongoing engagement with our stakeholders and has been assessed against the backdrop of current business operations, as well as prevailing trends in our industry and the global economy (see How we determine materiality on page 70).

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 and customers, communities, governments and regulatory authorities.

Forward-looking statements

For important information relating to forward-looking statements, refer to page 200.

At Sappi, we take a holistic view of value creation.



Our reporting suite

Report	
	2021 Sappi Annual Integrated Report www.sappi.com/annual-reports **Frameworks** • IIRC's International <IR> Framework • Companies Act, No 71 of 2008, as amended (Companies Act) • Johannesburg Stock Exchange (JSE) Listings Requirements • King IV Code on Corporate Governance (King IV™ [1])
	2021 Sappi Group Annual Financial Statements www.sappi.com/annual-reports **Frameworks** • International Financial Reporting Standards (IFRS) • Companies Act • JSE Listings Requirements • King IV
	2021 Sappi Group Sustainability Report www.sappi.com/sustainability **Frameworks** • Global Reporting Initiative (GRI) standards • United Nations Global Compact (UNGC) • UN SDGs

For up-to-date information, please refer to our quarterly results announcements and analyst presentations (www.sappi.com/quarterly-reports).

[1] *Copyright and trademarks are owned by the Institute of Directors in South Africa NPC and all of its rights are reserved.*

Assurance

We obtained external assurance on selected sustainability key performance indicators in our 2021 Sappi Group Sustainability Report. The independent practitioner's limited assurance report is included in the 2021 Sappi Group Sustainability Report. Our sustainability information is also verified 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 addition, most of our key operations undergo external verification including the Eco-Management Audit System in Europe, ISO 50001 energy certification in Europe and South Africa and globally, ISO 45001 environmental certification and ISO 9001 quality certification, as well as OHS 18001 and ISO 45001 health and safety certification.

We are also assessed in terms of the forest certification systems we use and, in South Africa, our broad-based black economic empowerment (BBBEE) performance is assessed by an external ratings agency. In 2021 Sappi Limited was a constituent of the FTSE/JSE Responsible Investment Index.

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 is satisfied that the sustainability information presented in this report has been provided with a reasonable degree of accuracy.

For information on the combined assurance framework relevant to the disclosure in this report, and for the independent auditors' report, see **Group Annual Financial Statements** on www.sappi.com/annual-reports. This year's report does not include summarised financials. However, the full 2021 Sappi Annual Integrated Report with financials is available on www.sappi.com/annual-reports in interactive and PDF format.

Board approval

The Sappi Limited board acknowledges its responsibility for ensuring the integrity of the annual integrated report and, to the best of its knowledge and belief, the 2021 Sappi Annual Integrated Report addresses all issues material to the group's ability to create value in the short, medium and long term, and fairly presents the integrated performance of the organisation and its impact.
We believe that this report has been prepared in accordance with the International <IR> Framework (2021). The report has been prepared in line with best practice and the board has approved the 2021 Sappi Annual Integrated Report on 08 December 2021.

Sir Nigel Rudd
Chairman

Steve Binnie
Chief Executive Officer (CEO)

Our 2021 reporting theme

The images used throughout this report, from the exquisite hummingbird to the thundering waterfall, from the dainty dandelion to the agile cheetah and iridescent dragonfly, are all very different, but they share certain characteristics, no matter their size:

Strength. Power. Vitality. Energy.

All qualities which embody our strategic intent and are reflected in our theme of 'Advance'.

Inherent in our Thrive25 strategy is the commitment to advance, whether through improved profits, a more engaged workforce, embedding safety as a core value, securing the trust of our stakeholders, increased financial stability or integrating the UN SDGs and science-based targets as strategic objectives.

Equally, the Coronavirus pandemic and Covid-19 required us to advance. To adopt new methods of work; to ensure that we continue to operate while respecting all Covid-19-related guidelines; to respond to the needs of our customers.

Over the last five years we have transformed to become a more unified and focused group with investments in growth markets and product categories. Each year we build on our success, adapting to market conditions but always preparing for the next positive wave. We continue to leverage our market-leading positions across numerous categories to deliver real value so that we can further invest in our growth.

Who we are

Sappi is a leading global provider of everyday materials made from woodfibre-based renewable resources. As a diversified, innovative and trusted leader focused on sustainable processes and products, we are building a more circular economy by making what we should, not just what we can.

Paper capacity per year
5.5 million tons

Paper pulp capacity per year
2.5 million tons

Dissolving pulp (DP) capacity per year
1.4 million tons

Our raw material offerings (such as dissolving pulp, wood pulp, biomaterials and timber) and end-use products (packaging and speciality papers, graphic papers, casting and release papers and forestry products) are manufactured from woodfibre sourced from sustainably managed forests and plantations, in production facilities powered, in many cases, with bio-energy from steam and existing waste streams.

Globally we have
12,492 employees[1]

Together with our partners, Sappi works to build a thriving world by acting boldly to support the planet, people and prosperity.

394,000 ha
Owned and leased sustainably managed forests in South Africa

[1] *Includes Corporate and Sappi Trading employees.*

Where we operate

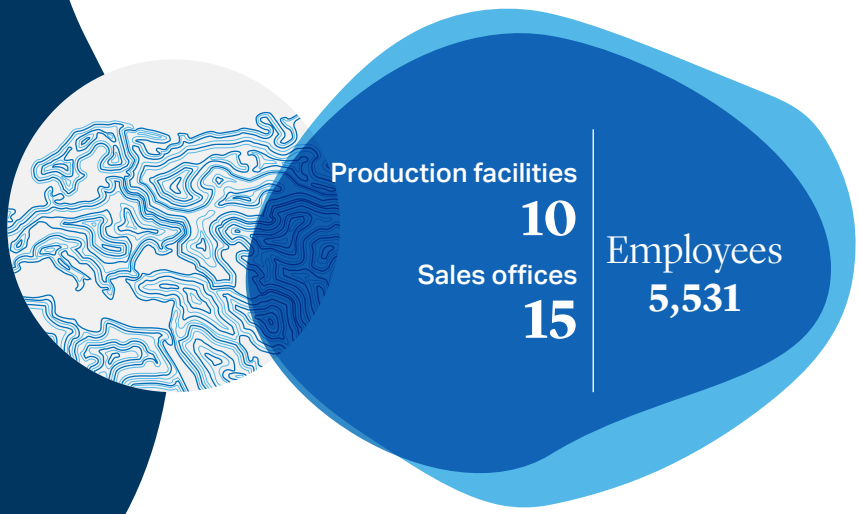
Sappi Trading

Sappi Trading operates a network for the sale and distribution of our products outside our core operating regions of North America, Europe and South Africa. Sappi Trading also coordinates our shipping and logistical functions for exports from these regions

- **Sales offices**
  - Hong Kong
  - Bogotá
  - Johannesburg
  - México City
  - Nairobi
  - São Paulo
  - Shanghai
  - Sydney
- **Logistics offices**
  - Durban

North America

Europe



South Africa

Sappi North America

Capacity[1] ('000 tons)

Mills	Products produced	Paper	Pulp
Cloquet Mill	Dissolving pulp, kraft pulp for own consumption and kraft pulp*		370
	Coated woodfree paper	340	
Matane Mill	High yield hardwood pulp for own consumption and kraft pulp		270
Somerset Mill	Bleached chemical pulp for own consumption and kraft pulp		525
	Coated woodfree and packaging paper	970	
Westbrook Mill	Speciality paper; casting and release paper	23	
Total Sappi North America		**1,333**	**1,165**

Sappi Europe

Capacity[1] ('000 tons)

Mills	Products produced	Paper	Pulp
Alfeld Mill	Bleached chemical pulp for own consumption		120
	Speciality paper; flexible packaging paper, paperboard, containerboard, release liner, label paper, functional papers	275	
Carmignano Mill	Speciality paper; dye sublimation paper, flexible packaging paper, inkjet paper and label paper	100	
Condino Mill	Speciality paper; dye sublimation paper, flexible packaging paper, inkjet paper and silicone base paper	60	
Ehingen Mill	Bleached chemical pulp for own consumption and kraft pulp		140
	Coated woodfree paper and containerboard	280	
Gratkorn Mill	Bleached chemical pulp for own consumption		250
	Coated woodfree paper	980	
Kirkniemi Mill	Bleached mechanical pulp for own consumption		300
	Coated mechanical paper	750	
Lanaken Mill	Bleached chemi-thermo mechanical pulp for own consumption		165
	Coated woodfree paper	530	
Maastricht Mill	Coated woodfree paper and paperboard	260	
Stockstadt Mill	Bleached chemical pulp for own consumption and kraft pulp		145
	Coated woodfree paper and uncoated woodfree paper	220	
Total Sappi Europe		**3,455**	**1,120**
Other operation		Capacity[1]	(million m²)
Rockwell Solutions	Coated barrier film and paper		100

Sappi Southern Africa

Capacity[1] ('000)

Plantations**	Products produced	Hectares	Standing tons
KwaZulu-Natal	Plantations (pulpwood and sawlogs) (tons)***	159	10,526
Mpumalanga	Plantations (pulpwood and sawlogs) (tons)***	235	17,128
Total Sappi Forests (owned and leased supply)		**394**	**27,654**

		Capacity (m³)	Capacity ('000 tons)	
Mills	**Products produced**	**Timber**	**Paper**	**Pulp**
Lomati Sawmill	Sawn timber (m³)	93		
Ngodwana Mill	Unbleached chemical pulp for own consumption			210
	Mechanical pulp for own consumption			110
	Kraft linerboard		240	
	Newsprint		140	
Stanger Mill	Bleached bagasse pulp for own consumption			60
	Office paper and tissue paper		110	
Tugela Mill	Neutral Sulphite Semi Chemical pulp for own consumption			155
	Corrugating medium		200	
Sappi ReFibre****	Waste paper collection and recycling for own consumption			89
Total Sappi Paper and Paper Packaging			**690**	**624**
Ngodwana Mill	Dissolving pulp			255
Saiccor Mill*****	Dissolving pulp			800
Total Dissolving pulp				**1,055**
Total Sappi Southern Africa		**93**	**690**	**1,679**

[1] Capacity at maximum continuous run rate per annum.
** The stated capacity is for DP, the capacity for kraft pulp is 25% higher.*
*** Approximately 136,000 hectares of our land is set aside and maintained by Sappi Forests to conserve the natural habitat and biodiversity found there.*
**** Plantations include owned and leased areas.*
***** Sappi ReFibre collects waste paper in the South African market which is used to produce packaging paper.*
****** Saiccor Mill is currently commissioning the expansion project which will increase the mill nameplate capacity by 110,000 tons. Once the expansion is complete and taking into account speciality grade production which reduces the run rate, the net capacity will be 890,000 per annum.*

AGI LITY

Hummingbirds are the trapeze artists of the avian world. They can fly forwards, backwards, even upside down and are also the only vertebrae capable of hovering in place. In addition to being agile, hummingbirds are extraordinarily fast. They have been observed at speeds of nearly 48 kilometres per hour (km/h) in direct flight and over 72 km/h during courtship dives.

Adaptability is another hummingbird characteristic. These tiny birds have fewer feathers than other birds, because they need to have an efficient body that is as lightweight as possible in order for the flight aerobics they perform. As the insulation that they get from their feathers is insufficient, at night they go into torpor, a hibernation-like state that allows them to conserve energy by slowing down their metabolism, heartbeat and respiration rate. Furthermore, hummingbirds remember migration routes and every flower they've ever visited. They can also figure out how long to wait between visits so the flowers have time to generate more nectar.

Inherent in our approach is being agile to stay ahead of market changes, preferences, customer needs and expectations.

Our strategy and performance

Our strategy

Through collaboration and innovation, we will grow profitably, using our strength as a sustainable and diversified global woodfibre group, focused on dissolving pulp (DP), graphic, packaging and speciality papers, and biomaterials.

	What this means	How we performed in 2021
Drive operational excellence	• Strengthen our safety first culture • Continuously improve our cost position • Continue to maximise the benefits of our global footprint • Best-in-class production efficiencies	• Group efficiency, procurement and continuous improvement savings > US$98 million • Volumes improved 8% year-on-year resulting in an improvement in cost per ton • Maximised the benefits of OneSappi (internal alignment) to achieve cost advantages
Enhance trust	• Improving our understanding of and proactively partnering with all stakeholders • Driving sustainability solutions • Meeting the changing needs of every Sappi employee	• Committed to set science-based decarbonisation targets • Following Task Force on Climate-related Financial Disclosures (TCFD) recommendations • Expanded Supplier Code of Conduct compliance and initiated EcoVadis partnership • Executed Group Engagement Survey • Sappi Southern Africa Forestry was awarded first ever PEFC certification in South Africa • Achieved Level 1 BBBEE in South Africa
Sustain our financial health	• Target net debt: EBITDA*[1] ex SI at 2x • Reduce absolute debt level and improve EBITDA ex SI • Optimise capital management • Continue to monitor bond market for opportunities	• Net debt: EBITDA ex SI at 3.7x • Focused capex on essential projects so as to effectively manage liquidity and cash flow • Negotiated covenant suspension period until September 2021 – first measurement December 2021 • Successfully issued convertible bonds during November 2020 to improve liquidity • Strong cash generation and much improved liquidity • Successfully refinanced our €350 million bonds due 2023 with €400 million bonds due 2028 at a coupon of 3.625%
Grow our business	• Grow DP capacity, matching market demand • Continue to expand and grow packaging and speciality papers in all regions. Commence commercialisation of biotech opportunities • Reduce exposure to declining graphics business	• Packaging and speciality contributes 40% of group EBITDA ex SI • Packaging and speciality volumes constituted 25% of 2021 sales volumes • Increased packaging and speciality volumes y-o-y up 21% vs 2020 • Saiccor expansion finalised towards the close of Q4 FY2021. Commissioning and ramp up commenced during Q1 FY2022 • Strong growth in lignin sales and favourable advancement of other Biotech opportunities

* *Earnings before interest, tax, depreciation and amortisation.*

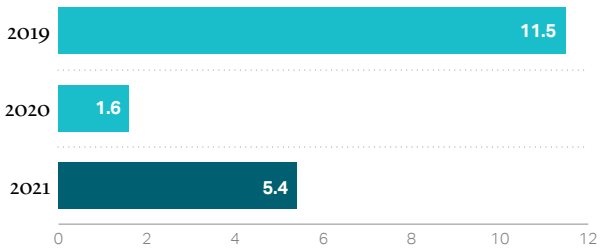
[1] *EBITDA excluding special items (EBITDA ex SI).*

Measuring our progress

Guided by our strategy, we measure our progress holistically against our mission, collaborating and partnering with stakeholders as we strive to be a trusted and sustainable organisation with an exciting future in woodfibre.

Return on average capital employed (ROCE) (%)

Our strategic performance indicators



Self-assessment of 2021 performance

Link to Thrive25 strategic objectives

Link to 3Ps

Why is this important?

ROCE is an important measure that assesses long-term profitability by comparing how effectively assets are performing with how these assets are financed

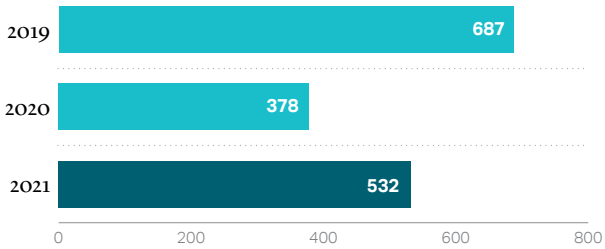
Ⓡ Linked to executive remuneration

2022 objectives

Ramp up the additional Saiccor Mill volumes and reduce logistics constraints. Further optimise packaging and speciality papers volumes in all regions. Restore and improve the graphic papers margins in all regions

EBITDA ex SI (US$ million)

Our strategic performance indicators



Self-assessment of 2021 performance

Link to Thrive25 strategic objectives

Link to 3Ps

Why is this important?

EBITDA ex SI measures how we performed operationally as a company

Ⓡ Linked to executive remuneration

2022 objectives

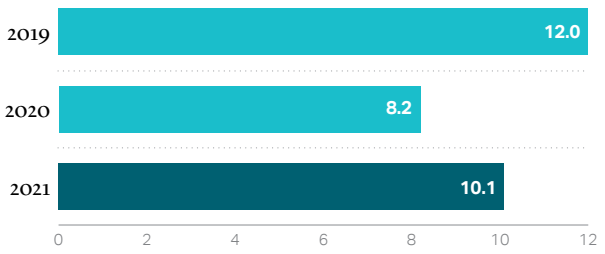
Focus on maximising cash generation through efficient capex and working capital management

Satisfactory
Unsatisfactory
Progress to be made/ongoing
Grow our business
Sustain our financial health
Drive operational excellence
Enhance trust
Prosperity
People
Planet

Our strategy and performance continued

EBITDA ex SI margin (%)

Our strategic performance indicators



Self-assessment of 2021 performance

Link to Thrive25 strategic objectives

Link to 3Ps

Why is this important?

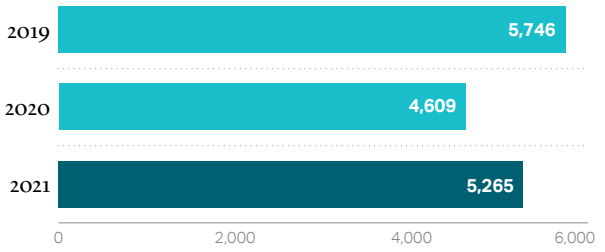
EBITDA ex SI margin is an important and comparable measure of our profitability (excluding the impact of financing, accounting treatments or tax implications) against our revenue

2022 objectives

Focus on reducing fixed and variable costs and maximise pricing

Sales (US$ million)

Our strategic performance indicators



Self-assessment of 2021 performance

Link to Thrive25 strategic objectives

Link to 3Ps

Why is this important?

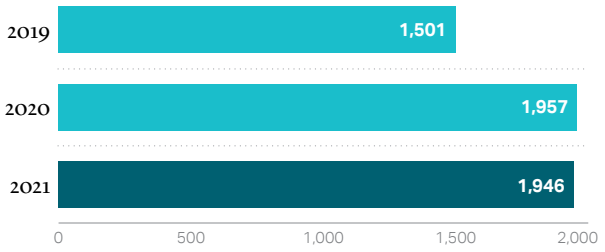
While not the only determinant of financial success, sales is a key measure of demand, customer loyalty and a critical contributor to profit

2022 objectives

Continue to grow and optimise packaging and speciality papers to achieve full operations of our paper machine assets. Maximise DP volumes to capacity with increased volumes from Saiccor Mill

Net debt (US$ million)

Our strategic performance indicators



Self-assessment of 2021 performance

Link to Thrive25 strategic objectives

Link to 3Ps

Why is this important?

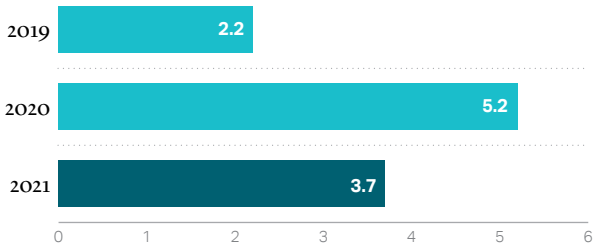
Given the capital-intensive nature of our operations, we need to raise debt to complete significant projects that enable our long-term success. Net debt comprises current and non-current interest-bearing borrowings and bank overdrafts (net of cash, cash equivalents and short-term deposits)

2022 objectives

During 2022 we are targeting to further reduce net debt

Covenant leverage ratio

Our strategic performance indicators



Self-assessment of 2021 performance

Link to Thrive25 strategic objectives

Link to 3Ps

Why is this important?

The net debt to EBITDA ex SI (as defined by our bank covenants) ratio measures our ability to pay off our debt should net debt and EBITDA ex SI remain consistent. EBITDA ex SI focuses on the operating decisions of a business as it looks at profitability from core operations before the impact of capital structure

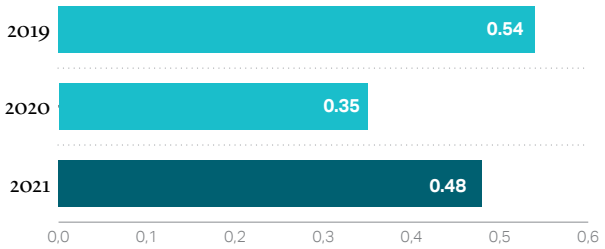
Ⓡ Linked to executive remuneration

2022 objectives

With growth in EBITDA ex SI and reduced debt targeting to further reduce the debt ratio to approximately 2x through the cycle through EBITDA ex SI growth and reduced debt

Lost-time injury frequency rate (LTIFR)

Our strategic performance indicators



Self-assessment of 2021 performance

Link to Thrive25 strategic objectives

Link to 3Ps

Why is this important?

LTIFR is an important measure of our business's safety. We target zero harm and aim to improve LTIFR by at least 10% year-on-year

Ⓡ Linked to executive remuneration

Δ Identified sustainability goal[1]

2022 objectives

Achieve zero fatalities and LTIFR

[1] *For this indicator, we have clear targets for 2025 that we are working towards. See our Group Sustainability Report for more information.*

Satisfactory
Unsatisfactory
Progress to be made/ongoing

Grow our business
Sustain our financial health
Drive operational excellence
Enhance trust

Prosperity
People
Planet

Our strategy and performance continued

Sustainable engagement (%)

Our strategic performance indicators

Self-assessment of 2021 performance

Link to Thrive25 strategic objectives

Link to 3Ps

Why is this important?

We rely on a productive and engaged workforce. Employee engagement has been linked to higher safety performance, lower staff turnover, improve productivity and efficiency. Aim to maintain or improve engagement to be above 75%

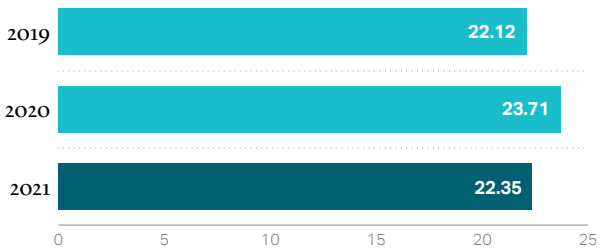
Δ Identified sustainability goal[1]

2022 objectives

Sustain and/or improve engagement

Energy intensity (GJ/adt)

Our strategic performance indicators



Self-assessment of 2021 performance

Link to Thrive25 strategic objectives

Link to 3Ps

Why is this important?

Energy intensity is a measure of how efficiently we are operating. By continually improving this metric, we manage costs and lower our impact

Δ Identified sustainability goal[1]

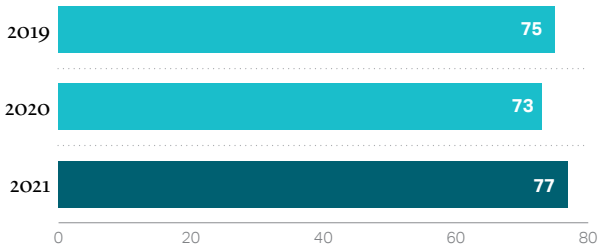
2022 objectives

21.6 GJ/adt

[1] *For this indicator, we have clear targets for 2025 that we are working towards. See our Group Sustainability Report for more information.*

Certified fibre (%)

Our strategic performance indicators



Self-assessment of 2021 performance

Link to Thrive25 strategic objectives

Link to 3Ps

Why is this important?

We are committed to sourcing woodfibre from forests and timber plantations in a manner that promotes their health and supports community wellbeing

Δ Identified sustainability goal[1]

2022 objectives

Maintain or improve percentage certified fibre >75%

[1] *For this indicator, we have clear targets for 2025 that we are working towards. See our Group Sustainability Report for more information.*

Satisfactory
Unsatisfactory
Progress to be made/ongoing
Grow our business
Sustain our financial health
Drive operational excellence
Enhance trust
Prosperity
People
Planet

How we create value

We take an integrated approach to value creation. Guided by our values, our six value streams enable the delivery of our purpose and our Thrive25 *strategy*

Forests

Our 100% Forest Stewardship Council™ (FSC™) and PEFC-certified plantations in South Africa give us a low-cost woodfibre base on which our business depends, and are thus a key pillar of competitive advantage. (FSC-N003159). Our leading-edge tree improvement programmes aim to grow better trees faster, thereby ensuring this advantage is maintained and enhanced.

Manufacturing excellence

We focus on enhancing machine efficiencies, digitising our processes to make the smart factory a reality, reducing variable costs through new practices in logistics and procurement, as well as implementing go-to-market strategies, which lower the cost of serving our customers and increase customer satisfaction.

Bioproducts

We are unlocking the chemistry of trees and meeting the challenges of a carbon-constrained world by establishing a strong position in adjacent businesses including nanocellulose, sugars and furfural, lignosulphonates, biocomposites and bio-energy. Extracting more value from each tree is strengthening our core business model.

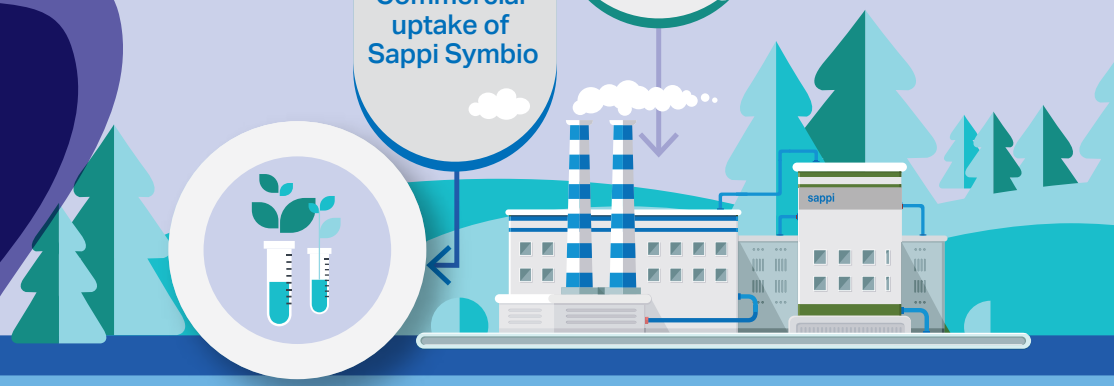
Our plantations in South Africa are 100% FSC and PEFC-certified

Machine learning and digitisation accelerating

Commercial uptake of Sappi Symbio

Our purpose

Sappi exists to build a thriving world by unlocking the power of renewable resources to benefit people, communities and the planet.



1. Our values

How we do business

As OneSappi, we do business safely, with integrity and courage, making smart decisions that we execute with speed.

2. Our key relationships

How we remain relevant

Ongoing engagement with our stakeholders, conducted in a spirit of trust and mutual respect, based on an understanding of their operating context, enables more tangible business value creation.

See page 42

3. Our inputs

What we need – the resources and relationships on which we rely

Our integrated approach to sustainable development acknowledges that we depend on striking a balance between Prosperity, People and the Planet in order to thrive. We rely on certain inputs to create value.

See page 18

4. Our value streams

What we do – our business activities

The value streams set out above reflect our belief that it is our responsibility to make the most out of every tree harvested.

See above and page 19

Pulp

DP is a truly sustainable raw material. Our customers transform our DP into products that meet the needs of people around the globe every day. Products that enable fashion, household comfort, personal beauty and hygiene, as well as a healthy lifestyle.

Commissioning of 110,000 tpa expansion at Saiccor Mill anticipated Q1 FY2022

Packaging and speciality papers

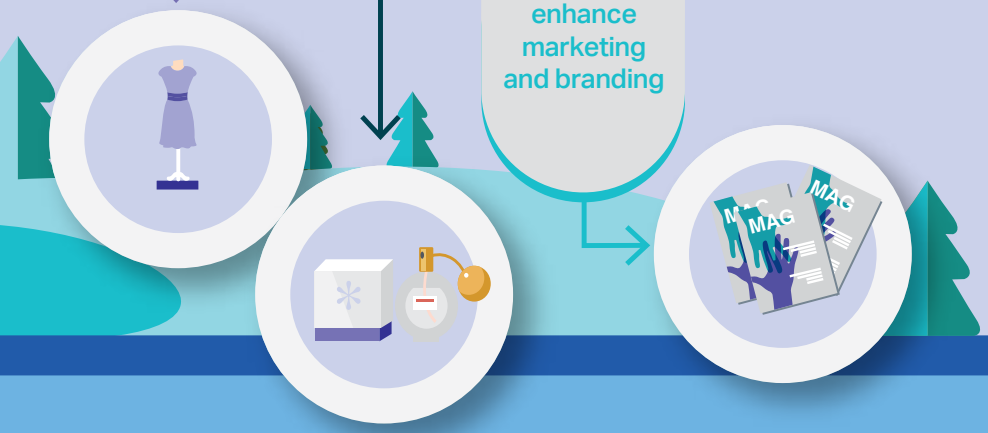
Our customers use our packaging and speciality papers to add value to niche markets, enable product differentiation and offer environmentally conscious consumers an alternative to fossil-fuel based packaging. Our focus on innovation helps our customers to meet and anticipate the challenges of changing market dynamics.

Sales volumes in this sector increased 21% y-o-y

Graphic papers

While the digital age has impacted the use of paper, our graphic papers continue to meet the needs of consumers and marketers around the world. They rely on paper for a tactile, emotional experience no other communication medium can replicate.

Paper's haptic qualities enhance marketing and branding



We are embracing new thinking and emerging technologies so that every solution we create through our value streams supports our goal of making our products and processes more sustainable.

5. Our outputs

What we produce – our products, services and waste products

Our diverse product range is aligned with our focus on using our expertise to help create a sustainable future while meeting the needs of a growing, evolving society.

See page 19

6. Our outcomes

What we create, preserve or erode – the broader impacts of our business activities

While we acknowledge that our business activities have positive and negative outcomes, we strive to maximise the positive consequences of our value streams in terms of Prosperity, People and Planet.

See page 19

7. Our global sustainability goals

What we are striving for – our long-term, broader outcomes

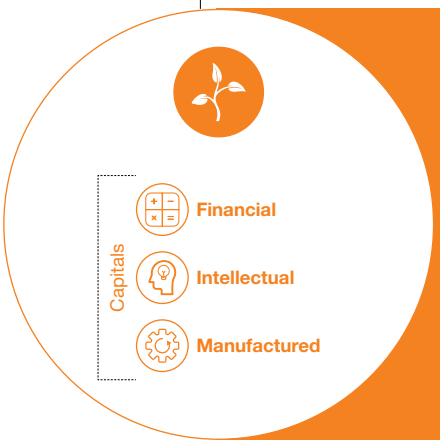
Monitoring and reporting transparently on our ambitious Prosperity, People and Planet targets aligns with our Thrive25 vision of being a trusted partner to all our stakeholders.

See our 2021 Sappi Group Sustainability Report

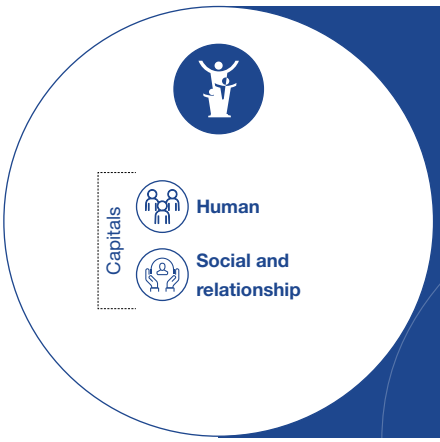
Our business model

1 Inputs

The resources and relationships we rely on



- 19 production facilities across the globe (see page 7)
- Debt: US$1,946 million
- Equity and liabilities: US$6,186 million
- Research and development (R&D) investment: US$43 million
- Investment in growth: US$376 million to grow the business



- Employees: 12,492
- South African contractor employees: approx. 9,250 contractor employees (average)
- Average training spend per employee per region: SEU US$473, SNA US$238, SSA US$671, Sappi Trading US$504
- Ongoing stakeholder engagement
- Corporate social responsibility investment: US$3.49 million

- Plantations:
  - 394,000 owned and leased, of which 258,000 is planted
  - The remainder is managed to conserve the natural habitat and biodiversity found there
- Energy purchased: 2,547.29MW
- Energy generated on site: 1,934.81MW
- Renewable energy 52.44%, of which 66.35% own black liquor
- Water extracted: 287.14 million litres in absolute terms, 34.86m^3/adt in specific terms
- Certified fibre used: 77%

2 Our activities

Our value streams

- Forests
- Manufacturing excellence
- Biomaterials
- Pulp
- Packaging and speciality papers
- Graphic papers

3 Outputs

Our products, services and waste products

Products:

- 6.3 million tons of saleable production

Waste:

- 1.4 million tons of which 332,680 tons (23.3%) is sent to landfill

Emissions:

- 4.3 million tCO_2e absolute direct (Scope 1) GHG, in specific terms: 0.679 tCO_2e/adt

4 Outcomes

The broader impacts of our business activities

- Total assets: US$6,186 million
- EBITDA: US$532 million, an increase of 41% year-on-year
- Net debt: down 1%
- US$64 million paid to governments through taxation

- Zero fatalities
- Global average of 48.29 training hours per employee

- Energy intensity: 22.35 GJ/adt
- High levels of wood certification result in competitive advantage
- World-leading tree improvement programmes have led to shorter growth times and enhanced fibre gain
- Training of smallholders in SNA and SSA to educate them on more sustainable forestry practices

Value created | Value preserved | Value eroded

5 Actions to enhance outcomes

Return to profitability

- US$1,045 million paid to employees as salaries, wages and other benefits
- US$154 million paid to lenders as interest
- Earnings per share (excluding special items): 15 US cents
- Our high levels of innovation give our customers a competitive edge in global markets
- New products developed to meet changing customer expectations and market trends

- Implemented a series of price increases in our paper businesses to offset rising input costs
- Increased investment in R&D to ensure cutting-edge solutions for customers (FY2021: US$43 million, FY2020: US$39 million)
- Consolidation and alignment of Global Business Services: sales, supply chain and finance, as well as logistics and manufacturing
- Ongoing diversification of our product portfolio into higher margin segments
- Commercialisation of bioproducts gaining traction

74.4% skills training, 25.6% compliance training

- Productivity: 4 hours worked/adt saleable production
- Level 1 BBBEE contributor

- Continued investment in embedding a safety culture across the group
- Focus on entrenching transformation in our South African operations to support inclusive growth
- Investment in training and development of our employees, 74.4% allocated to skills training and 25.6% allocated to compliance training
- Strong governance and ethical culture reinforced by the Code of Ethics
- Initiated our first campaign to onboard suppliers onto the EcoVadis platform, with the number of suppliers now on this platform accounting for 33% of our total global procurement spend
- Formulated a social impact strategy in SSA

PEFC certification in SSA

- PEFC certification in SSA
- DP used for clothing and household textiles, baby wipes and wet wipes – reducing environmental impact
- Lighter-weight packaging products – reduction in carbon footprint
- Expanded packaging portfolio offers customers and consumers more sustainable alternatives to fossil-fuel based packaging (plastics)

- Progressed our decarbonisation roadmap in each region
- Increased energy self-sufficiency by 6.3% over five years due to focus on reducing purchased energy
- GHG emissions offset by carbon sequestration
- Continued to adjust our tree breeding strategy to mitigate the impacts of climate change
- Made progress in terms of our 2025 biodiversity goal (vegetation assessment on our land)

Our business model continued

Examples of our trade-offs

The most difficult decisions made during the year

The sale of the southwestern part of our site at Maastricht Mill in the Netherlands has necessitated a relocation of activities and associated construction. However, the costs thereof will be offset by the proceeds of the sale.

Risk	7	Cyclical macro-economic factors
Risk	9	Liquidity

Balancing employee health and safety with operational continuity

A comprehensive Covid-19 action plan enabled us to operate in a safe and uninterrupted manner where demand permitted.

Closure of operations because of the civil unrest in KwaZulu-Natal, South Africa in order to mitigate the risks to our operations and our employees negatively impacted EBITDA ex SI.

Risk	1	Safety
Risk	10	Employee relations

Balancing afforestation and biodiversity

At stand level, our plantations have a negative impact on biodiversity. At plantation level, we manage this impact by managing approximately one third of our landholdings for biodiversity.

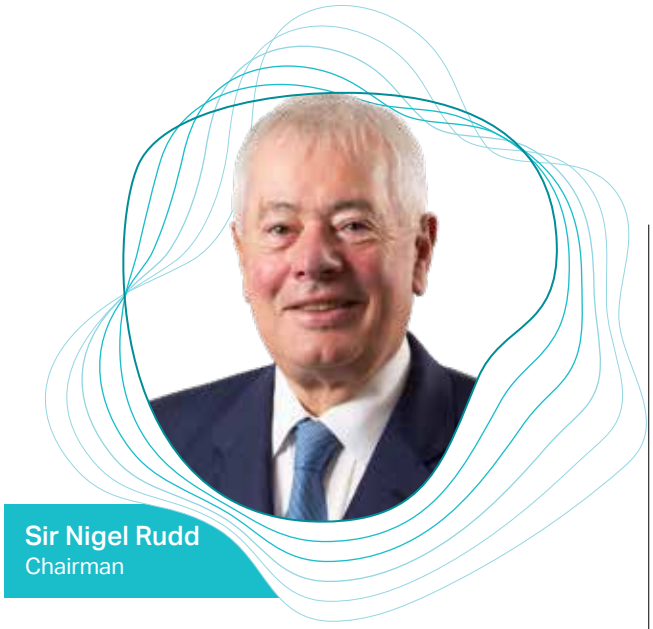
Risk	4	Sustainability expectations
Risk	5	Climate change

Letter to the stakeholders Chairman and Chief Executive Officer

Steve Binnie
CEO

Operating review

The lingering impact of the Covid-19 pandemic including ongoing lockdown measures and global economic volatility continued to dominate in FY2021. An unwavering focus on the implementation of our Thrive25 strategy and commitment to sustainable business operations facilitated a return to profitability during the year, and the group generated a profit for the period of US$13 million, which was a substantial improvement compared to the loss of US$135 million for the 2020 financial year.



Sir Nigel Rudd
Chairman

Throughout this unprecedented time, the health and safety of our employees remained paramount. Execution of a comprehensive Covid-19 action plan enabled us to operate in a safe and uninterrupted manner where demand permitted. Working closely with our customers and suppliers we systematically increased activity and output in response to improved market demand. Our support for local communities helped mitigate the impact of the pandemic and the ensuing socio-economic consequences on them. We are very pleased to report there were no work-related fatalities during the year, but regrettably 17 employees succumbed to Covid-19. We recognise the pandemic has a tremendous impact on the mental health of our employees and their families, and our employee-wellbeing programmes and communication campaigns focused on providing emotional support and encouraging vaccination.

Our performance with respect to safety across the group was mixed. Sappi Southern Africa achieved an all-time low LTIFR in 2021, however, Sappi North America and Sappi Europe's safety performance deteriorated relative to 2020. The pleasing progress in Sappi Southern Africa was a result of continuous focus on and integration of programmes such as the "Life Saving Rules", "Visible Felt Leadership" and Sappi Forest's "Stop. Think before you act". In Sappi North America, four of the five sites recorded their best ever safety performance but several slip/trip/fall injuries in the first quarter of the year were responsible for the overall LTIFR deterioration in the region. The issues were successfully addressed through employee engagement and probing of cultural factors as part of the incident investigations and the safety performance in the remainder of the year was back

in line with previous excellent standards. Sappi Europe's safety performance was disappointing with the majority of the injuries occurring at three sites. A 'Safety Instruction Handbook' covering all aspects of safety from values, tools, management and behaviours was developed and rolled out together with a standardised audit system. The European leadership remain steadfastly committed to zero injuries and a communication campaign emphasising that "nothing is so important it cannot be done safely" is underway.

Market demand across Sappi's major product segments improved steadily during the year as global economic activity resumed. Highlights for the year included the recovery of profitability in the pulp segment driven by buoyant demand and significantly better market prices, combined with an excellent performance of the North American region, which delivered its highest EBITDA ex SI in over a decade. The investments of recent years into packaging and speciality papers, including the Matane Pulp Mill investment, reaped rewards as the segment achieved record profitability and sales volumes increased by 21%. However, profitability of the European business was hindered by strict Covid-19 lockdowns, which suppressed economic recovery across the value chain and spiralling costs.

A rapid rebound in global trade following the resumption of economic activity after the first wave of the Covid-19 pandemic amplified existing logistics challenges around the world. Demand for shipping accelerated dramatically as organisations attempted to restock inventories, which led to widespread supply chain constraints including vessel and container shortages, severe port congestion and significant freight rate increases. The logistical disruptions described above severely constrained our export sales in all regions. Furthermore, the high demand for raw materials and commodities, coupled with long lead times, fuelled worldwide inflationary pressures. Consequently, escalating delivery and raw material costs, particularly purchased pulp, chemicals and energy, negatively impacted margins in all product segments. To mitigate the impact of the rising costs we implemented a series of price increases in our paper businesses.

DP market conditions rallied strongly from the first quarter on the back of improved apparel retail demand in the US and Asia, which favourably impacted demand for all textile fibres. Low DP and viscose staple fibre (VSF) inventory levels, high paper pulp prices and a weaker US$/Renminbi exchange rate were all factors that further contributed to the positive sentiment in the sector. The market price[1] for hardwood DP surged from a base of US$624 per ton in October 2020 to a peak of US$1,106 per ton in April and closed the year at US$1,000 per ton at the end of September 2021. Sappi customer demand was robust, and EBITDA ex SI for the segment of US$197 million was more than three times that of the prior year. However, the ongoing global supply chain challenges, exacerbated by the impact from the South African civil unrest and a cyber security breach at the Durban port, constrained sales and resulted in a backlog of approximately 100,000 tons at year end which reduced EBITDA ex SI by approximately US$30 million. In addition, once-off events at the South African mills including a labour strike, shortage of oxygen due to Covid-19, an extended annual shut at Saiccor Mill and the civil unrest, which forced Saiccor Mill to close temporarily, significantly reduced production volumes. The project to expand the Saiccor Mill capacity was impacted negatively by Covid-19 lockdowns and associated travel restrictions, which delayed the project schedule. Commissioning of the plant began during the fourth quarter and will be completed in the first quarter of FY2022.

The 21% growth in sales volumes for the packaging and speciality papers segment was primarily driven by the successful ramp up of sales volumes from Somerset Mill PM1 in North America. The line ran fully on packaging grades from the third quarter and the focus shifted subsequently to product mix and margin optimisation. Growth in the European packaging and speciality papers sales volumes was hampered by weaker demand for certain non-essential luxury product categories and prolonged speciality paper qualifications. Profitability in the European region was also impacted by higher purchased pulp, energy, chemicals and delivery costs. Containerboard demand in South Africa was robust on the back of strong fruit exports. EBITDA ex SI for the segment increased from US$179 million to US$214 million.

Global demand for graphic paper grades improved progressively through the course of the year. However, market recovery in Europe lagged that in North America due to stricter lockdowns in the European Union. Capacity closures in North America in combination with constrained imports into the region due to supply chain challenges contributed to a favourable shift in the supply and demand balance and enabled domestic producers to operate at full capacity. Conversely, the lagging European demand recovery necessitated 367,000 tons of graphic paper production curtailment in the European operations. Despite overall graphic papers segment sales volumes increasing 3% compared to the previous year, EBITDA ex SI deteriorated from US$131 million to US$120 million driven primarily by substantial cost inflation in purchased pulp, chemicals, energy and delivery costs.

Strategic review

Fiscal 2021 was the first year of our Thrive25 strategy. The five-year strategy leverages the power of OneSappi to drive real and sustained value creation. An integral component of the Thrive25 vision is recognition that society in general and our people, in particular, expect us to play a role beyond making and selling. Within this context, we have created a purpose statement as part of our new strategy that articulates our ambition to create a brighter future for the world and our business.

The Thrive25 purpose statement and strategy are fully aligned with our business strategy.

[1] *Market price for imported hardwood DP into China issued daily by the CCF Group.*

Letter to the stakeholders continued

Through collaboration and innovation, we will grow profitably, using our strength as a sustainable and diversified global woodfibre group, focused on DP, graphic papers, packaging and speciality papers, and biomaterials.

Our Thrive25 strategy encompasses the following four main objectives:

- **Grow our business** – Committing to core business segments while investing in innovation, growth opportunities, and ongoing customer relationships.
- **Sustain our financial health** – Reducing and managing our debt, growing EBITDA ex SI, maximising product value, optimising processes globally, and strategically disposing of non-core assets.
- **Drive operational excellence** – Strengthening our safety-first culture and reducing resource use while enhancing efficiency and making smart data investments.
- **Enhance trust** – Improving our understanding of and proactively partnering with, clients and communities, driving sustainability solutions, and meeting the changing needs of every employee at Sappi.

In 2020 the Covid-19 pandemic triggered the deepest global recession in decades as economic activity faltered when governments enforced strict restrictions on movement to curb the transmission of the virus. The subsequent implementation of health and safety protocols and vaccination programmes enabled economic activity to resume. However, the emergence of more transmissible variants of the virus resulted in a series of Covid-19 waves in 2021 which continued to fuel economic uncertainty and volatility as countries moved in and out of lockdown restrictions.

The impact of the pandemic on our results in the second half of FY2020 was catastrophic and necessitated a shift in strategic focus to the preservation of liquidity.

Significant production curtailments were necessary to manage inventories in response to dramatic reductions in sales across all product segments. During FY2021, market demand across Sappi's major product segments improved progressively as global economic activity resumed, which prompted a shift in the strategic focus to returning the business to profitability and mitigation of supply-chain disruptions and cost inflation.

Within the context of ongoing economic uncertainties and the priority to restore the business to profitability, we re-evaluated the timelines of our Thrive25 strategy. While the four strategic pillars remain relevant for our five-year vision, our strategic imperative over the next two years is to deleverage the business and reduce absolute debt.

Phase 1 (2021-2022) – Deleveraging the business

The priority in the first phase is to strengthen the balance sheet by reducing debt and maximising cash generation. During this period, we will drive further margin improvement and ensure that all approved capital projects are completed on time and within budget. We will also begin investigating new growth opportunities for the next phase.

Phase 2 (2022+) – Invest for profit growth

During the second phase, we will begin the investment roll out into new growth opportunities, make decisions on larger expansions and conversions and execute our sustainability strategy.

Initiatives and actions undertaken in FY2021 to support our strategic objectives are outlined below.

Grow our business

In the first phase of our Thrive25 strategy, as we deleverage the business, there are no new major capital projects planned. The 2021 focus for growing the business was therefore on completion of the 110,000 ton Saiccor Mill expansion project and growing the packaging and speciality papers volumes from our recently converted assets in Europe and North America.

The Saiccor Mill expansion project was impacted negatively by the Covid-19 pandemic. The ongoing travel restrictions due to Covid-19 prevented original equipment vendors from travelling to South Africa and resulted in significant delays to the project schedule and commissioning timeline. The civil unrest in July 2021 necessitated a complete shutdown of the site and added to the delays. The hot commissioning of the plant began in the fourth quarter and will be completed during the first quarter of FY2022. We expect the ramp up to full operating rate will take a number of months and therefore full cost savings and environmental benefits of the project will likely only be realised from the second half of 2022. We anticipate demand for DP in 2022 will be strong and with pricing significantly above the long-term average, every effort will be made to expedite the ramp-up.

The strategic decision taken to reduce exposure to graphic papers through diversification into packaging and speciality papers continued to yield benefits through the year. Sales volumes grew by 21%, and EBITDA ex SI in this segment reached a new record high, contributing 40% of the group EBITDA ex SI (vs 18% in FY2019). The underlying demand for packaging and speciality paper grades remained resilient despite the negative impact of Covid-19 on the demand for non-essential luxury goods. The gratifying growth in sales volumes was primarily driven by the ramp up of the Somerset Mill PM1 conversion in North America, which achieved target run rate during the period. Strong demand for our packaging grades in the US allowed for product mix enhancement and optimisation at both a product and customer level, which facilitated growth in EBITDA ex SI margins in the region. In FY2022, we will continue to optimise margins by shifting into more high-end label and packaging markets while expanding on our base folding carton business. In Europe, packaging and speciality paper sales volumes grew by 10% despite a relatively slower economic recovery from Covid-19 and we expect further growth during FY2022 as retail and consumer activity increases. New product introductions such as our containerboard Fusion Nature range and Parade Label Pro will enable us to further expand our European portfolio of packaging and speciality papers. In South Africa, containerboard demand continues to grow, driven by robust fruit exports, and in FY2022 we will optimise our customer portfolio to focus on supporting the growth in the domestic market.

We are committed to reducing our exposure to the graphic paper market and will continue to explore opportunities to utilise our graphic paper assets to produce packaging and speciality paper grades without significant capital investment.

Sappi Biotech made pleasing progress in growing lignin and commercialising our Symbio fibre composite and Valida fibrillated cellulose product offerings. In FY2021, commercialisation of Symbio gained traction with uptake by a major automotive manufacturer in the US, while various other brand owners have the product in their pre-commercial qualification phase. Our Valida pilot plant is running at capacity with repeat orders in diverse application fields such as concrete, cosmetics, personal care, paint and coatings, where it is valued as a dispersant, suspension stabiliser and rheology modifier. Our lignin business continued with its expansion trajectory in FY2021 and for the third year in a row, growth exceeded 30%. We have made considerable progress in moving beyond traditional commodity markets such as dust suppression and concrete admixtures to higher value markets. As part of Sappi Biotech's ongoing strategy to enter adjacent markets, the development of our lignin product for the animal feed industry culminated in the launch of our Sappi Pelletin product in this market with first sales reported in 2020.

Sustain our financial health

The strategic imperative to deleverage the business was a key focus in the current year. The net debt to EBITDA ex SI leverage ratio decreased from a peak of 6.5 in the second quarter to 3.7 as EBITDA ex SI recovered steadily quarter-on-quarter. The leverage ratio remains significantly above our target of two times, and therefore the imperative for FY2022 remains deleveraging the business and utilising the cash generated in the year to reduce our absolute debt.

In 2020 we proactively negotiated the suspension of the measurement of our revolving credit facility (RCF)-linked financial covenants through to September 2021 (with the first measurement due in December 2021) in order to see us through the worst of the Covid-19 impact on our business and financial metrics. In 2021, we negotiated new leverage covenants (net debt: EBITDA ex SI) with our banking group. The leverage covenant for December 2021 is 5.50 and will reduce quarterly to 4.50 in December 2022 and 4.25 in March 2023. The interest coverage covenant will be reinstated at its previous level of 2.50 times. With the leverage ratio of 3.7 at year end, we have sufficient headroom when the covenants are reinstated in December 2021.

In the first financial quarter of 2021, Sappi Southern Africa Limited issued five-year convertible bonds with a principal amount of ZAR1.8 billion. Shareholder approval to convert the bonds into ordinary shares of Sappi Limited was received at the AGM on 03 February 2021. The net proceeds from the bonds were used to fund the remaining capital expenditure required for the expansion of the Saiccor Mill.

Letter to the stakeholders continued

During 2021 favourable market conditions provided the group with the opportunity to refinance the €350 million 2023 bonds at par. Strong investor demand provided the opportunity to upsize the replacement 2028 bond to €400 million at a coupon 3.625%. The additional proceeds were used to repay the partly drawn RCF in Europe. We have no significant maturities due before 2026 and we are comfortable with the maturity profile of our debt.

Capital expenditure in FY2022 is estimated to be US$395 million and includes approximately US$30 million for completion of the Saiccor Mill expansion, US$80 million for cost optimisation and quality improvement projects and US$75 million for sustainability projects.

Drive operational excellence

Reducing both variable and fixed costs throughout the business is integral both to maintaining or improving margins and to the sustainability of our operations. This is especially true in commodity businesses where we faced declining demand, such as graphic papers. In the past year, we set ourselves a target of a US$70 million reduction in third-party expenditure compared to 2020 through efficiency and raw material usage improvements as well as delivering savings through various procurement initiatives. We are pleased to report that savings of US$98 million were realised, which helped offset the significant increase in purchased pulp, chemicals and energy costs. In 2022 we are targeting a further US$42 million in variable cost savings.

The sustainability capital projects for FY2022 include the conversion of the calcium cooking line at Saiccor Mill to the more sustainable magnesium bisulphite technology as well as decarbonisation investments in Europe to convert boilers at Gratkorn and Kirkniemi Mills from coal to biomass and an electric boiler at Maastricht Mill. This Saiccor Mill calcium conversion will reduce the need for coal-based power generation at the mill, significantly reducing the carbon footprint, and will additionally facilitate considerable variable cost savings. One of the more significant cost and quality optimisation projects for FY2022 is an upgrade of the kraft liner board machine at Ngodwana Mill which will improve the quality of the product and allow the mill to remain competitive against imported grades. The South African containerboard market is growing at a rate of 5% per annum on the back of increasing fruit exports and this is seen as a strategic investment to retain our customer footprint in preparation for further potential expansions in this product segment. The cost and quality capital also includes an allocation for information technology projects which are critical for addressing both the risk and opportunities offered by Industry 4.0 and will support the various advanced analytics projects across all three regions which are focused on improving operating efficiencies.

Enhance trust

Under our Thrive25 strategy, one of our strategic fundamentals is to 'enhance trust'. We aim to meet the challenges of a constantly changing business environment by building mutual trust and proactively partnering with employees, clients and communities to drive sustainability solutions and create shared value. Our Thrive25 people strategy focuses on leadership and creating a culture that enhances OneSappi; builds capability for current and future requirements; and strengthens employee engagement. In FY2021 we completed an employee engagement survey, identified areas for improvement and developed appropriate action plans. Values and ethics are critical for driving operational performance and developing stakeholder trust. We place a high premium on adherence to sustainable business practices and ethical behaviour as encapsulated in our Supplier Code of Conduct and in FY2021 we made good progress towards our supplier engagement target. Furthermore, we have partnered with EcoVadis and will utilise their technology platform and methodology to assess the sustainability performance of our suppliers.

In January 2021, our South African Forestry division was awarded the first ever Programme for the Endorsement of Forest Certification (PEFC) forest management certificate in South Africa. This achievement indicates that Sappi Southern Africa's forest management practices meet the requirements for sustainable forest management set out in the PEFC-endorsed standard for South Africa, the Sustainable African Forestry Assurance Scheme (SAFAS). The intense work in collaborating on the development of the SAFAS system will yield significant benefits outside of our own forest certification as there is now potential to make PEFC forest certification accessible to South Africa's small landowners. This has great promise for ensuring certification not only delivers social and environmental value, but also supports socio-economic and development priorities.

Through heightening our focus and ambition on climate action, we seek to increase our contribution to building a resilient, thriving world and have aligned our decarbonisation pathway with climate science. In FY2021 we submitted our 2030 GHG emission reduction target to Science Based Target initiative (SBTi) for validation and also completed assessment of our mill operations and forestry assets following the TCFD recommendations on climate-related disclosure.

Sustainability

Sustainability forms the foundation of our Thrive25 strategy as we strive to be a trusted, transparent and innovative partner in building a biobased circular economy. The alignment of our Thrive25 sustainability targets with the United Nations Sustainable Development Goals (SDGs) demonstrates our commitment to ending poverty, protecting the planet and ensuring that all people enjoy peace and prosperity.

Sappi has always focused on the sustainable management of our operations, on increasing efficiency and maximising value from our sustainable natural resources but as we look to the future, it is clear we have an obligation to play a role beyond making and selling. Working with nature using renewable and sustainable wood to produce circular, biobased products can have a sustainable impact on society and the planet and is the basis of our ambition to build a thriving world by unlocking the power of renewable resources for the benefit of people, communities and the planet.

In the past year we made great strides in assessing our risk related to climate

change utilising the recommendations of the TCFD, submitted our GHG emissions reduction target to SBTi for validation and placed increasing focus on managing risk in our supply chains via our Supplier Code of Conduct roll-out and partnership with EcoVadis.

Looking forward

Strong demand in the global textile and apparel sector coupled with low inventories throughout the value chain and elevated textile fibre prices (cotton, polyester and VSF) are all contributing to our positive outlook for DP in FY2022. Furthermore, growing consumer demand for nonwoven hygiene products and a global shift away from single use plastics creates an opportunity for viscose based cellulosic nonwoven products that drives further positive sentiment for our DP business. However, short-term DP demand in China is impacted by the recent implementation of energy savings regulations imposing curtailments for energy-intensive manufacturing operations, which includes the textile value chain. Consequently, the Chinese DP market price dropped to US$940 per ton in October 2021. However, lower VSF supply and a widening price differential to cotton fuelled a significant rise in VSF pricing, which should be positive for DP pricing. Sappi's sales volumes are not expected to be impacted by the weaker Chinese market as demand in South-East Asia, Europe, North America and the near East remains strong.

The recovery of demand for graphic papers combined with industry capacity closures has tightened the market balance. In North America, ongoing restrictions on imports due to global supply chain disruptions have further contributed to a positive environment in this region. The underlying demand in the packaging and speciality papers segment remains robust in both the North American and South African regions and opportunities for further growth in sales volumes exist in Europe. The scheduled Somerset Mill annual maintenance shut, which includes an extended statutory cold outage, will have an estimated US$22 million impact on profitability in the first quarter.

Recent spikes in global energy prices for gas, power and coal are anticipated to have an adverse impact on our first quarter results, principally in Europe. To offset rising costs, we have announced selling price increases across all paper grades. In addition, energy specific surcharges have been implemented for all European shipments from 25 October 2021.

Global logistical challenges and vessel shortages are expected to continue through FY2022, which may have an ongoing negative impact on our export sales. It is unlikely that any significant improvement in supply chain reliability will be realised in the first quarter and hence the backlog of 100,000 tons of DP sales volumes will take time to resolve.

Capital expenditure in FY2022 is estimated to be US$395 million and includes approximately US$30 million of Saiccor Mill expansion capex, US$80 million for cost optimisation and quality improvement projects and US$75 million for sustainability projects.

The first quarter of FY2022 will comprise 14 weeks instead of the typical 13-week quarter. This is in order to adjust our reporting periods closer to the calendar periods and will result in increased sales compared to comparative quarters.

Current liquidity headroom in the group remains good, with cash deposits at the end of the financial year of US$366 million and committed revolving credit facilities of approximately US$732 million. The first measurement of our newly negotiated covenants will now take place at the end of December 2021.

We remain encouraged by the growing resilience of global economies as the Covid-19 pandemic evolves and the corresponding recovery in underlying demand in all of our product segments. However, the supply chain challenges and the extraordinary cost inflation may affect profitability. In addition, the maintenance shut at Somerset Mill is scheduled for the first quarter and will impact EBITDA ex SI. Taking these factors into account, we anticipate a further improvement in EBITDA ex SI for the first quarter of FY2022 relative to the fourth quarter of FY2021.

Appreciation

The Covid-19 pandemic continues to impact on our employees, communities, suppliers, customers, funders and shareholders. In these uncertain and difficult times, close relationships, transparency and trust remain the foundation of our collaborative approach to seeking solutions to problems and creating shared value for all of our stakeholders. We thank you for the faith you have shown in us during these challenging times.

We are grateful for the support of our customers in all of our different markets, with whom we continue to work together, providing relevant products and services which provide sustainable value. Our employees embraced our Thrive25 purpose and strategy and demonstrated incredible resilience and agility. We thank them for their unwavering dedication to our OneSappi vision and adaptation to a new way of working, which allowed us to continue operations under the most difficult circumstances and return the business to profitability.

Our gratitude goes to the board for their continued commitment to the group, their valuable insights and encouragement and for holding us to the highest ethical standards. Mrs Janice Stipp has indicated she will not be making herself available for re-election as an independent non-executive director in 2022. Mrs Stipp was appointed to the board in June 2019 and served on the Audit and Risk Committee. We would like to thank her for the contribution which she has made to the board since her appointment.

In conclusion, we value the support which our shareholders have provided as we work to enhance sustainable long-term shareholder returns. We look forward to their participation at the AGM on 09 February 2022.

Q&A with the CEO

"A steadfast focus on operational excellence and innovative problem solving underpinned our FY2021 strategic objective to return the business to profitability."

Steve Binnie CEO

Q1 Covid-19 continues to evolve and is likely to remain a material risk in FY2022. How has the pandemic impacted Sappi in FY2021 and what actions have you taken to mitigate these effects and build resilience?

There is no doubt the Covid-19 pandemic dominated our business environment in FY2021. However, we are grateful for the adaptability of our workforce and the resilience of the global economy, which rebounded much faster than we could have anticipated a year ago. Although we are optimistic the worst is behind us, we also recognise there are significant ongoing challenges and risks for our markets and operations due to recurring waves of infection. Our Covid-19 action plan to ensure safe working conditions for all of our employees has been successful and we entrenched a new way of socially distanced working. The roll out of vaccinations across all our operating regions was a major highlight for the year and we encouraged all our employees to vaccinate for their safety and that of their families and colleagues. In South Africa we established vaccination sites at our major operating units and offer vaccination for employees, contractors and their family members. A steadfast focus on operational excellence and innovative problem solving underpinned our FY2021 strategic objective to return the business to profitability. Market demand across all our major product segments improved progressively during the year as global economic activity resumed and despite the significant headwinds including unprecedented supply chain challenges and cost inflation, we were able to achieve our objective in the second half of the financial year.

Q2 Logistical challenges created havoc with global supply chains in FY2021 leading to escalating raw material costs and constraining your export sales. Do you expect these problems to be resolved in FY2022 and what is Sappi doing to mitigate the impacts?

The unprecedented logistical issues we faced in the past 12 months began with the economic upheaval of the pandemic. The situation was aggravated by the strength of the economic rebound as lockdowns eased, combined with container and vessel dislocation. In principle there are sufficient containers and vessels to handle global trading volumes, but the sudden onset of the pandemic stranded large numbers of containers and vessels in the wrong geographical location, thereby substantially reducing availability in several parts of the world. Additionally, ports around the globe struggled with increased shipping volumes and vessel berthing delays, resulting in ports and shipping lines not being able to clear backlogs, which created even more bottlenecks and congestion. Our exports from South Africa were further impacted by significant events including civil unrest and a cyber-attack which exacerbated the existing inefficiencies at the Durban Port. But it is not only ocean freight that is a problem. In every region where we operate, domestic transport systems were also under pressure due to surging demand and a shortage of drivers during Covid-19 waves. Consequently, costs for rail/road freight increased considerably. These logistical disruptions contributed to the global surge in inflation as lower inventories and significantly increased lead times for deliveries of raw materials led to shortages of certain key supplies, which of course drove prices upwards.

To mitigate the impact of raw material shortages and cost inflation, we have optimised product recipes to manage usages of constrained input materials, fast-tracked R&D efforts to identify material substitution opportunities and implemented price increases across all our product categories. Despite the challenging shipping environment, we managed to consistently secure space by leveraging our extensive global logistics network and contracts. We also negotiated spot deals where possible to secure additional capacity and engaged directly with senior leaders of our principal shipping lines. These are global logistical issues affecting all industries, so we are not unique in our challenges and there is significant pressure on shipping lines and ports to address the issues. The sheer scale of the problems suggest it will take time to resolve. However, we are seeing encouraging signs of improvement that indicate that the worst is over, and in South Africa, we are working directly with shipping lines to gain access to additional capacity and dedicated vessels and planning more direct routes to expedite delivery of our backlog of DP volumes to our customers.

Q3 DP market prices surged well above the long-term average in 2021. Can you explain some of the drivers that were responsible and do you think these high prices are sustainable given the new capacity entering the market in 2022/2023?

The impact of Covid-19 on the textile, apparel and fashion industries was extreme as retailers were forced to close down during initial lockdowns, which led to a chain reaction of order cancellation through the entire value chain. Many DP producers, including Sappi, curtailed production and those with swing capacity shifted to market paper pulp production. Some smaller DP producers completely shut operations and furloughed employees. However, as soon as economic activity resumed after the first wave, global retail apparel sales rebounded dramatically. Inventory levels through the entire value chain, which were already at low levels, came under severe pressure as supply chain challenges hindered restocking.

With DP capacity reduced due to the temporary closures and lead times for global deliveries at all-time highs, the supply of DP was severely constrained. Additionally, rapidly climbing paper pulp prices incentivised swing producers to continue producing paper pulp which intensified the DP supply shortage. The constrained DP supply, combined with resurgent VSF demand and prices, fuelled the DP market price and we saw a meteoric rise from a low of US$624 per ton in October 2020 to a peak of US$1,106 in April 2021. A weaker US$/Renminbi exchange rate and surging textile fibre prices further supported the DP market price. Gradual restocking of VSF, yarn and grey fabric through the supply chain and resumption of DP production at the temporarily shut mills eased the supply/demand imbalance and both VSF, and consequently DP, prices started to subside from the third quarter of our financial year. At year end the DP price was at US$1,000 per ton, which is still above the long-term historical average. Currently there are short-term challenges in the textile value chain in China due to energy curtailments which are putting pressure on the DP market price. However, the DP demand outside of China remains buoyant and underlying global textile demand is strong. Cotton prices soared in recent months, and the differential between cotton and VSF is the highest in over a decade, which should incentivise yarn producers to shift from cotton to VSF in the coming months. All of these factors create a positive outlook for DP in FY2022 and therefore we are optimistic the elevated DP pricing will continue for some months. Long term, we believe a more sustainable price will be around US$850 per ton. The new DP capacity entering the market in 2022/2023 is from integrated pulp/fibre producers and we expect the pulp to be absorbed into their own fibre production. Globally, retail apparel sales are still below pre-Covid-19 levels, and we anticipate that the combination of value chain restocking and resumption of further textile demand growth will absorb this additional capacity and therefore supply/demand will be balanced as we move through the next two years.

Q4 The packaging and specialities segment delivered record sales volumes and EBITDA ex SI in FY2021. How was this achieved and can we expect further growth in this segment in the year ahead?

Our investments of recent years into packaging and speciality papers are bearing fruit. We are particularly pleased with the progress of our Somerset Mill PM1 conversion. The machine can make both coated woodfree and paperboard packaging grades and this hybrid swing capability has worked exceptionally well for us and allowed this machine to run at maximum operating rates as we have ramped up the packaging volumes in the past couple of years. From our second quarter, we achieved our target volumes of packaging grades and the focus is now on optimising the product and customer mix to maximise margins. Within the US we have some additional opportunities to make label grades on our graphic paper machines at Cloquet and on PM2 at Somerset and we will pursue every opportunity to maximise these volumes. In Europe we experienced good growth in our packaging and speciality papers volumes and there is further opportunity for additional containerboard at Ehingen and paperboard at Maastricht in FY2022. We are also exploring opportunities for wet-glue and self-adhesive labelling at Gratkorn alongside existing graphical grades. Robust demand for containerboard in South Africa was supported by buoyant fruit exports. South Africa is the world's second largest exporter of citrus and fruit exports remain the main contributor to positive agricultural trade balance for the country. The outlook for the agriculture exports sector in South Africa is promising, and there are exciting opportunities to expand our containerboard capacity in the future to meet the growing demand in this segment.

Q&A with the CEO continued

Q5 Graphic paper demand seems to have recovered to pre-Covid-19 levels, but margins are still below the long-term average. How do you see demand in this sector developing in FY2022 and what actions are you taking to improve profitability?

Pre-Covid-19 the decline in demand for graphic paper was especially noticeable in developed countries, where there has been a clear correlation between reducing paper consumption and economic advancement, driven by digitisation. The Covid-19 pandemic had an immediate and devastating impact on paper demand and accelerated some of the previously existing declining trends. The closure of retail stores and restrictions on travel due to strict lockdowns impacted advertising demand. Additionally, the shift to remote working and virtual meetings led to a significant reduction in office-paper consumption such that in 2020 we were predicting a 20% permanent reduction in graphic paper demand due to Covid-19. Over the last two years, graphic paper producers reacted to the dampened market outlook by taking drastic steps to curtail production. Numerous closures and conversions resulted in 10-20% of the production capacity exiting the market, including our Paper Machine 2 (PM2) at our Stockstadt Mill as well as PM9 and the energy complex at Westbrook Mill. However, the steady recovery of paper demand through 2021 combined with the market capacity closures resulted in a restoration of market balance in Europe and North America as we begin our 2022 financial year. While some of the demand may be temporary restocking, we are encouraged by the fact that globally, economic activity, particularly travel and entertainment, is not yet at pre-Covid-19 levels. We are therefore optimistic about the short-term outlook for the segment. Unfortunately, cost inflation is negatively impacting our margins and we are focusing on operational efficiencies and offsetting rising costs through announced price increases. Longer term, we expect the demand decline to continue at 5-6% per annum. We will endeavour to reduce our cost base through smaller investments in efficiency improvement projects where appropriate and maximise cash generation through FY2022 as we look for further opportunities to diversify into higher-margin packaging grades.

Q6 ESG seems to be the latest buzz word in the sustainability space. What does ESG mean to Sappi and how are you integrating sustainable business practices into your operations?

Institutional investors are increasingly committing to sustainability as a core driver of financial value. While financial metrics were the primary tools for investment selection in the past, this new wave of socially and environmentally responsible investing requires a completely new framework for evaluation incorporating environmental, social, and governance (ESG) factors into the financial analysis. Investors are increasingly applying these non-financial factors as part of their analysis process to identify material risks and growth opportunities. We are experiencing a significant increase in investor requests for ESG discussions and there is no doubt these factors are becoming more critical to our shareholders. At Sappi, our commitment to sustainability is based on being a trusted, transparent and innovative partner in building a biobased circular economy and we welcome these ESG engagements as opportunities to share our sustainability journey and values.

One of the key challenges we face is that ESG disclosures are not commonly part of mandatory financial reporting and currently there is no standardised approach to the calculation or presentation of different ESG metrics. Various rating firms have developed ESG frameworks which tend to rely on multiple criteria to evaluate each of the individual E, S and G components and provide an overall score for companies. Since most ESG evaluations are based on information that is available in the public domain, the pressure on companies to disclose more and more information is escalating. While we fully support the underlying principles of ESG and the drive for sustainable value creation, we question whether there is a good understanding of the relative merits and limitations of the different metrics. For this reason, we view every opportunity to engage with stakeholders on ESG matters as an opportunity to contexualise our sustainability performance, targets and action plans. We recognise that as an industry that utilises renewable resources, there is both great opportunity and an ethical obligation to reduce adverse impact inherent in our business. Value for Sappi is not only about delivering returns to our shareholders, it is about maximising the value of every resource along our value chain to ensure those returns are sustainable and embedding sustainable business practices and innovation into our overall business. This is the foundation of our Thrive25 strategy.

ON WARDS

When presented with a dandelion, few people can resist the urge to hold the flower and blow at it to see how far the seeds will travel. It's the same when presented with a beautiful coffee table book or an impactful piece of print – there is an almost irresistible urge to pick it up, examine it and touch it. Studies have shown that even the simple act of touching objects, like premium packages, brochures and direct mail, can subconsciously increase the perceived value of a brand and its products in the eyes of customers.

Touch can make a stronger impact than sight or sound alone. That's because touch has the power to shift the brain into a deeper level of engagement, one more conducive to building lasting knowledge. In fact, a number of studies have found that communication through physical media, particularly paper, is more likely to lead to knowledge than communication via digital media.

The haptics of paper and board, together with our need to touch and feel, have created high-growth, cash-generative niche opportunities for Sappi.

We continue to move onwards in terms of paper and paper packaging: Our paperboard packaging product lines are some of the most renowned and valued brands with high-finish premium solutions for cosmetics and perfume, health and beauty care, consumer electronics, confectionery, luxury drinks, food packaging and more. Our packaging brands constitute a great portion of the food packing and labels on shop shelves today. And our graphic papers are used to grab the attention of consumers all over the world.

Risk management

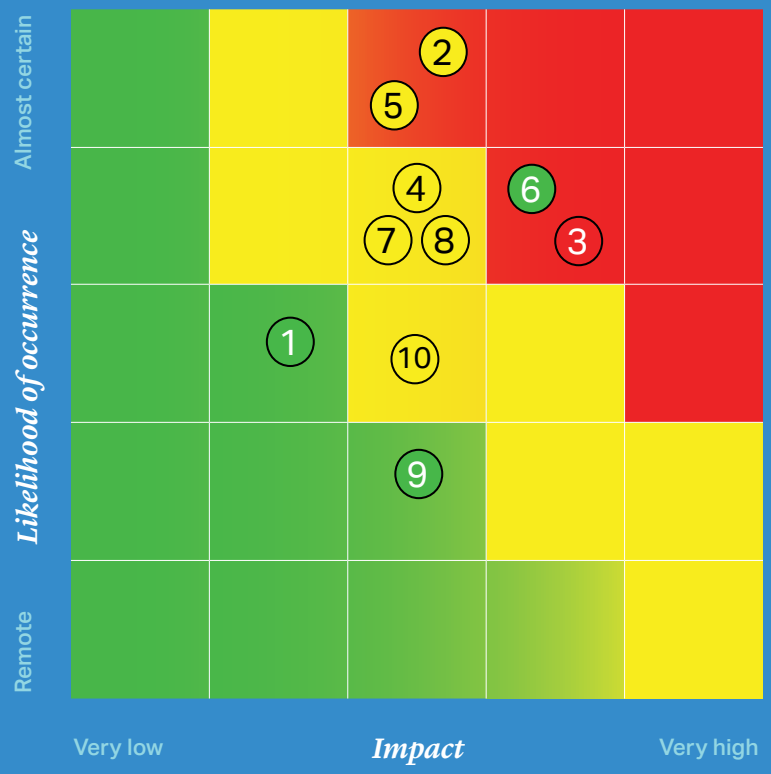
We have an established culture of managing key risks to our business. We believe effective risk management will safeguard the continuity of our operations and contribute to the achievement of our strategic objectives. Therefore, we ensure that our risk management processes are aligned and compatible with our strategy.

Over the years, we have implemented several processes, resources and structures to ensure our risks are managed adequately and efficiently. Among these, we have entrenched safety programmes, internal audit reviews, insurance, information technology (IT) security, compliance and governance processes throughout the group, along with quality management and a range of line management interventions. We are also working to implement the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Group board of directors	Assumes overall responsibility for risk governance
Group Audit and Risk Committee	Mandated to assist the board in carrying out its risk management responsibilities at group level
Line management in each region, business unit and operation	Responsible for implementing regional risk management processes
Group Internal Audit	Provides independent assurance on the risk management process

Risk appetite and tolerance

We have a board-approved framework for risk appetite and tolerance. Risk appetite is the total quantum that Sappi wishes to be exposed to on the basis of risk/return trade-offs for one or more desired and expected outcomes. This is the quantum of risk that the board believes will provide an adequate margin of safety within the group's risk capacity while enabling the achievement of strategic objectives. Risk tolerance is the amount of uncertainty Sappi is prepared to accept. This is the maximum level of loss or reduced earnings that can be absorbed without compromising key objectives, e.g. return on investment.



Strength of current mitigations

- Weak
- Satisfactory
- Good

Top 10 risks

Residual risk ranking

1. Safety
2. Evolving technologies and consumer preferences
3. Supply chain disruption
4. Sustainability expectations
5. Climate change
6. Cyber security
7. Cyclical macro-economic factors
8. Uncertain and evolving regulatory landscape
9. Liquidity
10. Employee relations

For an analysis of the principal financial risks we are exposed to, refer to note 32 to the **Group Annual Financial Statements** on www.sappi.com/annual-reports

Our 2021 **Risk Management Report** provides a detailed discussion of the group's risk factors, and can be accessed on www.sappi.com/annual-reports

Risk management continued

1 Safety

(2020: 1)

Root cause

Due to the nature of our manufacturing facilities and forestry operations, our employees and contractors operate in an inherently dangerous environment. We continue to prioritise their health and safety to ensure the continuity of our business.

Mitigating actions

- Conduct root cause analyses of all major incidents and fatalities
- Drive continuous improvement in safety performance
- Ensure compliance with behaviour-based safety (BBS) principles
- Host regular training sessions
- Approach all transgressions of our safety policies with discipline
- Encourage reporting of near-miss incidents
- External safety reviews

Related material issues

- Ensuring the safety of our employees and contractors
- Engaging more closely with our employees
- Supporting sound labour relations

Thrive25 strategy objectives impacted

3Ps impacted

Capitals impacted

2 Evolving technologies and consumer preferences

(2020: 3)

Root cause

The advent of new technologies has an unavoidable impact on the way we operate. Similarly, changes in consumer preferences driven by emerging trends in advertising, electronic data transmission and storage, the internet and mobile devices, as well as digital alternatives to traditional paper applications, could materially affect the sustainability of our business.

Mitigating actions

- Improve profitability by implementing restructuring and other cost-saving projects
- Enhance productivity
- Drive growth in our higher-margin packaging and speciality paper business
- Leverage our position in the market to capture growth in the dissolving pulp (DP) market

Related material issues

- Procuring responsibly
- Reinforcing Verve (our dissloving pulp brand) as the Fibre of Choice
- Increasing the sustainability of our products by exploring opportunities in adjacent markets
- Developing and commercialising innovations in addition to adjacent businesses
- Sourcing sustainable woodfibre
- Prioritising renewable and clean energy
- Responding to climate change
- Demonstrating agility

Thrive25 strategy objectives impacted

3Ps impacted

Capitals impacted

3 Supply chain disruption

(2020: not ranked)

Root cause

We depend on a reliable and efficient supply chain to deliver products to our customers within a time frame that meets their expectations. A number of factors, many of which are beyond our control, could disrupt the operation of our supply chain and jeopardise our ability to fulfil our customers' orders. These factors include inclement weather, natural disasters, transportation interruptions or inefficiencies, port or traffic congestion, labour shortages or disruptions and oil price increases, as well as unrest and pandemics (such as Covid-19). These could impair our ability to supply our customers or maintain an appropriate logistics chain and levels of production and inventory, all of which could adversely affect our reputation, business, results of operations and financial condition.

Mitigating actions

- Documented business continuity and Covid-19 plans
- Ability to operate via multiple transportation modes
- Operational plans to utilise multiple ports for shipments
- Ongoing communication with key stakeholders, including government
- Alternate modes of shipping
- Fine-tuning internal processes to enhance coordination between departments
- Negotiating longer lead times

Related material issues

- Demonstrating agility
- Responding to climate change
- Procuring responsibly

Thrive25 strategy objectives impacted

3Ps impacted

Capitals impacted

4 Sustainability expectations

(2020: 5)

Root cause

The requirements from stakeholders are changing rapidly, challenging Sappi's ability to keep up to date, exceed or even lead with regard to regulatory, social, product and environmental demands. Our operational impact and environmental footprint need to support and demonstrate our sustainability commitments and actions.

Mitigating actions

- Utilise product certifications
- Enhanced health and safety specifications
- Promote recyclability
- Drive product innovation (including R&D)
- Move fast to secure benefit from the high-value niche opportunities created by the 'paper-for-plastics' movement
- Build on our strong position and commitment to fibre certification
- Communicate our social and environmental credentials through all media channels

Related material issues

- Procuring responsibly
- Increasing the sustainability of our products through circular design and adjacent markets
- Developing and commercialising innovations in addition to adjacent businesses
- Sourcing sustainable woodfibre
- Prioritising renewable and clean energy
- Responding to climate change
- Focusing on water stewardship
- Accelerating circular business models
- Safeguarding and restoring biodiversity

Thrive25 strategy objectives impacted

3Ps impacted

Capitals impacted

Risk management continued

5 Climate change

(2020:9)

Root cause

Climate change will have an unavoidable effect on our business in the form of transitional, reputational and physical impacts. The latter include the frequency and intensity of forest disturbances such as wildfires and extreme storms. This, in turn, could reduce forest productivity and change the distribution of tree species. The impact of climate change on our supply chain, including the availability of raw materials and the wood supply we need for our operations, may adversely impact our business.

Regarding transitional risk, governments around the world are focusing on carbon trading and taxes as a response to climate change and such taxes could impact profitability to an increasing extent in future.

Mitigating actions

- Source pulp and woodfibre from a variety of sources and regions
- Invest in fire, pests and disease prevention protocols in South Africa, as well as site species matching to withstand abnormal weather events and reduce our water footprint in this region
- Formulate a climate change strategy under the auspices of our Task Force on Climate-related Financial Disclosure (TCFD) work
- Sappi Southern Africa has engaged National Treasury via Paper Manufacturers' Association of South Africa (PAMSA) to motivate taking into account carbon sequestration by companies that own their own forests when calculating carbon tax
- Group-wide decarbonisation initiatives are in place

Related material issues

- Increasing the sustainability of our products through circular design and adjacent markets
- Developing and commercialising innovations in addition to adjacent businesses
- Sourcing sustainable woodfibre
- Prioritising renewable and clean energy
- Responding to climate change
- Focusing on water stewardship
- Accelerating circular business models
- Safeguarding and restoring biodiversity

Thrive25 strategy objectives impacted

3Ps impacted

Capitals impacted

6 Cyber security

(2020:10)

Root cause

During the normal course of our business, we make use of our digital platforms to access and transact on confidential customer, employee, financial and commercial information, through our transactional and production systems. We also store, access and share our trade and proprietary information in our databases. These could be vulnerable/susceptible to cyber-attacks.

Mitigating actions

- Mitigate against cyber-attacks and information security breaches through our multi-layered information technology security programme
- Adhere to relevant data protection laws in the jurisdictions where we operate
- Provide relevant cyber security training to all our employees
- Identify the employees susceptible to social engineering and phishing attacks

Related material issue

- Maintaining ethical behaviour and compliance

Thrive25 strategy objectives impacted

3Ps impacted

Capitals impacted

7 Cyclical macro-economic factors

(2020: 2)

Root cause

Our business is impacted by cyclical changes in global economic conditions, including fluctuations in exchange rates, periodic supply and demand imbalances, industry capacity and output levels. Global economic turmoil (including that caused by the Covid-19 pandemic) can lead to significant decreases in sales volumes, as well as pressure on our prices in the markets where we operate. We continue to operate in a highly competitive environment. Consolidation in the pulp and paper industry – leading to larger, more focused companies – has become more prevalent.

Mitigating actions

- Monitor the balance between supply and demand
- Monitor potential impairment of operating assets
- Implement capacity closures as required
- Improve efficiencies and reduce costs across the business
- Enhance customer service, innovation, and efficient manufacturing and logistics processes
- Drive performance to set our businesses apart from competitors
- Increase pulp integration

Related material issues

- Demonstrating agility
- Enhancing efficiency through machine learning and digitisation
- Developing and commercialising innovations in addition to adjacent businesses

Thrive25 strategy objectives impacted

3Ps impacted

Capitals impacted

8 Uncertain and evolving regulatory landscape

(2020: 7)

Root cause

Our business is subject to various regulatory requirements across the regions where we operate, including requirements relating to environmental stewardship, health and safety. Significant changes to applicable laws and regulations – along with instabilities in political, financial and social spheres – could impact our competitiveness and profitability.

Mitigating actions

- Remain up to date on changes to applicable legislation
- Ensure compliance with all relevant laws and legislation
- Report regularly on compliance to the Group Audit and Risk Committee
- Reduce the impact of our operations on the environment, as guided by relevant and recognised programmes
- Invest in initiatives aimed at reducing our air emissions, wastewater discharges and waste generation
- Monitor potential changes in pollution control laws, including greenhouse gas (GHG) emission requirements, and take action accordingly
- Cooperate across regions to apply best practices in sustainability

Related material issue

- Maintaining ethical behaviour and compliance

Thrive25 strategy objectives impacted

3Ps impacted

Capitals impacted

Risk management continued

9 Liquidity

(2020: 4)

Root cause

Our principal sources of liquidity are cash generated from operations and available under our credit facilities, and other debt arrangements. Our ability to generate cash depends mainly on general economic, financial, competitive, market and regulatory factors. Our cash flow from operations may be adversely impacted by a downturn in worldwide economic conditions (including as a result of the effects of the Covid-19 pandemic), which could result in a decline in global demand for our products.

Mitigating actions	Related material issues
• Cost saving initiatives • Re-prioritising various strategic initiatives • Commercial downtime taken to match supply to demand • Deferral of non-critical capex projects • Postponement of scheduled annual maintenance shuts	• Demonstrating agility • Enhancing efficiency through machine learning and digitisation • Developing and commercialising innovations in addition to adjacent businesses

Thrive25 strategy objectives impacted

3Ps impacted

Capitals impacted

10 Employee relations

(2020: 8)

Root cause

The majority of our employees are represented by labour unions and are subject to collective bargaining agreements. These agreements are negotiated and renewed periodically, and any corresponding wage increases or work stoppages could impact our business. The risk of workforce reductions, closures or restructuring remains a reality given the current economic climate.

Mitigating actions	Related material issues
• Interact and engage with union representatives and organised labour regularly • Build constructive work relationships	• Ensuring the safety of our employees and contractors • Engaging more closely with our employees • Supporting sound labour relations • Attracting, developing and retaining key skills

Thrive25 strategy objectives impacted

3Ps impacted

Capitals impacted

Our key relationships

One of the strategic fundamentals of our Thrive25 strategy is to enhance trust.

17 PARTNERSHIPS FOR THE GOALS

This means listening to our stakeholders and responding to their issues and concerns. To do this and to improve our understanding of their needs, we proactively partner with them, challenging the status quo where necessary as we seek to transform the future with innovative, biobased and renewable materials.

- Employees
- Unions
- Customers
- Communities
- Industry bodies, related memberships and organised business
- Shareholders, bondholders and banks
- Suppliers and contractors
- Government and regulatory bodies
- Civil society and media

Our overarching aim is to collaborate with our stakeholders to make all processes and materials more sustainable and also to leverage cutting-edge thinking that will help them become more successful and contribute to a thriving world.

The challenges facing the creation of a thriving world necessitate decisive action. In partnership with our stakeholders, we are thinking and acting more boldly than ever before to come up with real-world solutions to a broad range of challenges.

We establish and maintain proactive dialogue with all our stakeholders. In doing so, we recognise that stakeholder needs are dynamic and that we need to be responsive to the evolving stakeholder landscape. In addition to responsiveness, our approach to engagement is based on the principles of inclusivity, materiality, relevance and completeness.

We assess the quality of our relationships both informally, as set out on the following pages and formally – through regular employee and customer surveys, community forums and Poverty Greenlight in South Africa.

Our stakeholder work is aligned to the governance framework of King IV Code on Corporate Governance (King IV) namely performance and value creation, adequate and effective controls and trust, as well as reputation, legitimacy and ethics. Our membership of the United Nations Global Compact (UNCG) provides further guidance to our stakeholder approach.

Trust is not possible without an ethical culture underpinning our everyday activities, which is why we train our employees, customers and suppliers on our Code of Ethics and also promote awareness of the Sappi Hotlines in each region which allow all stakeholders to report breaches of the Code in full confidentiality without fear of reprisal.

We regularly review our activities with regard to the Organisation for Economic Co-operation and Development (OECD) Anti-Bribery Convention and the Convention's 2009 Anti-Bribery Recommendation, particularly Section VII of the OECD Guidelines for Multinational Enterprises dealing with Combating Bribery, Bribe Solicitation and Extortion. No issues have been raised regarding Sappi with regards to compliance with the Convention and Guidelines either externally or internally.

Read more: **Maintaining ethical behaviour and compliance on page 71**.

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Employees

Self-assessment of quality of relationship: **Good**

Why we engage

As we take Sappi into the future based on the clear roadmap entrenched in our Thrive25 strategy, our task is to help our people understand the plan and clear their path to success. Our aim is to unlock the wide-ranging, significant expertise of our people today and tomorrow. In doing so, we secure our exciting future in woodfibre as a business that provides relevant solutions, delivers enhanced value and is a trusted partner to all our stakeholders.

Shared priorities

Constructive action with regard to Covid-19

Our response

As the pandemic and associated lockdown dragged on, we continued to facilitate remote working and a staggered return to our sites. Covid-19 information hubs continued to support our staff, customers and their families, focusing specifically on vaccination-related topics.

Read more on page 64 under **Our operating context**

Shared priorities

Focused wellness and wellbeing

Our response

- **Wellbeing and wellness programmes** are tailored to the needs of each region.
- In SSA, our **HIV/Aids programme** provides support for employees and contractors. In this region, we also work with government in terms of community health programmes.

Shared priorities

Involvement in safety

Our response

- For the second year running, the theme for Global Safety Awareness week was *'I Value Life'*. In the light of the Covid-19 pandemic, virtual webinars and e-media were used to convey safety messages to our people.
- Involving our people in health and safety is part of our collaborative approach to doing business. 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.
  - In **SEU,** formal health and safety committees are in place at different levels of the business in line with statutory requirements. All employees are represented by the safety committees.
  - In **SNA**, all unions have the opportunity to participate in joint management/worker safety committees.
  - In **SSA**, (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.
  - **Sappi Trading** does not have formal joint management worker health and safety committees due to the small size of the offices, but there are appointed safety officers.

Read more about safety: **Ensuring the safety of our employees and contractors on page 80.**

Shared priorities

Effective recognition programmes

Our response

Our recognition programmes include:

Sappi Limited
- Technical Innovation Awards
- CEO Award for Excellence

SEU
- Annual Coryphaena Award

SNA
- TOUTS Recognition Awards – in FY2021 employees generated over 2,400 TOUTS
- Periodic regional President's Awards

SSA
- Excellence in Achievement Awards
- Annual safety awards
- Annual regional CEO Awards

Sappi Trading
- SMART Awards

Our key relationships continued

Employees continued

Shared priorities

Connection with Sappi's strategic goals and high levels of engagement

Our response

We conduct engagement surveys every second year, with the most recent taking place this year. In 2021 we selected a new survey provider. Their service offering includes a much-improved participant experience, significant granularity in reporting as well as fast turnaround times in obtaining the results. The timespan for results reduced from three months to one month. In addition, the engagement categories in the new survey are more defined and specific than in the previous survey.

Read more: **Engaging more closely with our employees on page 82.**

Shared priorities

Training and development that benefits Sappi and our employees

Our response

Globally, each employee benefited from 48.3 hours of training. Training spend per region was: SEU: US$473, SNA: US$238, SSA: US$671, Sappi Trading: US$504.

SEU

- The Leadership Talent Strategy and Sappi Leadership Academy develop a leadership pipeline.
- The Apprenticeship Programme and Graduate Trainee Programme source talent.

SNA

- Education programmes are supported at targeted colleges and universities as are programmes to encourage study in fields relevant to our operations, including scholarship programmes and internships.
- We provide support for the University of Minnesota Sustainable Forests Education Cooperative which offers continuing education opportunities to forestry and natural resource professionals in a broad range of fields.
- Sappi Learning, a Cornerstone-based system, is a training and development tool offering new ways of engaging employees in personal development planning, with access to a whole library of online training content, including Udemy training modules.

SSA

- The Sappi Leadership Academy prepares future leaders.
- Apprenticeships, Engineers in Training and Foresters in Training programmes build our human capital for the future.
- The Regional Employment Equity and Learning Committee ensures that we meet our legislative obligation to consult as placed on us by the Employment Equity Act and Skills Development Act. The committee meets at least twice a year.

Shared priorities

Encourage employee volunteerism through initiatives

Our response

SEU: Support of various local education, cultural and environmental projects based on annual requests and identified needs.

SNA: Through the Employee Ideas that Matter initiative, we provide grants to employees to benefit non-profit organisations they are most passionate about. The winners share US$25,000 in corporate giving to support their selected causes.

SSA: Employee wellbeing committees at each mill support local community projects as well as Mandela Day.

Shared priorities

Understanding of Sappi's commitment to sustainability which underpins our strategy

Our response

Globally, targeted internal publications and social media campaigns linked to global days like Global Ethics Day, World Environment Day (https://www.youtube.com/watch?v=Bx7EQuoX8OM) and the International Day of Biodiversity (https://www.youtube.com/watch?v=JNyMmRRPJMc) enhance understanding of the sustainability landscape in general as well as our actions to ensure that we play an active role in driving responsibility within this landscape, in particular.

SEU has established the **Blue Couch** series, featuring video interviews on new products, innovations, sustainability and more.

SNA runs an active **Sustainability Ambassador** programme which promotes understanding and awareness of sustainability-related issues.

SSA continues to operate **Ask Alex**, an initiative whereby employees can pose questions to our CEO.

Opportunities for value creation

- Alignment with our strategic direction enables our people to contribute more positively to the business as well as their personal and career development
- By building our human capital base, we establish a base of technical skills needed both by Sappi and by the industry
- A diverse workforce enhances our ability to service global markets and promotes a culture of inclusivity
- An increased commitment to safety delivers benefits at personal, team and operational levels
- By establishing an ethical culture where corporate citizenship is promoted, we ensure the ongoing viability of our business, enhance reputation and become an employer of choice

Challenges for value creation

- Recruitment and retention of key skills
- Loss of institutional memory as older employees retire

CASE STUDY

Supporting communities on Mandela Day

Sappi Southern Africa rallies to the call to #ServeLikeMadiba in July every year by encouraging our staff to give generously of their time in the week around former President Nelson Mandela's birthday. In 2021 we adjusted our activities due to the realities of Covid-19 restrictions and the impact of social unrest.

One of our biggest beneficiaries this year was the Nelson Mandela Children's Hospital – the first dedicated children's hospital in Gauteng – which received a donation of branded blankets, Typek A4 paper, and hand sanitiser. They responded by saying: *"Thank you Sappi for #servinglikemadiba by donating two years' worth of paper! Together with sanitiser, blankets and water for the children at our Nelson Mandela Children's Hospital."*

Staying in Gauteng, our head office staff partnered with the Helen Joseph Hospital, a teaching hospital affiliated with the University of Witwatersrand's Medical School, to donate a much-needed specialised fridge for storing Covid-19 vaccines and other medication at the optimum temperature. They commented: *"The shortening of time saved in rushing to and from other areas to fetch medication will help all patients facing an emergency and will keep our medication requiring refrigeration safe and effective."*

In KwaZulu-Natal (KZN), our Sappi Forests personnel donated 90 packs of baby nappies to the Salvation Army's Joseph Baynes Children's Home in Pietermaritzburg. The staff who received these were delighted and commented: *"Christmas came early for us this year! When you have 30 children aged under two you use a lot of nappies every day. Your generous donation was just so amazing and will go a long way to keep our little ones dry and comfortable. We thank you for blessing us with this kind donation. In the uncertain times we live, people like you make our jobs just so much easier."*

Elsewhere in KZN, several of our neighbouring forestry communities in the KZN Midlands were supplied essential nutritional porridge packs.

Sappi Forests joined forces with Savithi Trading Company, one of its contractor partners to distribute 1,500 kg of porridge. A further 3,000 kg of the porridge was distributed by our teams of foresters and community relations personnel, who worked closely with the Department of Social Development to identify and distribute the porridge to the child-headed households in our operational areas near KwaMbonambi, inland near Ixopo and Bulwer and in the vicinity of Greytown and surrounds.

In the communities of Umkomaas, Mandeni and Stanger surrounding our three mills in KZN, our employees contributed to food parcels which were distributed by local NGOs to people who had been affected with food shortage, exacerbated by the disruption of supply chains resulting from the unrest. Donations were also made by staff from around the country to assist communities who had been left destitute by the civil unrest.

At our Mpumalanga operations, we teamed up with members of the Ngodwana Integrated Community Forum and arranged an Early Childhood Development (ECD) Outreach programme, donating blankets and goodie bags to the children of Empilweni Day Care and Woodhouse Day Care centres. In Barberton, the children at the St John's Care Centre each received a care parcel containing toiletries and a soft toy, while the Centre received Typek office paper, as did the nine Penreach ECDs that we support in the Emjindini Township.

Our key relationships continued

Unions

Self-assessment of quality of relationship: **Fair**

Why we engage

In 2021, globally, 56.43% of our workforce was unionised, with 71.53% belonging to a bargaining unit. A workplace where people feel they have been heard and in which they can make a meaningful contribution, promotes productivity and stability. Accordingly, it makes sound business sense to maintain constructive relationships with our employees and their representatives. We do so in a spirit of mutual respect and understanding.

Shared priorities

Freedom of association, collective bargaining and disciplined behaviour

Our response

Sappi endorses the principles of fair labour practice as entrenched in the **United Nations Global Compact and Universal Declaration of Human Rights**. At a minimum, we conform to and often exceed labour legislation requirements in countries in which we operate. Protecting the right to freedom of association and collective bargaining is fundamental to the manner in which we do business. We engage extensively with representative trade unions. Discussions range from remuneration issues, to training and development, health and safety and organisational changes.

Given the complex labour situation in South Africa, we have established a number of structures to enhance ongoing positive engagement with union leadership. This is facilitated by structures such as the **National Partnership Forum** which includes senior members of management and senior union leaders who hold regular meetings where business, safety and union challenges are discussed.

Disciplined behaviour is essential for individual wellbeing, and to achieve our group goals and objectives. In each region, disciplinary codes ensure appropriate 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.

Read more: **Supporting sound labour relations** page 83.

UNGC Principle 3: Businesses should uphold freedom of association and the effective recognition of the right to collective bargaining.

Shared priorities

Safety and wellness initiatives

Our response

The health and safety committees at all our operations provide a forum for consultation about the development/review of policies and procedures and changes that affect workplace safety or health. Wellness programmes include fitness and medical screening programmes, as well as psychological and financial support.

Shared priorities

Remuneration, working hours and other conditions of service

Our response

Our labour standards ensure that our remuneration practices are fair, with compensation levels set to reflect competitive market practices and internal equity as well as company and individual performance. In rural areas, forest products companies like Sappi are often the only, or major, employers which makes the local population very dependent on the company and which could, in turn, lead to exploitative behaviour and an indirect form of forced labour. Against this backdrop, in all three regions, labour is sourced on the open market, we pay market-related wages in line with or above local legislation and ensure that working hours are fair.

UNGC Principle 4: The elimination of all forms of forced and compulsory labour.

Shared priorities

Resolving grievances, engaging on strategy

Our response

- Well-established grievance channels, disciplinary procedures and whistleblower protocols provide a non-retributory framework.
- We regularly engage with unions on economic conditions, market dynamics and growth plans.

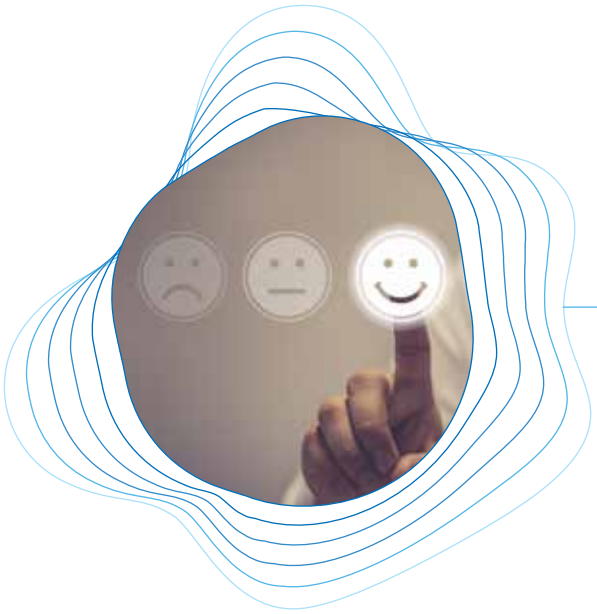
Opportunities for value creation

- Good employee/management relations enable us to resolve new and difficult labour issues as they develop.
- When employees understand strategic direction and operating context, they are more likely to be more committed to Sappi, leading to a more stable labour force and higher levels of productivity.

Challenges for value creation

- Multi-union landscapes, particularly in North America and South Africa, add to complexities in the labour environment.
- Unrealistic expectations about wages increases, particularly in light of the ongoing Covid-19 pandemic.

Our key relationships continued



Customers

Self-assessment of quality of relationships: **Excellent**

Why we engage

The more closely we engage and collaborate with our customers, the more likely we are to understand and respond to their evolving needs by offering relevant solutions in the form of sustainable, practical products and services. This partnership approach builds the loyalty and long-term relationships that enable us to thrive.

Through our continued focus on innovating paper and packaging solutions, pulp and biomaterials, we remain committed to partnerships with customers who are increasingly focused on the social and environmental credentials of our products. Survey after survey confirms that consumers want to be greener in their purchasing decisions. We are committed to having a positive impact across the entire value chain by embracing the circular economy, and using sustainable materials based on certified wood and replacing fossil-based chemistry. We are also committed to working on new technologies that support transformation in Sappi and across our value chain partners to reduce CO_2 emissions and contribute to the UN SDGs.

Shared priorities

Enhanced service levels

Our response

In SEU, we entered into **a partnership with Shippeo** which offers 'predictive visibility' of supply chain transportation. This enhances the customer experience by providing a reliable estimate of when an order will arrive with the customer as well as a faster response to customer inquiries on goods in transit. Proactive sharing of the live delivery status with customers ensures early warnings are given on potential delivery delays.

This move enables us to measure and manage carrier performance in real-time, as well as benefit from faster and more efficient information exchange and communication between customer service, logistics and carrier teams. Insights drawn from resulting data also help to drive continuous improvement of operational processes.

Shared priorities

New or enhanced products that meet rapidly changing market demand

Our response

R&D
Consumers have become increasingly aware of social and environmental issues and are looking to us for help in this regard. Against this backdrop, our Innovation and Sustainability department enables us to put sustainability at the heart of everything we produce, enhances our understanding of our customers' current and future needs and means we can meet and anticipate those needs.

Where relevant, we will conduct R&D and develop products to suit customers' specific needs.

Read more: **Developing and commercialising innovations in addition to adjacent businesses, on page 78.**

Verve
We partnered with Birla Cellulose, one of the leading viscose manufacturers in the textile value chain, to provide a forest-to-garment traceability solution for 22 global brand owners.

We are also an advisory partner in the development of the Textile Exchange biodiversity module.

Read more: **Reinforcing Verve as the Fibre of Choice, on page 74.**

Biotech
We achieved commercialisation of Symbio, our biocomposite product, and are moving ahead with our furfural plant at Saiccor Mill.

Casting and release
Ultracast Viva® release paper won the Green Product Award 2021 jury prize in the fashion category. This award programme recognises companies and start-ups that have distinguished themselves by their sustainable practices and product results.

Ultracast Viva is a first-of-its-kind product made specifically for high-fidelity PVC, PU, semi-PU and solvent-free casting systems that are used in the manufacturing of coated fabrics.

Shared priorities

Information and campaigns to promote print as a communication medium and encourage the use of packaging

Our response

- We continue to participate in industry initiatives like TwoSides.
- We also participate in a number of tradeshows including:
  - Luxe Pack in Monaco where we showcased our high-quality paperboard product Algro Design and our new, upmarket Fusion Nature Plus virgin fibre liner.
  - FachPack in Germany where we presented our innovative high-barrier papers with integrated heat-sealing capability, together with an uncoated, bright white virgin-fibre liner for corrugated board applications and paper carrier bags, a non-wet-strength, wet-glue label paper and new papers in the flexible packaging sector.

SEU

- Shortly after year end, for the second year running, Sappi will be joining other leading organisations and brands to sponsor a Europe-wide hackathon bringing together small teams of start-ups, scale-ups, industry enthusiasts and students to brainstorm innovative solutions to issues facing the graphic papers sector. This year's hackathon will tackle multiple challenges in six main categories exploring the overall theme: "The graphic communication enterprise of the future. How to future-proof our industry?"

SNA

- Launched a Sustainable Alternatives Campaign that included a video, a new addition to Sappi's website and social posts demonstrating how Sappi is partnering with other businesses to be pioneers in more sustainable alternatives. The campaign shows the many ways we can enable brands and businesses to meet their sustainability promises by committing to using renewable resource-based materials in their products and packaging. **Details can be found at sappi.com/promise.**
- Hosted a series of webinars designed to promote the intersection between print and packaging with digital marketing. Topics included the persuasive role of packaging, direct mail and how interactivity, customisation and innovative printing technologies and special effects leverage the unique power of print to expand brand presence, grow sales, and build a bridge between online and offline marketing.

Opportunities for value creation

- Meet customer needs for products with an enhanced environmental profile
- Innovate to align with evolving market trends
- Increase awareness of the importance of sustainability
- Promote our customers' own sustainability journeys
- Keep abreast of market developments
- Showcase our products and promote the Sappi brand.

Challenges for value creation

- Confusion about responsible forest management and the sustainable commercial use of forests and plantations with deforestation and lack of understanding about the manner in which the forests and plantations from which we source woodfibre help mitigate global warming
- Promoting understanding of decarbonisation across the value chain.

Shared priorities

Information about the fibre sourcing and production processes behind our brands

Our response

- Customers generally approach us for information about the fibre sourcing and production processes behind our brands, including carbon footprint. In response to these requests, in all regions we compile wood origin declarations and publish Paper Profiles or similar data and information sheets for our papers. We also respond to many questionnaires from our customers including on our CO_2 reduction plans and performance. In **SNA**, we hold Customer Council meetings and have developed our own eQ GHG emissions calculator that quantifies the amount of emissions associated with a customer order and how those emissions compare against the industry average.
- We also publish fibre sourcing declarations on sappi.com for all mills.
- At the request of our customers, in all three regions, we participate in EcoVadis and hold a platinum rating for all three regions.
- Regions also engage with suppliers through sustainability summits and individual meetings.
- We also publish FAQs covering topics like climate change, as well as forest and energy certification.

Shared priorities

Technical information

Our response

SEU

- A series of technical brochures is available on our website sappipapers.com/resources/technical-brochures
- The Sappi&You online knowledge platform for graphic papers
- The PSP site to provide targeted information on packaging and speciality papers (www.sappi-psp.com)
- The graphic papers site provides targeted information on paper and print-based communication (www.sappipapers.com)

SNA

- The POP site is aimed at marketers, creatives, designers and printers looking to innovate in their categories (www.sappipops.com)
- Sappi etc is an educational platform for designers and printers (www.sappi.com/sappietc)

SSA

- Our paper and paper pulp product offerings are supported by strong technical teams at each mill and the technology centre in Tshwane

Our key relationships continued

CASE STUDY

Digital and paper: a powerful combination

Printed electronics are decidedly on the move. Radio-frequency identification (RFID) is no longer a niche technology. It is already being used to great effect in many areas of everyday life: in our passports, ID cards and travel cards, clothes, library books and much more.

The vast scale and intricacy of the RFID market also offers new opportunities for the printing industry. With this in mind, ISBC, an international company focused on the development of unique RFID and Internet of Things (IoT) products has developed and presented to the market an innovative product: ISBC® RFID Paper.

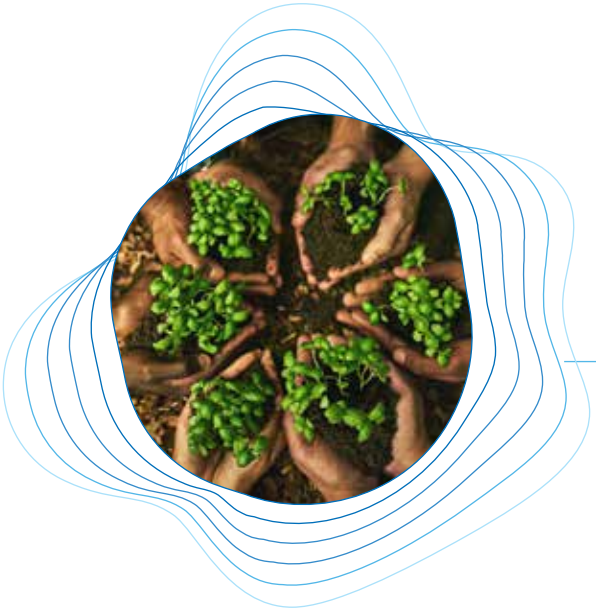
The product is sheet-fed and made with Sappi's 100% fibre-based Swiss Matt speciality paper, used mostly as an inkjet paper for large-format printing. RFID chips are embedded into the paper sheets causing no effect over the paper surface which remains flat and smooth.

Opportunities for value creation

- Enhanced licence to operate and thrive
- Promoting socio-economic development which could, in the long term, lead to increased demand for our products
- Initiation of real social mobilisation and change for the better
- Closer integration with local development plans from the authorities.

Challenges for value creation

- Community expectations for jobs and service delivery.



Communities

Self-assessment of quality of relationships: **Fair to good and steadily improving**

Why we engage

Recognising that we are part of the communities beyond our fence lines and that their prosperity and wellbeing are linked to our own, we strive to make a purpose-driven, meaningful contribution towards the wellbeing and development of our neighbouring communities. We work to create positive social impact by jointly identifying and leveraging opportunities, thereby demonstrating our commitment to transparency and collaboration.

Community engagement meetings take various formats in 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 that form part of the licensing conditions of mills. In South Africa, there are local farmer and community forums related to our forestry communities.

In response to the Covid-19 pandemic, we refocused our response to and investment in the communities close to our areas of operation.

Shared priorities

Community support including employment, job creation, business opportunities, economic and social impacts/contributions and community support

Our response

SEU

- Employees are encouraged to nominate and participate in local community projects and events.
- At a local community level, our focus is to add to the wellbeing, safety and health of our communities. We support various local schools, sports and hobby clubs, forest products industry students, local safety and environmental organisations and local charities.

SNA

- Each site has a group focusing on community connections to channel local support.
- Education programmes are supported at targeted colleges and universities as are programmes to encourage study in fields relevant to our operations.
- We provide financial support to several non-profit conservation organisations to support regional biologist positions, landowner and community outreach activities, advocacy efforts, etc. Examples include funding and in-kind support for elementary and secondary school field days, community forestry workshops, landowner outreach projects in cooperation with state agencies and industry associations, billboards promoting Sappi's private lands forestry programme and private landowner management assistance.
- The Idea that Matter (ITM) programme continues to recognise and support designers who support good causes. Since 1999 the programme has funded over 500 non-profit projects and has contributed nearly US$14 million to a wide range of causes around the world that use design as a positive force in society. Given our focus during the past year on responding to the Coronavirus pandemic, the ITM programme was suspended. It has been reformatted and relaunched for 2022 to align with the UN SDGs encouraging applicants to use design to address global challenges.
- The Employee Ideas that Matter programme provides direct funding to the non-profit organisations about which our employees are most passionate.

SSA

- Community support has been bolstered by the creation of a dedicated multi-disciplinary team comprising the Enterprise and Supplier Development (ESD) team, the Human Resources team and the Corporate Citizenship team. This structure has been rolled out at each mill site and is referred to as the Community Management Committee (CMC). The purpose of the CMC is to identify shared value opportunities which help identify and support local entrepreneurs as well as to promote the sourcing of goods and services from local suppliers where possible. The CMC also report on the employment of locals and ensures investment in communities addresses specific needs. The CMC at all times aims to collaborate with government, NGOs and the private sector for scale.
- Given South Africa's significant development needs, the bulk of community support is allocated to this region. Support is directed to education, environment and socio-economic development, based on helping communities help themselves. Initiatives include:
  - Sappi Khulisa, our enterprise development scheme for emerging timber farmers
  - The Abashintshi Youth programme
  - Education throughout the education value chain, including ECD; Khulisa Ulwazi, our training centres for small growers and two training centres for local unemployed youth at the Saiccor and Ngodwana Mills
  - Support for local tourism through our mountain-biking and trail running sponsorships and promoting recreational riding on Sappi land.

Read more about our ESD work in particular: **Creating a positive social impact with communities, on page 86**.

Our key relationships continued

CASE STUDY

Collaborating to support the endangered Pepper-bark tree

Our operations are deeply seated within the traditional communities of South Africa and we are committed to developing and improving the resilience of the communities and environment in which we operate. One such example is the partnership between our Shaw Forestry Research Centre and local research institutes to restore the endangered Pepper-bark tree *(Warburgia Salutaris)* which is widely used in traditional medicine for primary health needs like the common cold. This tree is endangered due to unsustainable bark harvesting. The Pepper-bark tree was previously widespread but is currently found growing in small pockets in nature reserves and is under constant surveillance. It was a challenge to cultivate this species due to a pest that damages the seed and due to the presence of aromatic oils in the cuttings.

In 2014, we joined a project, launched by SANParks, the Agricultural Research Council and South African National Biodiversity Institute (SANBI) and used in-house skills in cutting production to propagate the Pepper-bark tree. The project has been a major success with Sappi also assisting in the distribution of approximately 40,000 Pepper-bark seedlings and cuttings to rural communities, at no cost. The financial impact of the project is intangible but invaluable: the programme of work has led to the discovery that the Pepper-bark tree can be harvested sustainably as the medicinal properties of the highly prized bark is also abundant in the twigs and leaves. This has led to an educational outreach programme with traditional healers and community members. A working group partnership has also established a gene bank and seed orchards and will coordinate the Pepper-bark conservation project.

Sappi has also provided the Pepper-bark trees to neighbouring countries, like eSwatini via the eSwatini Traditional Healers Association and to Zimbabwe in partnership with Botanic Gardens Conservation International. Due to the success of the programme, the South African government has asked Sappi to consider adopting further endangered species for re-establishment.

Industry bodies, related memberships and organised business

Self-assessment of quality of relationships: **Good**

Why we engage

We engage with industry bodies and business believing that together, we are better equipped to meet the needs of a growing and changing society. Our focus is on using our expertise and our networks to help create a more sustainable future. Accordingly, we partner with industry and business bodies to provide input on issues and regulations that affect and are relevant to our businesses and industries. We also support and partner with industry initiatives aimed at promoting the use of our products and the overall sustainability of our industry. One of our longest relationships is with the UNGC, to which we have been a signatory since 2008. We work to implement the UNGC's 10 principles, all of which align with the UN SDGs. Under our Thrive25 strategy which emphasises partnership and collaboration we have been focusing more intensively on working closely and more often with those who share both our values and commitment to our industry.

Shared priorities

Decarbonisation and net zero

Our response

In FY2021, we continued our work on the **Science Based Targets initiative (SBTi)** in line with our group-wide decarbonisation strategy and expect our science-based targets to be approved by the SBTi in FY2022.

We also became a project member of the **WBCSD Forest Solutions Group's Forest sector net zero roadmap project** (July 2021-July 2022).

In **SNA**, we renewed our commitment to the **SmartWay® Transport Partnership**, an innovative collaboration between the U.S. Environmental Protection Agency and industry. The partnership provides a framework to assess the environmental and energy efficiency of goods movement supply chains and benchmark overall performance.

Shared priorities

Biodiversity

Our response

In 2021, we joined the **Circular Bioeconomy Alliance (CBA)**, a new global movement which puts nature at the heart of the global circular bioeconomy. Established by His Royal Highness the Prince of Wales under his Sustainable Markets Initiative in 2020, the CBA connects the dots between investors, companies, local communities, governmental and non-governmental organisations to advance the circular bioeconomy – while also restoring biodiversity.

At this stage, the focus on biodiversity in the textile industry – as with many others – is nascent. The **Textile Exchange** has developed a biodiversity module and associated Index to prepare the fashion industry for action. Sappi was an advisory partner in the module development. The module is going through an initial pilot phase to track the level of engagement and effort that companies are starting to make in terms of biodiversity. The biodiversity module will support and develop alongside the science-based targets network in order to reinforce consistency in language, frameworks and measurements. Additionally, use of this module and its future iterations will help companies prepare for stakeholder (including investor) questions around nature-related risk.

In **SNA** we have conducted **training for wood procurement teams** on biodiversity involving local, state and regional experts from state government agencies.

In **SSA** we have seven declared **nature reserves** on our landholdings in the Mpumalanga and KwaZulu-Natal provinces. These proclaimed nature reserves are part of South Africa's Biodiversity Stewardship Programme managed by the SANBI and are based on partnerships between landowners, provincial conservation authorities and NGOs, in order to secure biodiversity. The sites are declared where important biodiversity or ecosystem services have been identified.

Industry bodies, related memberships and organised business continued

Shared priorities

Issues that affect the sustainability of our industry and initiatives that promote sustainability, awareness and understanding

Our response

Global

As a member of the Sustainable Apparel Coalition (SAC), we have contributed both data and resources to support the **Higg Index**, which measures sustainability performance and drives supply chain transparency and decision-making to improve efficiency and sustainability impact. Our Cloquet Mill in North America was assessed for environmental issues in FY2020 and Saiccor Mill in South Africa conducted a self-assessment for social issues in FY2021. Both mills achieved good scores.

SEU

We continued our active participation in the **4Evergreen Alliance** which we joined last year. Membership is now at 80 organisations and includes a growing number of brand owners and fast-moving consumer goods companies. A strategy taskforce is working to shape the workplan for 2022 and beyond. The Circularity by Design Guidelines have been drafted and will likely be the first technical output from the alliance to be published.

The Forests Dialogue (TFD) leads multi-stakeholder dialogue processes among key stakeholders, to overcome conflict and spur collaborative action on the highest priority issues facing the world's forests. TFD convened a series of dialogues on Climate Positive Forest Products during 2021.

SNA

We host supplier sustainability summits to discuss issues related to sustainability and we hold numerous one-on-one meetings with suppliers to discuss specific issues related to sustainability.

Shared priorities

Regulatory issues

Our response

Global

There is growing interest in determining how biogenic emissions are reported throughout the value chain. We are actively involved in one of the GHG protocols' working groups to contribute to the formulation of the **GHG Protocol on Land Sector and Removals Guidance**.

SEU

The **EU Taxonomy** is a classification system providing definitions on which economic activities can be considered environmentally sustainable and which will shape sustainable finance in the future. A series of documents containing proposed criteria for different Industrial activities were open for public consultation, including the draft forestry criteria, as well as criteria for manufacturing of food products and beverages, including food packaging. Together with other industry members, we provided comment.

We provided input during the formation of the **EU Single Use Plastic Guidelines** and continue to engage on the **EU Forests** strategy.

SNA

We continue to provide **Lacey Act** training for staff and have improved our documentation regarding fibre sourcing declarations.

In the USA, **Extended Producer Responsibility (EPR)** legislative activity focuses on packaging materials. The biggest impact of such legislation is likely to be increased costs to our customers and possible mandates for greater recycled content which could disadvantage and add costs to Sappi products. As both our Somerset and Westbrook Mills are located in the State of Maine, we will continue to monitor the Maine regulatory development process and engage as draft proposals emerge, presently slated for late 2022. We are also actively participating with our trade association, American Forests and Paper Association, in steering their positions to be one that seeks to participate in the regulatory development process.

SSA

The SA Government launched its **EPR** programme during 2021. It outlines a new approach to waste management for paper, packaging and some single use products, lighting and electrical and electronic equipment. The aim is to divert waste from landfills and increase recovery, recycling and reuse of materials. Sappi is a member of the Fibre Circle, the producer responsibility organisation created for the South Africa paper and paper packaging sector.

Shared priorities

Enhanced forestry management

Our response

SNA

We continued our ongoing participation in **Emerald Ash Borer surveys** and other pest /pathogen/invasive species quarantines and studies.

We continued to monitor the **FSC-US Forest Management Standard Revisions**. We have been engaging with land managers, industry associations, peer companies, customers and FSC to raise awareness and concern regarding these changes during the review and commenting periods.

Sappi chaired the **National Fibre Sourcing Standards Revision Taskgroup of the Sustainable Forestry Initiative® (SFI®)**.

We continue to work closely with private land owners through our **stumpage programme**.

SSA

A milestone was reached when we were awarded the first-ever **Programme for the Endorsement of Forest Certification (PEFC)** forest management certificate in the country. The certification will now enable Sappi to offer PEFC-certified wood from its plantations in South Africa, giving further assurance to Sappi's local and global customers that the wood raw material originates from responsibly managed forests. This is in addition to the longstanding certification that Sappi holds for its 394,000 hectares with the Forest Stewardship Council (FSC).

Sappi Forests is involved in an initiative to make **DNA fingerprinting technology** (developed through collaboration with the Forest Molecular Genetics programme) available to small growers and farmers. This will allow growers to determine clonal identity of their material obtained from Sappi nurseries and will be provided through government funding. This is an example of providing access to technology developed through Sappi input and funding together with other South African companies.

In conjunction with the University of Pretoria, Sappi Forests conducted a pilot study to determine if **Near Infrared Reflection Analysis** could be used to classify susceptible eucalypt hybrids against the pathogen *Chrysoporthe austroafricana*, a fungal pathogen that causes the development of stem cankers on susceptible trees. The next step will be to verify the model independently and then deploy it operationally. It will be a useful tool to identify hybrids to maintain high purity in nurseries rapidly and cost-effectively.

Shared priorities

Combatting deforestation

Our response

We believe that creating value in standing forests is one of the best ways to combat deforestation in the long term. Engagement with participants along the supply chain from the forests to the customers is active, and Sappi advocates for the importance of sustainable forest management practices, and forest certification as assurance of the supply chain integrity. We are an active member of **FSC International's Northern and Southern economic chambers** and we are a **PEFC International Stakeholder member**. We participate to promote and expand forest certification and to ensure that the systems continuously develop themselves to sustain the integrity and robustness of certified supply chains.

We support the recent initiatives of the EU to propose new measures to minimise risks of products causing deforestation to enter the EU market, and share the view that such measures should focus on the real drivers of commodity-induced deforestation, namely conversion of forests to agricultural land.

Shared priorities

Ensuring the integrity of natural resources like water

Our response

Sappi Southern Africa has partnered with **WWF South Africa** to proactively manage water resources in the uMkhomazi catchment in which our Saiccor Mill is situated. A key component of the partnership is multi-stakeholder engagement in the catchment. The project has four focus areas, namely:

- Improved water governance through multi-stakeholder engagement
- Enhanced estuary management and downstream water-use efficiency
- Alien invasive clearing and wetland rehabilitation
- Capacity development of local communities in natural resource management.

Opportunities for value creation

- Address complex topics
- Develop sustainable, transparent supply chains
- Maintain and expand markets for our products
- Enhance understanding of our social and environmental credentials
- Influence policy and regulations
- Promote dialogue.

Challenges for value creation

- High costs and allocation of human resources required for certain industry memberships.

Our key relationships continued

Industry bodies, related memberships and organised business continued

Our membership of industry associations

Sappi Limited
- Business Leadership South Africa
- Cambridge Institute for Sustainability Leadership
- CEO Initiative (South Africa)
- CBA
- Ethics Institute (South Africa)
- International Stakeholder member of the Programme for the Endorsement of Forest Certification (PEFC)[1]
- Technical Association of the Pulp and Paper Industry
- Paris Pledge for Action
- SAC
- Textile Exchange
- UNGC
- WBCSD Forest Solutions Group's Forest sector net zero roadmap initiative (project member)

SEU
- Biobased Industries Consortium
- BioChem Europe
- CELAB: Towards a Circular Economy for Labels
- CEFLEX: A circular economy for flexible packaging
- Ligninclub
- 4Evergreen Alliance
- Confederation of European Paper Industries
- Eurograph
- European Joint Undertaking on Biobased Industries
- Print Power
- The Alliance of Energy-Intensive Industries
- The Forests Dialogue

SNA
- Alliance for Pulp & Paper Technology Innovation
- American BioFuels Association
- American Forests and Paper Association (AF&PA)
- Dovetail Partners
- Forests in Focus
- Forest Products Working Group
- Forest Stewardship Council (FSC)
- Paper and Paper Packaging Board
- Sustainable Packaging Coalition
- SFI
- University of Maine Paper Surface Science Consortia
- University of Minnesota Sustainable Forests Education Cooperative

SSA
- Birdlife SA
- Business Unity South Africa
- Fibre Processing and Manufacturing Skills Education and Training Authority
- Forestry South Africa
- Forest Stewardship Council (FSC)
- National Business Initiative (NBI)
- Manufacturing Circle
- Packaging SA
- PAMSA
- Recycle Paper ZA
- Shared Value Initiative Africa
- SANBI
- Local chambers of commerce and industry
- World Wide Fund for Nature South Africa (WWF-SA)

Sappi Forests
- Biological Control of Eucalypt Pests
- Biorenewable Deployment Consortium
- CAMCORE
- Eucalypt Pest and Pathogen Working Group
- Forestry and Agricultural Biotechnology Institute
- Forest Molecular Genetic Programme
- Institute for Commercial Forestry Research
- South African Institute of Forestry
- The Tree Protection Co-operative Programme – founding member

[1] *PEFC logo licence code: PEFC/01-44-43.*

Shareholders, bondholders and banks

Self-assessment of quality of relationships: **Good to excellent**

Why we engage

Our aim is to provide investors (shareholders and bondholders), analysts as well as financial institutions with transparent, timely, relevant communication that provides them with an understanding of our industry, sets out the manner in which we hope to achieve our growth ambitions and facilitates informed decisions.

Shared priorities

Understanding Sappi's strategy
Return on investment
Transparent information about risks, opportunities and environmental, social and governance (ESG) performance, in particular the impact of climate change on strategic and financial decisions
Ability to generate sufficient cash flows to fund our business and service our debt

Our response

- Our investor relations department engages with shareholders and analysts on an ongoing basis
- Our Chairman and CEO engage with shareholders on relevant issues. We conduct ad hoc mill visits and roadshows, and issue announcements through the Johannesburg Stock Exchange (JSE) – Stock Exchange News Service (SENS), in the press and on our website (see www.sappi.com/SENS). We publish our annual integrated report (see www.sappi.com/annual-reports) and sustainability reports (see www.sappi.com/sustainability) on the group website. Shareholders and analysts can attend and participate in the Annual General Meeting (AGM) as well as the four quarterly financial results briefings
- We engage with various ratings agencies, particularly in terms of ESG performance. Recognising the importance of climate change in a financial context, we are incorporating the recommendations of the TCFD into our decision-making processes (discussed further under **Responding to climate change on page 91**)
- We participate in the CDP Climate and CDP Forests (https://www.cdp.net.en projects every year, making our submissions publicly available
- Our Chief Financial Officer and Head of Treasury engage with bondholders, banks and rating agencies on the performance of the company. A key point of discussion was our strong recovery in FY2021 and our return to profitability
- At the end of FY2020, in response to the impact of Covid-19, we agreed an extension of the covenant suspension period applicable to our debt facilities financial covenants until September 2021 with the first measurement due again at the end of December 2021

Opportunities for value creation

- Understanding of and commitment to our strategic direction
- Enhanced reputation
- Greater investment confidence
- Broader licence to invest.

Challenges for value creation

- Slow post-Covid-19 economic recovery
- Uncertainty about upcoming environmental regulations.

Our key relationships continued

Suppliers and contractors

Self-assessment of quality of relationship: **Good**

Why we engage

We aim to establish mutually respectful relationships with our suppliers and encourage them to share our approach to using woodfibre not only for business profit but also for generational prosperity; investing in and searching for innovative ways to leave the planet better than we found it and making a purpose-driven and meaningful contribution towards the wellbeing and development of employees and communities.

We want to build long-term value partnerships, based on the importance of suppliers to a sustainable supply chain.

Shared priorities

Robust safety procedures and a strong culture of safety

Our response

Given our focus on zero harm in the workplace, we work with our contractors to ensure that they follow Sappi's safety systems and regard their safety as just as important as that of our own people.

In South Africa, Sappi Forests continues to work closely with contractors and their workers to implement the innovative *Stop and Think Before You Act* safety initiative.

Shared priorities

Transparency into the value chain

Our response

In 2021, we announced a collaboration with EcoVadis to assess the sustainability performance of our suppliers through proactive ratings and evaluations using EcoVadis' methodology. Under the EcoVadis banner, we have been submitting our own sustainability performance to our customers for many years now.

Globally, our procurement team made progress in assessing suppliers against our Supplier Code of Conduct: SEU: 67% of total procurement spend covered; SNA: 53% and SSA 44%. This averages out, on a global basis, to 59% of total procurement spend.

Shared priorities

Security of fibre supply
Certification
Income generation and job creation

Our response

SEU: In Europe, we procure wood through well-established wood sourcing companies in Europe (Metsä Forest in Finland, proNARO in Germany, Sapin in Belgium and Papierholz in Austria) all of which operate with an established pool of forest owners and wood suppliers.

SNA: The Sappi Maine Forestry Programme and the Sappi Lake States Private Forestry Programme, staffed by SNA foresters, offer a wide range of services to landowners including contracting with experienced loggers and providing plans to enhance wildlife habitat and forest health. We work directly with landowners, loggers and suppliers to encourage sustainable forest management and provide markets for woodfibre material from harvesting and stand improvement activities. We continue to evaluate, promote and support smallholder certification options where feasible, thereby adding value to both the landowner and marketplace. Procurement practices extend far beyond avoiding 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 Fibre Sourcing Standard.

During the year we hosted a Supplier Sustainability Summit and held pulp supplier sustainability meetings.

SSA: Qualified extension officers provide growers in our Sappi Khulisa enterprise development scheme with ongoing growing advice and practical assistance. We have established a training centre, Khulisa Ulwazi, for Khulisa growers. The objective is to develop growers' and contractors' skills so that they can conduct silviculture operations economically and to a high standard. Training material has been developed in conjunction with the Institute of Natural Resources and covers areas like entrepreneurship, fire management, harvesting planning, leadership and management development, as well as safety. The Sappi team is partnering with other institutions such as Cedara Agricultural College, to provide the growers with the tools to expand their farming activities so that they can have additional sources of income. This is crucial for timber farmers who must wait years between timber harvests for a return on their investment.

At the end of September 2021, Sappi was involved in 40,697 land reform projects, helping beneficiaries to manage approximately 8,151 hectares of land. Many of these properties previously belonged to commercial farmers who had supply agreements with Sappi. For many of the land claims in which we have been involved, and where there has been a change in ownership, we continue to buy the timber and help to manage those plantations

The high cost of certification has been an issue for small growers which we have helped to overcome by offering a group certification scheme. In 2021 there were 42 members in the scheme with plantations totalling 41,000 ha. Members delivered 269,000 tons of woodfibre and receive a bonus per ton for certified material delivered.

In addition, we actively contributed to the development of the Sustainable African Forestry Assurance Scheme (SAFAS). The PEFC-endorsed SAFAS now offers affordable forest certification solutions and thus market access especially for the country's smallholders. In South Africa and in Africa altogether, the amount of certified forests is still very low (less than 2%), so this type of work is ground-breaking, and can really make a difference in enhancing sustainable forest management in Africa and thus improve both the level of forestry and also the level of livelihoods.

Opportunities for value creation

- Improved supplier relations
- Better understanding of the requirements of the Sappi group
- Expanded basket of certified fibre
- Support for local economic development
- Support for emerging supplier/contractor development.

Challenges for value creation

- Security of woodfibre supply
- Ensuring that SMMEs have the right social and environmental procedures in place.

Our key relationships continued

Government and regulatory bodies

Self-assessment of quality of relationship: **Good**

Why we engage

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, show how our activities contribute to local economic and social development and identify issues where we can work together for our mutual benefit.

Shared priorities

The social and economic benefits of our industry nationally as well as at a local level
Increased investment
Energy issues in general and in particular government moves on carbon taxation
The impact of increased regulations on business
Enhancing sustainable forest management and land use

Our response

- In **SEU**, we are actively working in a number of forest-sector collaborations to ensure a thriving forest bioeconomy remains an integral part of the EU Green Deal. Through sustainable forest management practices, responsible sourcing, efficient use of resources and manufacturing innovation, the sector provides fibre-based and low-carbon solutions and products and thus boosts the transition into a circular economy
- In **SNA**, we engage in forest management planning processes as a stakeholder during public comment processes. In the Lake States (Michigan, Minnesota and Wisconsin) we are involved in the Minnesota Forest Resources Council and various sub-committees
- In **SSA**, through Forestry SA, we participated in the Presidentially led Private Public Growth Initiative in the compilation of the Forestry Sector Master Plan. This has been approved by Parliament and aims to drive sustainable forestry industry, updated regulation and improved collaboration in integrated risk management as well as R&D.

Opportunities for value creation

- Promote understanding of issues and challenges as well as the strategic value of our industry
- Help create a more receptive regulatory and policy environment.

Challenges for value creation

- Policies which take neither our high use of biobased energy into account, nor recognise the important carbon sequestration role played by the sustainably managed forests and plantations from which we source woodfibre
- Uncertainty about regulatory developments, for example: carbon tax
- Administrative delays.

Civil society and media

Self-assessment of quality of relationships: **Good**

Why we engage

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 and belong to key organisations relevant to our operations. We engage with various civil society groups on our societal and development impact.

Globally we interact and engage with a wide range of non-governmental organisations, especially through our participation with forest certification systems (FSC, PEFC and SFI). We leverage these platforms to actively contribute to the growth of forest certification worldwide and collaborate with diverse stakeholders.

Shared priorities

Business developments
The future of our industry
Our impacts on our communities
Protecting the environment
Developing the bioeconomy

Our response

- Join key credible organisations as members
- Develop personal relationships and engage continually
- Provide support to and sponsorship for key organisations on issues of mutual interest

SEU: We are actively involved in TFD Steering Committee and provide annual sponsorship to the organisation, so that it can continue to convene diverse stakeholders for dialogue and build solutions to address challenges impacting forests globally.

SNA: We support the Dovetail Partners which works to promote bat habitat conservation efforts in the state and the University of Minnesota Sustainable Forests Education Cooperative. We also participate in the Minnesota Forest Resources Council.

SSA: In terms of civil society, our forestry operations belong to a number of fire associations, given that fire is a key risk on our plantations. We have established a project which coordinated efforts to re-establish the *Warburgia salutaris* (Pepper-bark tree) in communities and the wild.

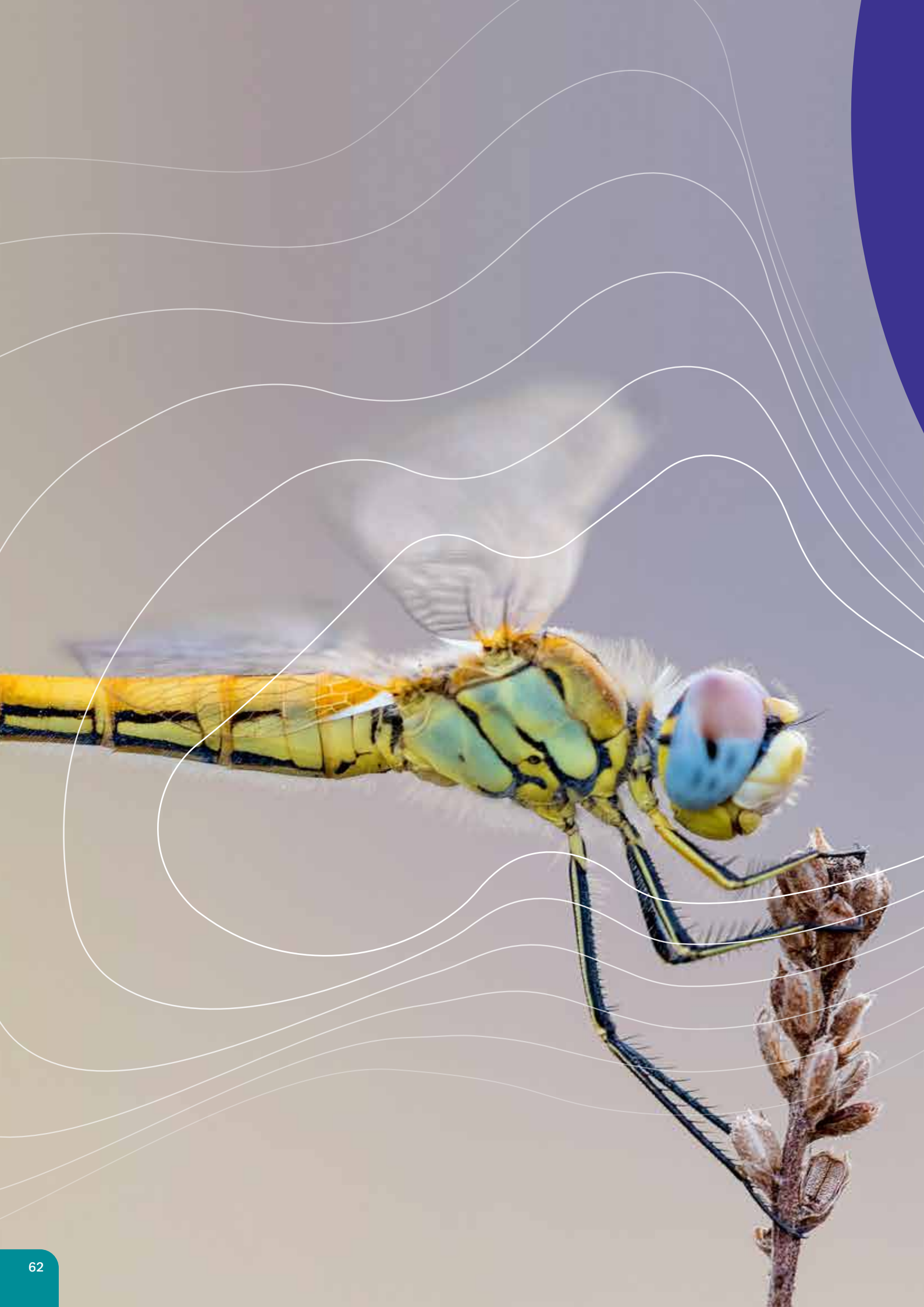
Read more: see our **2021 Group Sustainability Report at www.sappi.com**.

Opportunities for value creation

- Inform and educate media
- Encourage civil society to share our sustainability and Thrive25 vision through positive actions.

Challenges for value creation

- Misunderstanding of our environmental impacts.



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In mythology, the beautiful, delicate dragonfly symbolises change, transformation and adaptability. This change is said to be about understanding the deeper meaning of life, with the dragonfly's scurrying flight across water representing an act of going beyond what's on the surface to look into the deeper implications of life.

Looking beyond – and deeper – is reflected in our Thrive25 sustainability strategy which incorporates our belief that to continue thriving as a global business, we must create long-term value for all stakeholders by supporting a low-carbon circular economy through relevant products from sustainable woodfibre.

Our strategy also recognises that we must understand the forces that heavily impact our lives and work.

Dragonflies have huge compound eyes with thousands of lenses and photoreceptors sensitive to different wavelengths of light, each bringing in information about the insect's surroundings. In other words, they have near-360- degree vision. Which is why they're able to go after their prey – butterflies, moths, bees and flies – with such accuracy.

At Sappi, we understand that by widening our scope to the broader ecosystem and a wide range of stakeholders, we can identify uncertainty and opportunity beyond our periphery of vision. We leverage insights into our operating context and patterns from our data, stay ahead of nascent technologies and draw on the acumen of our people, to embrace change and create innovative solutions that are relevant to all our stakeholders.

Our operating context

Our external operating environment presents risks and opportunities, impacts our ability to generate value and informs our response to our stakeholders as well as our approach to material matters.

The ongoing Covid-19 pandemic

Context

The pandemic and associated lockdowns continued through most of FY2021 across the world.

Our response

With safety as our core value and top priority, we continued to emphasise the importance of safety protocols. As at year end, just over 1,600 members of our workforce of 12,492 people had been infected, with numbers peaking in December 2020 and January 2021. We embarked on an extensive awareness campaign to encourage people to get vaccinated. In South Africa, where the roll out was slow, we introduced on-site vaccination stations from the beginning of August for employees, their families and for contractors.

In each region where we operate, we responded to the needs of society by donating funds and supplies.

Social unrest and need

Context

Halfway through 2021, South Africa was engulfed by the worst unrest and mass violence since the end of apartheid, triggered by ex-President Jacob Zuma's imprisonment for contempt of court. Described as an insurrection targeting the country's economy and infrastructure, the root causes go far deeper to ongoing lack of service delivery, the economic and social fall outs of Covid-19, endemic corruption and the fact that almost half of South Africa's adult population of 35 million live below the breadline. While there was no material damage to any of our plants as a result of the civil unrest, work at our three mills in KwaZulu-Natal and associated logistical supply chains was halted at the height of the unrest. We incurred a permanent loss of sales volumes of about 28,000 tons of dissolving pulp (DP) and 7,000 tons of paper.

Our response

While we deplore the violence and regret the loss of sales volumes, working as closely with the communities surrounding our operations as we do, we understand and empathise with the underlying root causes. We cannot fulfil the functions of government; nevertheless, we have intensified our focus on working with communities to help resolve their challenges.

Our work to uplift the communities around us began as far back as 1983 when we launched our flagship enterprise and supplier development (ESD) programme, Sappi Khulisa (previously known as Project Grow). The total area currently managed under this programme, which encompasses individual and community tree farming, is 34,755 hectares. In 2021, under this programme, 225,509 tons of timber (2020: 284,038 tons) worth some ZAR207 million (2020: ZAR232 million) was delivered to our operations. Since 1995, a total volume of 4,731,488 tons to the value of ZAR2.9 billion has been purchased from small growers under this programme.

Our ESD strategy, first initiated in 2018, has gathered sustained momentum. With the ESD strategy now embedded in the business and commitment and support at all levels of the organisation, we have seen positive improvement in stakeholder and community relations. Sappi SA has successfully integrated a total of 145 small and medium enterprises (SMEs) into the value chain. These businesses account for procurement spend of over US$9.4 million, exceeding the set annual target by US$2.45 million. In addition to the ESD spend figures, 587 jobs were sustained by the active local SMEs.

In addition, our Community Management Committees at each mill site continue to provide support to communities. (See page 51 for further details.)

In 2021, we partnered with the National Business Institute (NBI) to develop a small business development hub within the Ilembe District in KwaZulu-Natal, where both Tugela and Stanger Mills operate. Sappi's community members will benefit from this partnership.

The Sappi Skills Centres at our Saiccor and Ngodwana Mills train both Sappi employees and unemployed youth both for employment and for starting new businesses. The centres produced fabric face masks for internal use during lockdown and have expanded to making workwear and other items.

During the year, we also concluded two community engagement agreements at the above mills which commit both ourselves and our communities to work together in driving shared value for mutual benefit.

Intensified focus on climate change and social issues

Context

The spotlight on climate change has been intensifying, given the extreme weather events that took place in FY2021: floods in Germany and China; fires in Canada, California and Greece; rain, rather than snow falling in Greenland and a 'heat dome' along the Pacific northwest coast in the USA and Canada, among others.

The Deloitte Global 2021 Millennial and Gen Z survey* highlights the importance of social change and accountability for these sectors of the population. As consumers, these sectors of the population often stop or initiate relationships based on how companies treat the environment, protect personal data and position themselves on social and political issues.

Our response

Consumers are already aware of the need for less carbon intensive products. However, as they are exposed to the extreme weather events just described, we expect this focus to gather momentum, accelerated by the increased purchasing power of Millennials and Gen Z-ers for whom environmental principles are just as important as social ones. We have an advantage in that our manufacturing process begins with sustainably harvested, renewable forest resources and we operate according to circular economy principles. We can offer a broad range of products that meet the needs of eco-conscious consumers.

Our ability to offer more environmentally friendly papers with barrier coatings was enhanced by our 2017 acquisition of Rockwell Solutions.

In terms of social considerations, 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.

* *www.deloitte.com/global/en/pages/about-deloitte/articles/millennialservey.html.*

Banning single use plastics

Context

Just before our year end, the first-ever global Ministerial Conference on marine litter and plastic pollution took place, with nations across the world moving to ban single use plastics.

Our response

The ban on single use plastics represents an opportunity for Sappi in that our packaging products are based on renewable, rather than petroleum-based, resources. The move to ban single use plastics is in line with the principles of the circular economy to which we are committed and with our Thrive25 commitment to creating responsibly sourced and sustainable solutions as viable alternatives to fossil-based products.

We expect to see the global forces identified under our Thrive25 strategy to continue until at least 2025. Set out on these pages are specific issues that arose in 2021.

Sappi and the SDGs

"While we strongly subscribe to the principle of profit with purpose, we have a responsibility to our shareholders and our overarching purpose is to generate strong financial returns."

Tracy Wessels Sappi Limited Group Head Investor Relations and Sustainability

Q&A with Tracy Wessels, Sappi Limited Group Head Investor Relations and Sustainability

Dr Tracy Wessels headed up the Centre of Excellence for dissolving pulp at the Sappi Saiccor Mill for several years and is now Sappi Group Head Investor Relations and Sustainability.

There are few people who understand the full potential of what trees have to offer better than Tracy, who has dedicated the majority of the last 20 years of her career at Sappi in progressively more senior roles in research and development (R&D).

Q1 What has made the biggest impression on you in your new role?

While my previous role focused on the entire value chain, from the beginning of the DP production process all the way through to the end user, my new role is more multi-faceted. That is because I have greater oversight over more functions within the various value streams across the business.

Within each of these value streams and functions, what has struck me is the manner in which sustainability is entrenched throughout the everyday aspects of our business. I've also realised the extent to which our commitment to the Sustainable Development Goals (SDGs) is taking traction. *SDG17: Partnership for the Goals* is evident at board level, with the Chairman of our SETS Committee having been appointed as the deputy chairperson of the Presidential Climate Commission, chaired by South African President Cyril Ramaphosa. It extends to *SDG15: Life on Land*, whereby we are steadily increasing the amount of certified fibre supplied to our mills (FY2021: 76%, FY2020: 73%) and in South Africa, in alignment with *SDG1: No Poverty*, with the work our ESD department is doing (described in further detail on page 64 of this report.

Of course, there is much more evidence throughout Sappi, at every level.

Q2 How were Sappi's priority SDGs selected?

We prioritised certain SDGs not because they were the easiest to align with, nor because they made for the best optics. We debated them, weighed up the business case for each SDG and selected those that had the most relevance for our business before establishing an agenda and targets for each priority SDG. We also looked at interdependencies. While these significant interdependencies between all the SDGs, some are more profound than others – for example *SDG7: Renewable and Clean Energy* and *SDG13: Climate Action* are very strongly linked.

Q3 So you are saying that there is a commercial case for implementing the UN SDGs, that doing so is not only about the optics?

There is definitely a commercial case! While we strongly subscribe to the principle of profit with purpose, we have a responsibility to our shareholders and our overarching purpose is to generate strong financial returns.

To give the most obvious example: Our Thrive25 strategy states that we exist to build a thriving world by unlocking the power of renewable resources: Clearly, we cannot achieve this if there are no renewable resources – primarily trees, in our case. We rely on healthy ecosystems to produce renewable woodfibre which is beneficiated into a range of products. That is why aligning with *SDG15: Life on Land* makes sound business sense and why we work so hard to enhance sound forestry management practices – both on our own landholdings and on those from which we source woodfibre.

The key is balancing short-term financial returns with longer-term viability. Let's say we had the opportunity to buy cheap, non-renewable energy. We could decide to ignore the environmental consequences and just focus on the bottom line. As energy costs currently represent 8.2% of cost of sales, the financial impact could be very positive in the short term.

In the longer term, this move could have far-reaching repercussions, particularly as we are transparent about our energy and emissions profiles. Customers generally approach us for information about the fibre sourcing and production processes behind our brands, including carbon footprint. In response to these requests, in all regions we publish Paper Profiles and/or information sheets for our papers. We also respond to many questionnaires from our customers that collect data on our carbon reduction plans and performance. In SNA, we have developed our own GHG emissions calculator that quantifies the amount of emissions associated with a customer order and how those emissions compare against the industry average.

In the hypothetical situation where we would choose to focus only on the bottom line, not only would we experience loss of market share and suffer reputational damage, we would also incur the costs of trying to attract new customers, with research indicating that it costs five time as much to attract new customers as it does to retain existing ones[1].

Q4 Is implementing the SDGs only possible with large capital outlays?

The SDGs are transformative and disruptive, and these processes often involve significant financial investment. In Sappi's case, we have a particular challenge in that our infrastructure is highly capital intensive and it is not possible to transform overnight.

We overcome this by being smart – in line with one of our core values. We are being smart in terms of our Saiccor Mill expansion project, which will not only add shareholder value by increasing DP capacity by 110,000 tpa, but also incorporates the installation of a new recovery boiler and converting the calcium line to magnesium. This will lead to a significant reduction in the fossil fuel energy requirements and increase our renewable energy usage in line with our commitment to *SDG7: Affordable and Clean Energy* and *SDG13: Climate Action*.

We are being smart by investing in best practice safety programmes in alignment with *SDG8: Decent Work and Economic Growth*: Not only do we have a duty of care to all those working at, or visiting, our operations, but safety also impacts profitability and reputation and can play a role in recruitment and retention.

We are also being smart in our shared-value approach to business, which means that communities close to our operations benefit from our extensive socio-economic development programmes.

Q5 Are you satisfied with Sappi's progress towards your SDG-related Thrive25 targets on a regional and group level?

Progress towards our targets while uneven, has generally been positive. Targets are tracked and presented at our quarterly Group Sustainable Development Council meetings, so we have a good understanding throughout the year of how we are doing. I am confident that we will achieve these stretch targets within the time frame.

Even more important are the actions that have been put in place to achieve these targets and that they are helping to embed the SDGs into our DNA. These actions provide real, tangible evidence of our commitment to the SDGs and help us to identify problems and opportunities for future growth.

They are also an important framework in achieving our purpose of contributing to a thriving Sappi and a thriving world.

[1] *https://www.forbes.com/sites/jiawertz/2018/09/12/dont-spend-5-times-more-attracting-new-customers-nurture-the-existing-ones/?sh=7aba9045a8e0.*

Integrating our key material issues

Cyber security Uncertain and evolving regulatory landscape Employee relations	Evolving technologies and consumer preferences Supply chain disruption Sustainability expectations	Risk
Maintaining ethical behaviour and compliance	**Procuring responsibly**	Key material issue
Workplace culture	Responsible procurement	Stakeholder issue

Global forces

The move towards a circular economy

Climate change continuing to impact businesses and reshape societies

Resource scarcity and growing concern for natural capital

Rising social inequality

Continued erosion of trust in business, coupled with increasing social activism

Safety Employee relations	Safety Sustainability expectations Employee relations	Safety Cyclical macro-economic factors Employee relations	Employee relations	Sustainability expectations Cyclical macro-economic factors	Risk
Ensuring the safety of our employees and contractors	**Engaging more closely with our employees**	**Supporting sound labour relations**	**Attracting, developing and retaining key skills**	**Creating a positive social impact in our communities**	Key material issue
Safety as a core value	Connection to, and understanding of, our business and strategic direction	Fair, equitable, safe workplace	Training and development Remuneration Diversity and inclusion	Social responsibility and social inequity Community upliftment Jobs	Stakeholder issue

Changing consumer and employee profiles

Globalisation and high levels of connectivity

The rapid pace of technological innovation, including artificial intelligence (AI)

Growing populations with increasing rates of urbanisation

Risk	Supply chain Cyclical macro-economic factors Liquidity	Sustainability expectations Climate change Liquidity	Evolving technologies and consumer preferences Cyber security	Evolving technologies and consumer preferences Climate change Liquidity	Evolving technologies and consumer preferences Sustainability expectations Climate change
Key material issue	**Demonstrating agility**	**Reinforcing Verve as the Fibre of Choice**	**Enhancing efficiency through machine learning and digitisation**	**Increasing the sustainability of our products through circular design and adjacent markets**	**Developing and commercialising innovations in addition to adjacent businesses**
Stakeholder issue	Return on investment	Products based on renewable resources	New or enhanced products that meet rapidly changing market demand Responsible consumption	Moving away from a linear, to a circular, model of production	Reduced environmental impact

Risk	Evolving technologies and consumer preferences Supply chain disruption Sustainability expectations Climate change	Evolving technologies and consumer preferences Sustainability expectations Climate change	Evolving technologies and consumer preferences Sustainability expectations Climate change	Evolving technologies and consumer preferences Sustainability expectations Climate change	Evolving technologies and consumer preferences Sustainability expectations Climate change	Sustainability expectations Climate change
Key material issue	**Sourcing sustainable woodfibre**	**Prioritising renewable and clean energy**	**Responding to climate change**	**Focusing on water stewardship**	**Accelerating circular business models**	**Safeguarding and restoring biodiversity**
Stakeholder issue	Global GHG emissions	Reduction of fossil fuel usage	Global warming	Water quality and quantity	Resource scarcity	Biodiversity loss

Our key material issues

The issues set out on the following pages are those that we believe underpin our strategic risks and opportunities and have the highest potential impact – negative and positive – on stakeholder value. Further information on each of these issues can be found in our 2021 Sappi Group Sustainability Report available at www.sappi.com

How we determine materiality

1. Define stakeholder value, map stakeholder issues, as well as local and global trends

Regulatory and reporting guidelines are mapped against stakeholder issues, as well as trends and developments in our external operating environment.

2. Identify regulatory and reporting issues and consider risks

We take various stakeholder guidelines into account including those set out in terms of the UN SDGs, the Global Reporting Initiative (GRI), the IIRC and the King Code of Governance™ for South Africa 2016; as well as ratings agencies such as ISS-OEKOM, MSCI and the FTSE4Good Index Series.

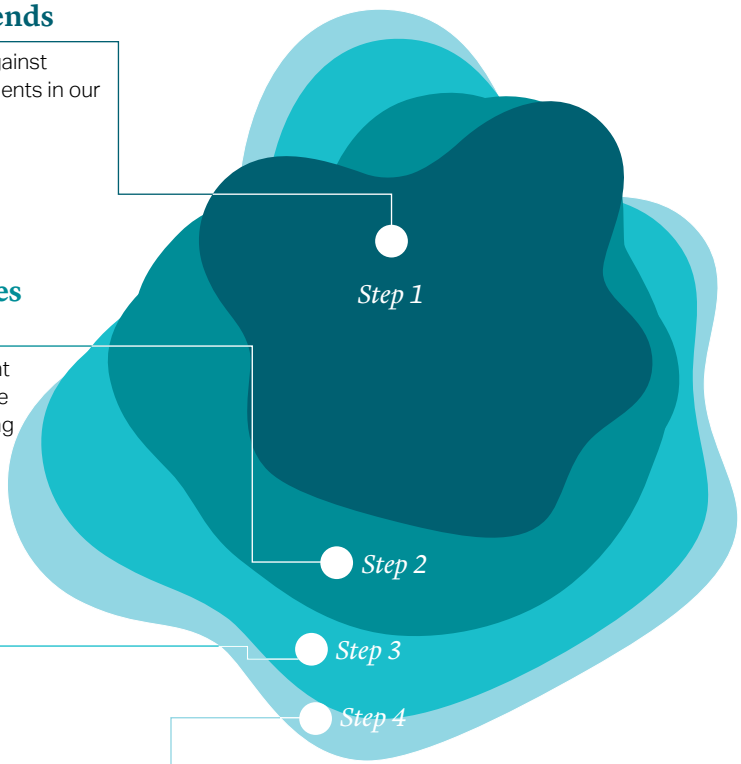
3. Evaluate issues through the lens of materiality

How relevant is each issue to our business?
How does each issue impact our ability to create value in the short, medium and long term?

4. Review and prioritise issues

How do our key material issues align with our Thrive25 strategy and the global forces shaping that strategy?

How do they link to risk, our priority UN SDGs and developments in our operating context?



Principles

Maintaining ethical behaviour and compliance

Why it's material

Given that our reputation as an ethical company is key to our ability to unlock further growth opportunities, ethics constitutes the foundation of our business. Values and ethics are not only critical in maintaining a licence to operate but also for developing stakeholder trust and for driving performance. Recognising that our reputation is largely determined by the ethical behaviour of our employees and representatives, we place a high premium on adherence to ethical behaviour as encapsulated in our Code of Ethics. This is a practical tool to guide our directors, management, employees and other stakeholders as to what constitutes ethical behaviour whilst complying with the various laws, regulations and policies applicable to Sappi.

How this issue links to other aspects of our business

Our global priority SDGs	Our top 10 risks	Our strategic fundamentals	The global forces shaping our Thrive25 strategy
8 DECENT WORK AND ECONOMIC GROWTH 17 PARTNERSHIPS FOR THE GOALS	6 Cyber security 8 Uncertain and evolving regulatory landscape 10 Employee relations		• Continued erosion of trust in business, coupled with increasing social activism

Key developments in FY2021

In line with our emphasis on ethical behaviour, a comprehensive training programme in 2021 covered the following topics:

- Anti-fraud and corruption (relevant new employees in all regions)
- Code of Ethics online training refresher course (all regions)
- Competition Law (relevant new employees in all regions and a refresher course for South Africa, Europe and Sappi Trading)
- Environmental Law training (relevant new employees in all regions)
- Occupational Health and Safety compliance (relevant new employees in all regions)
- The Protection of Personal Information Act (POPIA) online training (South Africa)

These training initiatives – incorporating relevant and practical examples – have been implemented to inculcate the correct ethical behaviour and responses and to avoid a tick box approach to ethics.

Privacy in the workplace training to employees was prioritised in the year under review due to the recent enactment of POPIA in South Africa. Privacy is a constitutionally protected right and accordingly, is an ethical imperative for Sappi. To this end, Sappi's POPIA Information Officers have been appointed, trained and registered with the applicable regulator and the required privacy policies and procedures are in place.

Sappi continues to provide avenues to employees to communicate breaches or apparent breaches of the code either through the telephonic ethics hotline or via e-mail to Ethics@sappi.com. All complaints are registered and investigated by Sappi's internal audit team which are then reported into Sappi's Audit and Risk Committee on a quarterly basis. (Further details on page 148 of this report.)

Opportunities for value creation

Fraud, including bribery and corruption awareness is critical at a time when organisations around the world lose an estimated 5%[1] of their annual revenues to fraud. By working together as OneSappi to combat fraud and ensure ethical outcomes, we can significantly enhance our ability to produce positive economic and social outcomes and enhance our overall competitive advantage.

[1] *https://www.fraudweek.com.*

Our key material issues continued

Principles continued

Procuring responsibly

Why it's material

Worldwide, we have over 16,000 suppliers and it's important that they understand – and abide by – our values and ethical standards. This is important from both a moral and reputational perspective, particularly given the intensified global focus on responsible supply chains.

How this issue links to other aspects of our business

Our global priority SDGs	Our top 10 risks	Our strategic fundamentals	The global forces shaping our Thrive25 strategy
8 DECENT WORK AND ECONOMIC GROWTH 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	2 Evolving technologies and consumer preferences 3 Supply chain disruption 4 Sustainability expectations		• Resource scarcity and growing concern for natural capital • Continued erosion of trust in business, coupled with increasing social activism

Key developments in FY2021

During the year, we initiated our first campaign to onboard suppliers onto EcoVadis. Approximately 100 priority suppliers were contracted directly and invited to share an EcoVadis scorecard. By the end of the year, 90 suppliers were sharing their scorecards with us and another 19 were in progress to disclose on the platform. This equates to 33% of Sappi's global procurement spend. Our suppliers' scorecards enable us to evaluate their performance actively, as well as identify risk and priority areas where further improvements are needed.

The EcoVadis methodology focuses on 21 sustainability criteria that are grouped into four themes: Environment, Labour and Human Rights, Ethics and Sustainable Procurement. These criteria are aligned with international sustainability standards such as the 10 Principles of the UNGC, the International Labour Organization conventions, the Global Reporting Initiative (GRI) standards and the ISO 26000 standard.

We also continued the roll out of our Supplier Code of Conduct and made good progress against our Thrive25 target of 80% of procurement spend with declared compliance with our code of conduct by 2025. In SEU, 67% of total spend was covered by agreements into which the provisions of the code are embedded, 53% in SNA and 44% in SSA.

Opportunities for value creation

By working collaboratively with our suppliers to promote and maintain responsible environmental, social and governance (ESG) practices, we enhance their understanding of our requirements, thereby helping to realise our vision of a thriving world.

Prosperity

Demonstrating agility

Why it's material

One of the key lessons of the Covid-19 pandemic has been the need for agility. In seeking to grow our business and sustain our financial health, we have had to be agile in response to an operating environment which is constantly changing. Being flexible underpins our ability to achieve our vision of being a sustainable business with an exciting future in woodfibre that provides relevant solutions, delivers enhanced value and is a trusted partner to all our stakeholders.

How this issue links to other aspects of our business

Our global priority SDGs	Our top 10 risks	Our strategic fundamentals	The global forces shaping our Thrive25 strategy
8 DECENT WORK AND ECONOMIC GROWTH 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	3 Supply chain disruption 7 Cyclical macro-economic factors 9 Liquidity		• Changing consumer and employee profiles • Growing populations with increasing rates of urbanisation

Key developments in FY2021

In **Europe** we have agreed to sell the south-western part of our site at Maastricht Mill in the Netherlands. The sale has had no negative impact on employment at the mill. Given the decline in market demand for graphic paper, approximately three years ago the mill began to transition into the manufacturing of luxury packaging board. As this activity mainly takes place on the north side of the company site, the southwestern part is therefore less intensively used and was eligible for sale. We will relocate our activities currently taking place on the sold land to the remaining Sappi site. Proceeds of the sale will be used to improve internal logistics and additionally improve the sustainability of our production processes.

In **North America** we are selling our hydroelectric assets on the Presumpscot River in Maine to Dichotomy Power LLC, pending satisfactory completion of regulatory and other approvals. The move will enhance our focus on our core competencies and is consistent with our permanent shut of PM9 and major components of the energy complex at our Westbrook Mill. The sale will allow us to redeploy resources to further develop our growing businesses. The deal is expected to close by the end of calendar 2021 subject to regulatory and other approvals.

In **South Africa**, the delays in completion and commissioning of our Saiccor Mill expansion project highlight the need for agility. In 2020, we were forced to declare *force majeure* on the project which then ceased construction. In 2021, construction was further delayed by the social unrest halfway through the year, as well as ongoing Covid-19 travel restrictions which meant certain essential service providers could not enter the country. Commissioning of the plant began in Q4 FY2021 and will be completed in Q1 FY2022.

In this region, we are positioning Tugela Mill for further growth by increasing production of neutral sulphite semi chemical pulp by approximately 15,000 tons per annum in response to the anticipated increase in packaging demand. This will enable us to concomitantly increase production of Ultraflute Plus (fluting containerboard), used primarily for fruit exports. It will also partially fill the gap created by the closure of LignoTech South Africa at Saiccor Mill in 2020.

Opportunities for value creation

In focusing on cost containment, we recognise that the graphic sector of the market is in decline. However, our graphics assets are cash generative. In recent years, our strategy has been, rather than closing or disposing of those assets, to try and convert them into higher margin segments like packaging. We see the big push for paper-based solutions for packing purposes as a strong opportunity on which we will continue to capitalise.

Our key material issues continued

Prosperity continued

Reinforcing Verve as the Fibre of Choice

Why it's material

Under our Thrive25 strategy, one of Sappi's key drivers is to grow DP capacity and develop our Verve brand as the industry standard. This is based on our belief that as global textile demand grows, driven by population growth, fashion and rising wealth in developing economies, the need to develop more climate-friendly solutions, derived from renewable materials that are not fossil-fuel based, will drive increasing market share for viscose, which is derived from DP. Hawkins Wright[1] reported a rebound in global DP shipments of 16% for the first six months of calendar 2021 and are expecting growth of 14% for the remainder of the year. Our growth ambitions are underpinned by our focus on sustainability (including the aspect of traceability) which, we believe, will become increasingly important as a key differentiator and determinate in defining value for our customers and for Sappi.

How this issue links to other aspects of our business

Our global priority SDGs	Our top 10 risks	Our strategic fundamentals	The global forces shaping our Thrive25 strategy
7 AFFORDABLE AND CLEAN ENERGY 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION 15 LIFE ON LAND	4 Sustainability expectations 5 Climate change 9 Liquidity		• Changing consumer and employee profiles • Growing populations with increasing rates of urbanisation

Key developments in FY2021

Partnering for a forest-to-garment traceability solution

While fashion brand owners want to understand their climate related sourcing risks and opportunities for wood-based fibres, it's estimated that only 5% of them are able to trace their raw materials to origin of feedstock through the entire value chain. In FY2021, Sappi Verve (DP) partnered with Birla Cellulose, one of the leading viscose manufacturers in the textile value chain, to provide a forest-to-garment traceability solution for 22 global brand owners. This was made possible with the use of Birla's pioneering 'Green Track' blockchain technology, coupled with Sappi's comprehensive database on wood origin for its DP operations in South Africa and the US.

Traceable and transparent supply chains are key to providing brand owners and consumers with the assurance and confidence that their products originate from sustainable and renewable sources of wood, free from deforestation, where biodiversity is promoted and where customary, traditional and civil rights of people are upheld. Our collaboration with Birla enables sustainability-focused consumers, brand owners and retailers to make more informed buying decisions.

The efforts were recognised by our inclusion in the Forbes Magazine 'Blockchain 50 List of 2021' which features companies that lead in employing distributed ledger technology and have revenue or a valuation of at least US$1 billion.

Partnering to deliver on the Textile Exchange Climate+ strategy

The Textile Exchange (TE) launched their Climate+ Strategy in 2019, with a goal to reduce GHG emissions in the textile value chain by 45% by 2030, while addressing other climate-related impact areas, like water, biodiversity and soil health.

To accelerate progress towards the Climate+ objective and to drive collective action, Sappi was one of 40 global brands that participated in a discussion with the Climate Board. The latter was appointed by the TE to uncover industry best practice in terms of reducing GHG emissions. Sappi is also a member of the TE man-made cellulosic fibre roundtable and climate sub-committee, working with other industry leaders to assess how forestry, pulp and fibre production can contribute to meeting the 2030 Climate+ goal.

We are an advisory partner in the development of the TE biodiversity module – containing good practice standards – and have participated in the pilot launch of the Biodiversity Benchmark and Index. The Biodiversity Benchmark will enable companies to understand their impacts and dependencies on nature in their materials sourcing strategies, chart a pathway to delivering positive biodiversity outcomes, and benchmark their progress. The tool is aimed at supporting and is being developed alongside the Science Based Targets Network in order to reinforce consistency in language, frameworks and measurements. Additionally, use of this module and its future iterations will help companies prepare for stakeholders' – including investors' – questions pertaining to nature-related risk.

Partnering to measure the sustainability performance of our DP operations

The Higg Facility Environment Module (Higg FEM) and the Facility Labour and Social Module are part of the Higg Index suite of tools developed by the Sustainable Apparel Coalition to enable the apparel industry to measure their sustainability performance and drive supply chain transparency and decision making. By standardising the process of measuring supply chain impacts in the textile industry, the index helps suppliers, manufacturers, brands, and retailers to evaluate materials, products, facilities, and processes based on environmental performance, social labour practices, and product design choices. It is utilised by over 250 brands and manufacturers.

The FEM and FSLM were used to measure environmental and social performance as well as to identify opportunities for improvement at Sappi Verve's operations in South Africa and North America. Cloquet Mill conducted a Higg FEM verification audit with an SAC-appointed auditor and received an excellent score. Furthermore, Saiccor Mill completed a Higg FSLM self-assessment which also resulted in a high score. We believe this to be significant, particularly in light of the poor reputation of the textile value chain in certain parts of the world.

[1] *Hawkins Wright: The outlook for dissolving pulp: Demand, supply, costs and prices, September 2021.*

Opportunities for value creation

- The European Union's Single-Use Plastics Directive aims to combat environmental problems caused by single-use plastic products. This presents an opportunity for viscose fibre (and hence DP), which is considered a natural polymer, to substitute part of the 500,000 tons of petroleum based fibres that are used globally each year to produce single-use wipes.
- One of our key Verve customers has requested a mill trial for DP produced from recycled textiles. Against this backdrop and in line with our commitment to the circular economy, we are exploring opportunities for local and international partnerships in the textile recycling space. We have identified a high potential South African start-up company with whom to collaborate. Initial discussions have highlighted numerous opportunities for engagement, including the option to progress Sappi SA's social impact strategy as well as the potential for raw material security.

Our key material issues continued

Prosperity continued

Enhancing efficiency through machine learning and digitisation

Why it's material

Data is as an important asset to help optimise operations, create superior customer experiences and disruptive new business models. Advanced Analytics provide deeper, more advanced insight into patterns, trends, and themes that may be hidden within data. This allows businesses to understand their customers on a deeper level, predict future outcomes, reduce risk and enhance competitive edge.

How this issue links to other aspects of our business

Our global priority SDGs	Our top 10 risks	Our strategic fundamentals	The global forces shaping our Thrive25 strategy
8 DECENT WORK AND ECONOMIC GROWTH 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	2 Evolving technologies and consumer preferences 6 Cyber security		• Globalisation and high levels of connectivity • The rapid pace of technological innovation, including AI

Key developments in FY2021

Our data driven culture and machine learning continued to be enabled by our Advanced Analytics team, who collaborate very closely with the business units. All Advanced Analytics' projects and innovation initiatives are defined, prioritised and managed by the business units and are subsequently developed and supported by the Advanced Analytics team, with a strong focus on enablement.

Beginning in 2019, our digital transformation journey started small, with different geographies tackling digital transformation projects individually. Every plant team utilised their own set of data tools for analytics, tracking production and other digitisation efforts. This experimentation process, together with insights from these individual projects, set the roadmap for our Industry 4.0 journey. The aim was to identify/develop a data analytics platform that could hold all our data, enable the setting of enterprise-wide governance and standards and empower domain experts with data science tools. Drawing on the efforts of our different teams enabled us to build a comprehensive Proof of Concept for an Industrial Internet of Things platform with cloud and edge solutions. We finalised this with the help of multiple vendors.

Key to our AI journey has been the development of digital twins – a virtual model of a process, semi-finished or finished product which transforms data from different production systems, formats, and time series into a usable database. While some plants had existing digital twins from previous projects, we set an ambitious goal to build approximately 165 digital twins across 18 mills by 2022. Accordingly, with the help of a vendor, we are now employing a templatised digital twin framework which makes it easier for us to capture and distil knowledge from internal teams. This framework makes it possible for Sappi to have greater autonomy as we grow, change and make new discoveries. It also makes it considerably easier to scale our solutions to other facilities.

While digital twins make it easy to update data and gain access to the right information, they do require resources or internal leaders to ensure data integrity, which is key to ensuring credibility and momentum when scaling a solution to other production lines, factories, or geographies. To meet this need, we have now created a new global department dedicated to the training, development and support of Advanced Analytics within Sappi to ensure our teams are enabled and invested. The combination of dedicated training and suitable software means that Sappi's data integrators now have the necessary skills to build and maintain any digital twin for their manufacturing processes which can then be leveraged by teams from all over the world.

CASE STUDY

Root cause analysis at Saiccor Mill

Our use of root cause analysis (RCA) at Saiccor Mill highlights the effectiveness of our Advanced Analytics tools. One of the challenges we have faced at the mill is inconsistent cooking liquor quality. To overcome this issue, we have developed a predictive model for liquor quality (soft sensor) together with an automated RCA, whereby whenever our predictions move out of a certain band, we start running a short range (hours) and long range (three days) RCA automatically.

A report is generated and sent to the operators and production managers which recommends a target setting range and thus enables more proactive correction of the process. Processes are not static; they fluctuate and the operating windows can shift based on equipment conditions and efficiencies. The predictive modelling helps us to take these shifts into account, so we have become more dynamic in our targeting of process settings.

Opportunities for value creation

Looking forward, advanced analytics will play a key role in delivering the digital strategy over the next five years. We have identified advanced analytics initiatives across different business functions, which has been included in the digital roadmap that will deliver value to Sappi and our stakeholders.

Increasing the sustainability of our products through circular design and adjacent markets

Why it's material

In line with our commitment to a thriving world, we believe it is our responsibility to obtain the maximum value from every tree used in our production process. Our clear advantages in diversification, global scale, and local expertise are helping us to achieve this.

How this issue links to other aspects of our business

Our global priority SDGs	Our top 10 risks	Our strategic fundamentals	The global forces shaping our Thrive25 strategy
8 DECENT WORK AND ECONOMIC GROWTH 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION 15 LIFE ON LAND	2 Evolving technologies and consumer preferences 5 Climate change 9 Liquidity		• The move towards a circular economy • Climate change continuing to impact businesses and reshape societies • Resource scarcity and growing concern for natural capital

Key developments in FY2021

Sappi Symbio is a natural fibre composite material combining high-quality cellulose from renewable, forestry certified woodpulp in a polymer matrix. Benefits include weight reduction in the application combined with a natural look: soft, warm touch; high rigidity and low density. Symbio aligns with our drive to make everyday materials more sustainable. In FY2021, commercialisation of this product gained considerable traction with uptake by a major automotive manufacturer in the United States for use in centre consoles, instrument and door panels, as well as cable trays, among others. In addition, various other brand owners have the product in their pre-commercial qualification phase. Symbio application in household and consumer goods is also under development.

Now that we have commercial uptake of Symbio, we are focusing on optimisation of the business model to grow offtake and unlock further capacity for scale-up, including:

- Increasing the percentage of cellulose to make the product even more sustainable.
- Simplifying manufacturing and lowering cost.
- Developing Symbio composites with renewable polymers such as polylactic acid which could replace polypropylene to further improve the product's sustainability value proposition.

In terms of our **Valida fibrillated cellulose**, our pilot plant is running at capacity with repeat orders in diverse application fields such as concrete, cosmetics, personal care, paint and coatings, where it is valued as a dispersant, suspension stabiliser and rheology modifier. In addition, Valida is commercialised in wound care applications, with one of the advantages cited being reduced frequency of dressing changes.

We are moving ahead with our **furfural** pilot plant at Saiccor Mill. The plant, which uses the co-product of the DP process – xylan hemicellulose sugars – to create furfural, is scheduled for commissioning in the first half of calendar 2022. Established and future market uses for furfural include resins, solvents and as a sustainable platform chemical for the production of a variety of derivatives to replace oil-based chemicals. Pending successful results from the pilot plant and a viable business case, the intention is to build a commercial furfural plant at the mill.

In the **xylose** field we continue to monitor and assess market opportunities.

Our **lignin** business continued with its expansion trajectory in FY2021 and for the third year in a row, growth exceeded 30%. We have made considerable progress in moving beyond traditional commodity markets such as dust suppression and concrete admixtures to higher value markets. We have, for example, entered the oil well drilling, ceramics, carbon black and agrochemical markets. Our lignin products are used in resin applications for the production of particleboard, in particular Oriented Strand Board to improve the product's safety features and reduce use of isocyanate and potentially also other oil-based chemicals such as phenol. In addition, together with a technology partner, we are working to test lignin-based intermediates as a substitute for oil-based alternatives in foams in a wide variety of applications where thermal performance, moisture resistance, fire retardancy and structural strength are key performance criteria.

As part of Sappi Biotech's ongoing strategy to enter adjacent markets, the development of our lignin product for the animal feed industry culminated in the launch of our Sappi Pelletin product in this market with first sales reported in 2020. Pelletin is a natural glue which binds the feed ingredients and additives together to produce cost-effective compound feed pellets with enhanced durability and strength. The anti-caking and dispersing properties of lignin promote mixing uniformity and homogenous blending, while reduced friction offers lower equipment wear and energy costs.

The next generation of animal feed products focus on value beyond pellet binding into functionalities that will aid the drive to find alternatives to antibiotic growth promoters with natural prebiotic and probiotic additives, together with mycotoxin binders. Specialist studies in partnership with industry specialists have been initiated to determine whether our natural lignin-based products offer improved animal gut health and performance.

Opportunities for value creation

Frost can have a catastrophic impact on many agricultural crops around the world. To date, farmers have used wind machines and/or heaters to mitigate this risk. In conjunction with a leading university, we have successfully demonstrated that Valida can effectively protect susceptible plant buds from frost damage. In addition, we have also obtained a grant from P3Nano, a public-private partnership aimed at the rapid commercialisation of cellulosic nanomaterials, to further develop this avenue of usage.

Our key material issues continued

Prosperity continued

Developing and commercialising innovations in addition to adjacent businesses

Why it's material

Without critical thinking, new products and improved processes, we cannot succeed in a highly competitive industry and world. Accordingly, innovation is embedded in our DNA and in our Thrive25 strategy which reinforces a culture whereby our people challenge conventional thinking with new ideas and solutions which contribute to a more sustainable world and add practical value to Sappi, our customers and society. We make ongoing investments into R&D (US$43 million in FY2021) and promote a culture of innovation through the annual Technical Innovation Awards (TIA). The combined five-year net present value for the eight finalists in the most recent TIA is approximately US$60 million with an estimated annual EBITDA ex SI of US$9 million.

How this issue links to other aspects of our business

Our global priority SDGs	Our top 10 risks	Our strategic fundamentals	The global forces shaping our Thrive25 strategy
12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION 15 LIFE ON LAND	2 Evolving technologies and consumer preferences 4 Sustainability expectations 5 Climate change		• The move towards a circular economy • Climate change continuing to impact businesses and reshape societies • Resource scarcity and growing concern for natural capital

Key developments in FY2021

Sustainable food packaging solutions

Flexible packaging is essential to protect foods from air and moisture during transportation and storage. Traditionally, heat-sealing laminates comprising paper and a polyethylene (PE) sealing layer have been the standard materials to keep food unspoiled and fresh. However, this kind of flexible packaging requires the additional converting step of applying a PE layer to the paper. Generally, these synthetic polymer coated paper products are neither recyclable nor compostable.

To address our clients' needs for sustainable alternatives, we developed **Sappi Seal**. While not new, this product is included here as it was the overall winner of the most recent Sappi TIA. Sappi Seal is a paper-based packaging solution with an integrated sealable layer. The integrated barrier eliminates the need to apply any other PE extrusion coatings. Designed to be heat sealable and moisture resistant, Sappi Seal is the first paper-based solution with dispersion technology competing with extrusion/lamination in the market.

Sappi Guard Gloss Nature 4-OHG is another paper product offering a safe, sustainable alternative to laminate constructions in food packaging. It is a one-side coated glossy paper with functional high barrier coating and heat sealability that is suitable for both food and non-food applications.

The product incorporates a new base paper architecture, modified coating recipes and a unique drying process. We have filed a patent application for the latter. The packaging can be heat sealed without the need for additional sealants because of its unique barrier coating. The product is safe to use for direct food contact and protects the contents from oxygen, water vapour, grease and mineral oil. Its integrated barrier ensures a long shelf life of the end product, an essential food packaging requirement. Furthermore, Guard Gloss fulfils the high market demands for excellent printability and good converting performance.

Introducing new dye sublimation papers

In FY2021 we introduced **Transjet Tacky Industrial**, a coated dye sublimation paper for digital transfer printing, specially developed for high-speed inkjet printing on highly elastic textiles. The paper is first printed with the desired image or pattern which is then transferred to the elastic polyester fabric by means of heat and pressure. Transjet Tacky Industrial has a high ink load capacity so the print can be better accentuated due to strong colour saturation. The design remains clearly visible when the fabric is stretched to its maximum, which is particularly beneficial for sportswear.

We also added **Basejet** uncoated dye sublimation paper to our portfolio, thereby providing an additional solution for the digital printing of fashion and home textiles in consistent print quality.

Both Transjet Tacky Industrial and Basejet are FSC-certified.

Expanding our portfolio of label paper solutions

We expanded our portfolio of label paper solutions with the **Parade Label Pro** non-wet-strength wet-glue label paper, targeted at the beverage, food and consumer goods sectors. The paper is suitable for a wide range of applications, such as labels for disposable bottles, food and non-food containers, as well as wrappers for a wide variety of products. It is distinguished by a glossy, single-side double-coated quality with a very smooth surface and a high degree of whiteness – ideally suited for outstanding printing and finishing results.

Meeting the need for packaging with a natural look and feel

Driven in part by the booming ecommerce business, demand for corrugated board packaging has been increasing rapidly. In response, we launched **Fusion Nature Plus**, a complement to our well-established Fusion Topliner. The former is an uncoated, fully bleached recyclable virgin fibre liner with excellent printability in flexographic, digital and offset printing. The product's high whiteness, brilliant colour reproduction and consistently high quality make it a good choice for corrugated or solid board packaging where a bright white appearance is required for topliner, inner liner and fluting – and for ensuring an exceptional unpacking experience for the customer. It can be used in a wide number of applications, from pharmaceutical to food packaging. Moreover, given its strength properties, as well as an appealing look and feel, the new virgin fibre liner is also ideally suited for producing paper carrier bags.

CASE STUDY

Ultracast Viva's® green credentials recognised

In April 2021, our Ultracast Viva release paper won the Green Product Award 2021 jury prize in the fashion category. The award programme recognises companies and start-ups that have distinguished themselves by their sustainable practices and product results. Over a thousand applicants from 51 countries were screened for this year's nomination.

An industry breakthrough, Viva is the first premium high-fidelity casting paper compatible with solvent-free systems. This textured release paper is now the new standard for high-fidelity polyvinyl chloride, polyurethane (PU), semi-PU and solvent-free casting systems for high quality coated fabrics and textured materials.

There is a global movement to limit or eliminate solvent-based casting systems to reduce chemical waste and pollution. Ultracast Viva is the answer for customers dedicated to using sustainable alternatives.

Opportunities for value creation

In 2022, we will be introducing new functional paper barrier coating technology at our speciality mill in Alfeld, Germany.

Expanding the use of our proprietary barrier coating technology underpins our drive to maintain our leading position in barrier coated paper as well the commitment we have with our customers in developing innovative future-focused packaging solutions which contribute toward a sustainable future.

The demand for paper and paperboard packaging continues to rise as consumers become increasingly mindful of the impact their buying choices have on the environment. We are committed to supporting our customers in going beyond traditional film and foil-based material solutions and growing our product ranges to meet the demands of our ever-changing world. Working directly with brand owners we aim to create future-oriented circular solutions in line with growing collective global responsibilities.

Our 2017 acquisition of Rockwell Solutions has deepened our barrier paper manufacturing knowledge. Adding barrier coater capacity at Alfeld Mill further upscales our capabilities, bringing the combination of paper, dispersion and coating technology to more customers. Through this initiative we will continue to challenge the conventional packaging industry with new ideas and solutions in order to make it easier for the world and the planet to follow a circular-economy strategy.

We expect to begin commissioning new products at the Alfeld Mill from mid-2022.

Our key material issues continued

People

Ensuring the safety of our employees and contractors

Why it's material

Safety is not only a moral imperative, it is also an issue that affects productivity and hence, value add to all our stakeholders. Our approach to safety, a core value, is based on the principles of Project Zero – zero fatalities and zero injuries. In addition to addressing hazards in the workplace by means of the OHSAS 18001 and ISO 45001 related systems in place at all our pulp and paper mills, we also address 'at risk behaviour' of our employees through a behaviour-based safety (BBS) system.

How this issue links to other aspects of our business

Our global priority SDGs	Our top 10 risks	Our strategic fundamentals	The global forces shaping our Thrive25 strategy
8 DECENT WORK AND ECONOMIC GROWTH	1 Safety 10 Employee relations		• Continued erosion of trust in business, coupled with increasing social activism

Key developments in FY2021

Covid-19

The year was dominated by the Covid-19 pandemic with all operations and sites continuing with the required sanitising and hygiene protocols, social distancing, self-declaration health check requirements with ongoing engagement and communications for the necessity of self-awareness at work and at home. While the pandemic appears to have heightened safety awareness and reinforced safe attitudes and behaviours, complacency remains a risk. We have made a concerted effort to encourage our people to vaccinate through ongoing communication campaigns and, in South Africa, we have set up vaccinations stations at our operational sites to enable access to our people, their families and our contractors.

Occupational safety

In 2021 we were delighted to achieve our primary goal of zero fatalities. This can be attributed to consistent messaging around Project Zero and the 'I Value Life' safety campaign, including the maturing Stop. Think before you Act journey in Sappi Forests. Our continuous sharing of incidents, near misses and best practices across the group has also played a key role, as has the online Sappi Learning annual performance enablement objective setting. This included a required statement of each person's commitment together with 'walk the talk' leadership behaviour demonstration examples.

In terms of **group** safety performance, LTIFR for both own employees and contractors declined slightly from the previous year but has shown steady improvement over the past six years.

On a positive note, Injury Indices (II) for both own employee and contractors showed an improvement over the past year and the five preceding years.

Sappi Europe had a disappointing year with a LTIFR of 0.78 which was a deterioration from the previous year's 0.59. On a positive note, contractor LTIFR showed continued improvement from previous years. A safety communication campaign is underway to bring more attention to frequent injuries and reinforce the fact that nothing is so important than it cannot be done safely.

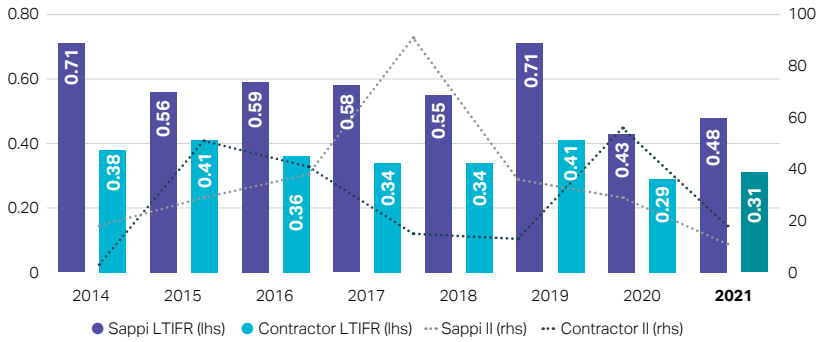
Sappi North America completed FY2021 with a LTIFR for own employees of 0.33 compared with best ever of 0.20 in FY2020. As in the previous year, there were no contractor LTIs – an excellent achievement.

Safety performance in **Sappi Southern Africa** was highly satisfactory, with the best ever LTIFR for own employees at 0.29. The previous best ever achieved was 0.41 in 2020.

Looking forward, regions will continue to encourage the reporting of near misses and non-lost time injuries (NLTIs) and ongoing improvements in safety suggestion schemes. We remain committed to reducing the impact of injuries on our workforce. By involving all personnel, sharing information, and managing risk in accordance with accepted best practice, we will aim to reduce the occurrence and severity of accidents and NLTIs.

Comment: We calculate LTIFR by dividing the product of lost-time injuries and a group-wide standard for man hours by the unit's man hours, ie LTIFR = LTI * 200,000/unit's actual man hours. As from this year, we have excluded LTIs that result in light duty from the calculations.

Group LTIFR



Comment: The theme for Global Safety Awareness Week continued with **'I Value Life'** – aligned with personal commitment to your own and your colleague's life.

Opportunities for value creation

Currently, safety of own employees is included in our management incentive schemes. In FY2022, this will be expanded to include contractors, highlighting our view that contractor safety is as important as that of our own employees.

Our key material issues continued

People continued

Engaging more closely with our employees

Why it's material

When employees are engaged, their discretionary effort goes up. When leaders and managers channel that energy and effort in the right direction, business and personal outcomes are positively impacted. Recognising that our people are our greatest lever for achieving our Thrive25 purpose, we conduct employee engagement surveys every second year. Input in previous surveys has shaped programmes and initiatives that have significantly improved the way we work.

How this issue links to other aspects of our business

Our global priority SDGs	Our top 10 risks	Our strategic fundamentals	The global forces shaping our Thrive25 strategy
8 DECENT WORK AND ECONOMIC GROWTH	1 Safety 4 Sustainability expectations 10 Employee relations		• Continued erosion of trust in business, coupled with increasing social activism • Changing consumer and employee profiles • Globalisation and high levels of connectivity

Key developments in FY2021

We appointed a new service provider to conduct our most recent employee engagement survey. Permanent employees in all regions were given the opportunity to participate in the survey which was made available in Dutch, English, Finnish, French (Quebec), German, isiZulu and Italian. The key issues covered were:

- Manager and senior manager relationships
- Inter-departmental relationships
- Company potential and strategy
- Ethics
- Safety.

In the new survey, the following definitions were used for engagement levels:

- **Engaged:** Engaged employees consistently exceed expectations. They are energised and passionate about their work, leading them to exert discretionary effort to drive organisational performance.
- **Almost Engaged:** Employees who sometimes exceed expectations and are generally passionate about their work. At times they exert discretionary effort to help achieve organisational goals.
- **Indifferent:** Employees who are satisfied and comfortable are generally able to meet minimum expectations. They see their work as 'just a job', prioritising their needs before organisational goals.
- **Disengaged:** Employees who usually fail to meet minimum expectations, putting in time rather than effort. They have little interest in their jobs and often display negative attitudes.

Globally, participation in the 2021 survey was 84%, with the following regional levels: 81% (SEU), 66% (SNA), 96% (SSA) and 100% (Sappi Trading).

The survey tool provides a priority matrix that overlays the Sappi results with the factors that have the highest impact on engagement levels. Using the matrix, we have established areas of improvement for each region. On a global level these include senior manager relationships, department relationships, manager relationships, together with learning and development.

Opportunities for value creation

A central action tracker has been developed which enables our human resources colleagues to update the status of action items for their internal clients on a monthly basis. Comprehensive business unit-level reporting takes place quarterly and a summary of the themes and progress are provided to the senior leadership team twice annually. In addition, the close-out of engagement action items has now been included in the performance objectives of each line manager and supervisor across the business.

In addition, through the new service provider, we are able to run interim pulse surveys in targeted areas. Once interventions are complete, these interim surveys will be used to measure the impact and capacitate local human resources teams to react faster to support the business through required improvements.

These actions will not only affirm that the voices of our people are important, but will also help give us greater clarity as we work to demonstrate added value in line with Thrive25.

Supporting sound labour relations

Why it's material

Sound labour relations are important for business continuity. We are committed to fostering positive stakeholder relationships and believe that effective communication is essential to sound labour relations, enhanced employee engagement and ultimately, overall business success. We continue to endorse the principles of fair labour practice as entrenched in the UNGC and the Universal Declaration of Human Rights. At a minimum, we conform to and often exceed, the labour legislation requirements in countries in which we operate. Sappi promotes freedom of association and engages extensively with representative trade unions. Globally, approximately 56.43% of our workforce is unionised, with 71.53% belonging to a bargaining unit.

How this issue links to other aspects of our business

Our global priority SDGs	Our top 10 risks	Our strategic fundamentals	The global forces shaping our Thrive25 strategy
8 DECENT WORK AND ECONOMIC GROWTH 17 PARTNERSHIPS FOR THE GOALS	1 Safety 7 Cyclical macro-economic factors 10 Employee relations		• Continued erosion of trust in business, coupled with increasing social activism • Changing consumer and employee profiles

Key developments in FY2021

We continued to enjoy relatively positive industrial relations with trade unions at all manufacturing sites and forests plantations across the group in the year under review.

Overall, FY2021 was again characterised by very tough collective bargaining process given the continued impact of Covid-19 and global economic conditions. Community engagement continued to be another key focus area, especially in South Africa as the country experienced an unprecedented wave of community unrest largely in the Gauteng and KwaZulu-Natal provinces.

In **SEU**, 62% of employees are members of a union, and 87% of employees fall within a bargaining unit. We engage with various unions in each country where we operate and Collective Labour Agreements are in place at all mills with the exception of Carmignano and Condino Mills in Italy and Lanaken Mill in Belgium.

In **SNA**, 65.2% of employees are members of a union, with 64.9% belonging to a bargaining unit. SNA has 12 collective bargaining agreements with its hourly employees across various categories of work.

Union representation in **SSA** declined slightly to 50%. The region continues to recognise two trade unions, namely, the Chemical Energy, Pulp, Printing, Wood and Allied Workers Union – the majority union across all mills and forestry – and the United Association of South Africa. However, we also continue to engage with other trade unions that are substantively represented in some of our operations, but not currently fully recognised. These are the Association of Mining and Construction Union organising at Lomati Sawmill in Barberton as well as the National Union of Metal Workers of South Africa, organising at our Ngodwana and Tugela Mills.

In SSA, 59% employees fall within the scope of the bargaining unit. Collective bargaining in SSA was concluded well ahead of the deadline for implementation, in both the pulp and paper and forestry sectors.

Opportunities for value creation

In order to improve labour/management relationships across all operations, SSA has developed and adopted a roadmap facilitated by an independent Senior Commissioner. The key elements of the roadmap include a specific review of the National Partnership Forum (including senior members of management and senior union leaders who hold regular meeting where business, safety and union challenges are discussed), business unit engagement structures, communication with employees and capacity building for union officials. Work is already underway in various task teams consisting of management and labour representatives to develop and implement action plans.

Our key material issues continued

People continued

Attracting, developing and retaining key skills

Why it's material

Our employee value proposition whereby we seek to add value to our people and our business is based on making a purpose-driven and meaningful contribution towards the wellbeing and development of our employees and our communities. This in turn is based on sourcing talent strategically and retaining it, accelerating development, providing performance feedback and creating development opportunities. Skills are the backbone of our success.

How this issue links to other aspects of our business

Our global priority SDGs	Our top 10 risks	Our strategic fundamentals	The global forces shaping our Thrive25 strategy
8 DECENT WORK AND ECONOMIC GROWTH Our additional SSA priority SDGs 4 QUALITY EDUCATION	10 Employee relations		• Continued erosion of trust in business, coupled with increasing social activism • Globalisation and high levels of connectivity • Changing consumer and employee profiles

Key developments in FY2021

We are committed to implementing a consistent approach to learning that is linked to talent management, succession and the improvement of skills and productivity across our business. Our primary aim is to increase and improve our employees' productive output and shorten the time to competence. As can be seen from the table detailing training hours, our training focus is on the lower levels of the organisation.

Globally, all employees undergo Code of Ethics and safety training. However, each region has targeted learning and development programmes focused on meeting its own particular needs. Some of the regional initiatives are set out below.

In **Sappi Europe**, we continued with implementation of the Cornerstone learning, talent and performance management systems which automates and improves processes around performance reviews, goal management, competency management and development planning. The region continued with the three to four-year apprentice vocational training programme implemented initially at our four German-speaking mills, now also in operation in Finland and Belgium. This involves approximately 240 apprentices and is helping to build a technical skills pool that will be used to replace staff going on retirement over the next three to four years.

In **Sappi North America**, the internship programmes at Sappi's three US mills are helping to create a pipeline for entry level talent, specifically engineers and some functional positions to offset the losses associated with the ongoing wave of retirements. Targeted salesforce training for the graphics and packaging and speciality paper groups was also implemented. We also expanded our curriculum-based training system using the Convergence platform – workforce training and compliance management software that offers a single platform from which to deliver training programmes – at Somerset Mill for both hourly employees and entry level engineers. In addition, we expanded Cloquet Mill's supervisor training module, provided introductory production training at the same mill and introduced new supervisor training at Somerset Mill. Westbrook Mill continued with multi-craft training to move to a single craft shop.

In **Sappi Southern Africa** there was a concerted effort for mill foremen and superintendents to complete the safety and performance improvement programme called Lean on Me. A total of 403 employees across the mills are currently enrolled in the programme and are completing a combined average of 1,500 online courses, classrooms and practical assignments on a monthly basis. The region refreshed the content of the Manager in Training and LeadX – a leadership development programme targeting future heads of department – programmes with the new leadership culture requirements from Thrive25 and deployed this content to new groups of participants. We also continued to utilise online Pulp and Paper training from Convergence to improve awareness of key processes and competence in the mills.

Training in **Sappi Trading** was varied, ranging from leadership training for senior managers in Hong Kong, to Portuguese language courses in Mexico.

Training hours per region in 2021: all employees

	No grade	Unskilled	Semi-skilled	Skilled technical and junior management	Professional and middle management	Senior management	Top management	Total
SEU	25.19	–	5.03	7.28	15.17	14.07	8.86	22.74
SNA	117.63	–	19.17	29.78	33.86	18.25	9.33	85.10
SSA	320.86	28.96	40.75	37.59	26.50	10.88	3.36	63.65
Total	65.35	28.96	39.41	31.68	23.33	14.07	6.61	48.29

Opportunities for value creation

South Africa has a critical need for technical and artisan skills. We continued to focus on technical development through a combination of technical online training and specialised classrooms – our partnership with the Southern African Institute of Welding for accredited welding training at Saiccor Mill is an example. Another milestone was the attainment of full apprentice and trade test accreditation at the Skills Centre at Ngodwana Mill. The first phase training for apprentices from Stanger and Saiccor Mills was completed at the Ngodwana Skills Centre, with further benefit gained from local Sappi-owned accommodation adjacent to the centre. The cost savings from the accommodation are being used to provide further training.

By contributing to technical competency levels in South Africa, we are ensuring a pipeline of skills which meets our needs while creating positive social impact and contributing to the wellbeing of our communities.

Our key material issues continued

People continued

Creating a positive social impact in our communities

Why it's material

In line with our Thrive25 commitment to being a trusted partner, we work to promote shared value and create positive social impact beyond the fence lines of our mills and plantations. Our aim is to create positive, meaningful and sustainable systems change for the benefit of our communities, particularly for those at a disadvantage as a result of complex, long-term systemic issues. In doing so, we foster positive community relationships, enhance our reputation, become a more attractive employer and secure our licence to operate – and thrive.

How this issue links to other aspects of our business

Our global priority SDGs	Our top 10 risks	Our strategic fundamentals	The global forces shaping our Thrive25 strategy
8 DECENT WORK AND ECONOMIC GROWTH 17 PARTNERSHIPS FOR THE GOALS **Our additional SSA priority SDGs** 1 NO POVERTY 4 QUALITY EDUCATION	4 Sustainability expectations 7 Cyclical macro-economic factors		• Rising social inequality • Continued erosion of trust in business, coupled with increasing social activism

Key developments in FY2021

Our corporate citizenship initiatives and programmes are in line with, and supportive of, our business strategy and are developed with input from key stakeholder groups. They are also being matched against our UN SDG commitments. Our support is focused on our employees, our customers and the communities where we have an impact. We have prioritised community support projects with a particular focus on education, environment, health and welfare. Our preference is for multi-year programmes which create sustained impact in our communities. The majority of spend is allocated to South Africa, given the development needs of the country. Each region has its own programmes which are detailed extensively in our **Group Sustainability Report**, available at www.sappi.com

In FY2021, the Covid-19 global pandemic continued to dominate the business and social landscapes. We adjusted our regular corporate citizenship programmes to meet community needs. We responded swiftly to protect the safety of our employees and communities as well as to address the negative economic and social impacts, including the provision of personel protective equipment, sanitiser, food parcels and other localised support.

During the year Sappi joined the Circular Bioeconomy Alliance (CBA), a voluntary organisation working to accelerate the transition to a circular bioeconomy through tangible local activities, such as Sappi's own Project Khulisa tree grower scheme.

In **Europe** the previously established Covid Hardship Fund continued to receive contributions from staff, and it made donations to the WHO Covid-19 Solidarity Response Fund.

In **North America** the Ideas that Matter (ITM) grant programme, which was suspended for 2020 due to the focus on our Covid-19 response, was revised and relaunched. As from 2021 designers from around the world will be able to submit ideas that include paper packaging projects in addition to print and digital communications projects, aligned with at least one of the 17 UN SDGs. Submissions should show how print design can improve the lives of others. An amount of US$250,000 has been made available for ITM grants.

In **South Africa** a review of support programmes led to the adoption of a new Social Impact Strategy for SSA which will inform planning for the corporate citizenship programme from FY2022 onwards. The strategy will ensure that disparate current initiatives are reworked into a single coherent framework enhancing our strategic approach to local communities and national and local government.

Sappi Southern Africa partnered with the National Business Initiative to establish a small business development hub within the Ilembe District in KwaZulu-Natal, where Sappi's Tugela and Stanger Mills are located.

During FY2021 Sappi Southern Africa formally joined the Shared Value Africa Initiative. The move aligns with our corporate purpose and our new approach to social impact. The membership enables us to collaborate and partner on mutually beneficial business relationships with likeminded organisations with values and principles that focus on creating economic value and value for society – Profit with Purpose.

Spend in 2021

	2021
Sappi Europe	€100,000
Sappi North America	US$145,100
Sappi Southern Africa	ZAR48 million

Note: The figure for SNA is much lower than in previous years because we suspended our longstanding ITM programme (spend: US$250,000) for FY2021. The grant programme has been revised and relaunched for 2022.

Opportunities for value creation

In South Africa we anticipate that the newly adopted social impact strategy will enable us to leverage our financial commitment, enhance the efficacy of our programmes and promote greater levels of collaboration.

Planet

Sourcing sustainable woodfibre

Why it's material

Healthy, resilient forests are the foundation of our business. Sustainable forest management can maintain or enhance forest carbon stocks and sinks, while wood products store carbon and act as substitutes for emissions-intensive materials. Responsibly managed forests play an important role in mitigating climate change, and we are determined to be part of the solution to this challenge by acting as a custodian of land and forests. We believe that robust, internationally recognised and third-party verified forest certification systems are effective tools for promoting sustainable consumption and production, as well as combating deforestation and illegal logging through proof of legality and responsible practices.

Accordingly, we strive to increase the amount of certified fibre supplied to our mills and prioritise responsible management on our plantations in South Africa. As sustainably managed forests are more productive, by doing so we ensure a sustainable supply of woodfibre.

How this issue links to other aspects of our business

Our global priority SDGs	Our top 10 risks	Our strategic fundamentals	The global forces shaping our Thrive25 strategy
7 AFFORDABLE AND CLEAN ENERGY 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION 15 LIFE ON LAND	2 Evolving technologies and consumer preferences 3 Supply chain disruption 4 Sustainability expectations 5 Climate change		• Climate change continuing to impact businesses and reshape societies • Resource scarcity and growing concern for natural capital

Key developments in FY2021

Promoting responsible forestry

All Sappi's mills in Europe, United States, and Canada are both Programme for the Endorsement of Forest Certification (PEFC) and Forest Stewardship Council (FSC), and in the United States also Sustainable Forestry Initiative (SFI) Chain of Custody (CoC) certified. Sappi's own tree plantations in South Africa are both PEFC and FSC-certified. The mills in South Africa are FSC CoC-certified and will achieve PEFC CoC certification soon. This approach enables us to offer a wide product portfolio of certified products, and gives us full traceability of purchased wood-based raw material. In so doing, we hope to drive responsible production and consumption patterns and demand for wood-based products originating from certified forests.

In 2021, 77% (2020: 73%) of all the wood-based raw material supplied to Sappi's mills originated from FSC or PEFC (incl. SFI) certified forests. In Europe, North America and South Africa, the share of certified woodfibre supplied in 2021 was respectively: 87% (2020: 80%), 57% (2020: 55%), and 85% (2020: 83%). Much of the woodfibre we use is dual certified. In 2020 and 2021, the CoC processes were extended to new products such as Valida fibrillated cellulose, as well as Symbio composite materials combining cellulose from wood and thermoplastics.

We engage with wood and pulp suppliers to promote and increase the share of certified forests and wood, and actively participate in the development of FSC, PEFC and SFI systems. In South Africa, we operate a FSC group scheme, which offers FSC certification for 42 private members with 41,000 ha of land as at the end of FY2021. We offer growers in this scheme a premium for certified timber, thereby encouraging them to invest in sustainable management practices.

In the United States, the Sappi Maine Forestry Programme and the Sappi Lake State Private Forest Programme assist forest landowners to meet their objectives for managing their woodland. Sappi's trained foresters are able to develop a forest management plan geared to the interests of the landowner including wildlife management and aesthetics, marketing of timber to generate maximum return and providing an extensive network of environmental and marketing resources. In South Africa, qualified extension officers provide growers in our Sappi Khulisa enterprise development scheme with ongoing growing advice and practical assistance.

Ensuring security of fibre supply

Sappi Forests enhances our fibre base in South Africa through leading-edge tree improvement programmes which aim to produce high-quality wood with the required pulping characteristics, increase yield per hectare and mitigate against pests and diseases.

In South Africa, 56% of our plantations can be classified as having high site sensitivity. Sappi has developed a site sensitivity risk map that includes various site risks (slope, erodibility, soil depth, soil organic carbon content, soil texture, etc). Specific management operational guidelines have been or are being developed based on the different site sensitivity classes. Silvicultural practices on these sites are reviewed and changed to use practices like mulching to mitigate site impacts.

Our key material issues continued

Planet continued

Sappi and the first ever PEFC forest management certificate in South Africa

In early 2021, Sappi was awarded the first ever PEFC forest management certificate in South Africa. This achievement validates that Sappi's forest management practices in South Africa meet the requirements for sustainable forest management set out in the PEFC-endorsed standard for the region – Sustainable African Forestry Assurance Scheme (SAFAS).

The certification will enable Sappi to offer PEFC-certified wood from our plantations in South Africa, giving further assurance to Sappi's local and global customers that the wood raw material originates from responsibly managed forests. This is in addition to the longstanding FSC certification that we hold for all our plantations in South Africa. The potential of SAFAS in South Africa is that it incorporates cutting-edge, innovative and effective approaches to also make forest certification more accessible to South Africa's small landowners. We believe that this has great promise for ensuring certification that not only delivers social and environmental values, but also supports socio-economic and development priorities.

> "What makes PEFC-endorsed national forest certification systems, such as the SAFAS, so relevant is that they are locally developed and owned, and that they respect the country's operational and cultural conditions. This is important because it ensures that the advantages of certification are accessible to all forest owners, with a particular emphasis on smallholders."

Ben Gunneberg PEFC International, CEO and Secretary General

Committed to zero deforestation

Our commitment to zero deforestation means knowing the source of woodfibre; ensuring that suppliers implement practices to promptly regenerate forests post-harvest, which is required under the global forest certification standards that we are committed to upholding. It also means implementing our Supplier Code of Conduct to assess supply-chain, ethical and legal risk continually; and not sourcing from suppliers associated with deforestation.

Opportunities for value creation

Traditional tree breeding is a relatively slow process. Our adaptation strategy to mitigate the impacts of environmental change, is to select and produce the most optimally suited hybrid varieties for each climatic zone through our Sappi Forests' tree breeding programme. Our tree breeding division has a target of developing a hybrid varietal solution for all our sites by 2025. We are also making use of genetic tools, like DNA fingerprinting, to enhance and accelerate our breeding and selection process. In addition, as pine and eucalypt hybrids are more successfully propagated through rooted cuttings rather than seed, a strategy is being rolled out to meet future requirements. In addition to the recent construction of Clan Nursery and the rebuild of the Ngodwana Nursery, we plan to upgrade Richmond Nursery in 2023 to enable the production of additional hybrid cuttings in addition to seedlings.

Prioritising renewable and clean energy

Why it's material

This issue is inextricably linked to mitigating greenhouse gas emissions in order to address climate change. Decarbonisation strategies involve the replacement of fossil-based fuels with either renewable or clean energy sources. Evolving legislation supporting ambitious decarbonisation targets within the regions in which we operate and sell our products, together with increasing consumer awareness of the need for low carbon products are informing our decarbonisation strategy. So too, is our responsibility to contribute to a thriving world.

How this issue links to other aspects of our business

Our global priority SDGs	Our top 10 risks	Our strategic fundamentals	The global forces shaping our Thrive25 strategy
7 AFFORDABLE AND CLEAN ENERGY 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION	2 Evolving technologies and consumer preferences 4 Sustainability expectations 5 Climate change		• Climate change continuing to impact businesses and reshape societies

Key developments in FY2021

In FY2021, 52.3% of the energy we used was renewable, mostly from own black liquor.

The global drive for decarbonisation is manifested in each region where we operate. It includes developments such as the European Green Deal, the American Energy Innovation Act and in South Africa, the Renewable Energy Independent Power Producer programme and the carbon tax implemented in 2019. We have increased our focus on energy efficiency measures and low-carbon initiatives.

Ngodwana Energy, our biomass-based project at Ngodwana Mill in which we have a 30% stake, has now been commissioned. In addition, construction of our fuel rod project which uses biomass, lignosulphonate and coal slurry to manufacture fuel rods to replace coal and anthracite, is complete. Burning these fuel rods has a far lower environmental impact than coal or anthracite.

Setting emission reduction targets

Recognising the role that industry needs to fulfil to be part of the solution in responding to climate change, Sappi has been placing increased strategic focus on decarbonisation. Each region has established decarbonisation plans and our mills are heavily invested in implementing projects like the Saiccor Mill expansion project, as well as analysing and preparing projects, plans and pathways to further reduce emissions. We initiated our Science Based Targets initiative (SBTi) target validation process in June 2021 and expect validation to be complete in FY2022.

Related to climate action, in FY2020, we made a global commitment to a 17% reduction in specific GHG emissions (Scope 1 and 2 combined) by 2025 – aligned with a well below 2°C pathway. This is the first time that we have established a groupwide GHG emissions reduction target.

Carbon pricing

Carbon pricing influences business decisions and company strategy and is used in our capital project assessments and expenditure at all our operations, as well as in our energy budget processes. We use differentiated shadow pricing where the internal price on carbon varies per region because there are different requirements and objectives in different regions. Decisions on capital projects now take into account the carbon impact.

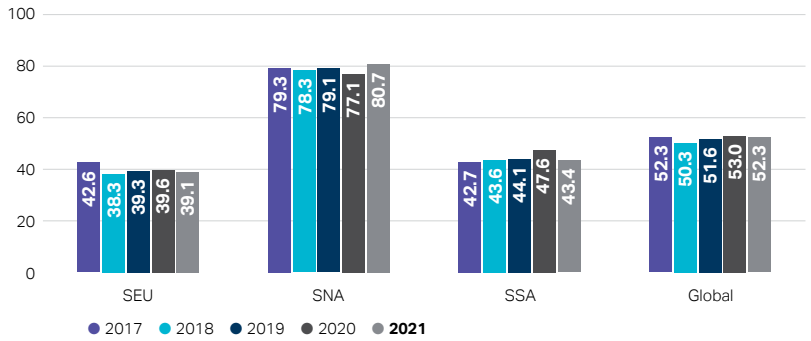
Additionally, aligning with our global SBTi decarbonisation target, in 2022 we will set up a task team to establish a global carbon pricing standard/metric to ensure that decarbonisation capital is optimised on a global basis. While meeting regional legislative decarbonisation targets is our first priority in order to maintain our licences to operate, we recognise that a more holistic approach is required to ensure the greatest returns on our decarbonisation capital expenditure as we strive to reduce our global carbon footprint.

Using a high level of renewable energy

In some instances, Somerset (North America), Alfeld, Ehingen, Stockstadt, Gratkorn and Maastricht Mills (Europe) and Ngodwana Mill (South Africa), excess energy is generated which is sold back into the power grid. This energy is used for district heating in the vicinity of Sappi's plants and for export into the public grid.

Emissions are avoided by using renewable fuel energy sources instead of fossil fuel sources. In addition, emissions are avoided by power self-sufficiency instead of purchased power from an external power supplier with higher emissions than self-produced power.

Renewable energy (%)



Our key material issues continued

Planet continued

SEU's decarbonisation roadmap

The European Union (EU) Green Deal aims to lead the world in achieving climate neutrality. With the adoption of the European Climate Law, together with the tabling of a suite of legislative proposals within the Fit for 55 legislative package, 2021 was an unprecedented year for policy reform. The EU's transition towards a climate neutral economy is ambitious and the forest sector is well positioned to play a leading role. For SEU, this legislation has affirmed our decarbonisation investments and accelerated our progress in 2021 and beyond.

Sappi's decarbonisation plan in Europe

Our European 2021-2025 decarbonisation plan includes over 80 proposed projects for implementation that should contribute to our regional 2025 target to reduce specific greenhouse gas emissions by 25%.
The plan's main priorities include:

- Exiting coal and increasing the share of renewable energy
- Sourcing green electricity
- Increasing eco-effectiveness to reduce energy consumption.

Latest investment decisions

In 2021, major investments were approved for three of the four key projects outlined in our decarbonisation plan. One of these projects at Kirkniemi Mill in Lohja, Finland enables a switch in energy sourcing to renewable bio-energy. With this investment the mill's direct fossil greenhouse gas emissions will reduce by approximately 90%, which is equivalent to 230,000 tons of carbon dioxide annually.

The project, set for completion in early 2023, will contribute significantly to SEU's decarbonisation roadmap by exiting coal at one of our last facilities partially using this fuel type. Biomass will then be used in Kirkniemi's multi-fuel boiler, built in 2015. The investment will establish the equipment needed to receive, store and handle woody biomass like the bark, sawdust and wood chips used for energy production. By using these biomass types for energy production, we derive further value from this forest resource.

Project advancements at Gratkorn Mill

The first major project initiated within our decarbonisation plan was the complete modernisation of boiler 11 at Gratkorn Mill. Approved in 2020, the investment into state-of-the-art technology makes the shift to a multi-fuel boiler in two phases, with the end goal of only using sustainable and renewable fuels. This project was initiated in mid-2021 and in early August the last coal was fired onsite.

Running from August 2021 through early 2022, the project envisages full refurbishment of the boiler, as well as equipping it with modern technologies, systems and installations to handle new fuel types and meet progressive environmental standards. The rebuild will enable the mill to eventually reduce carbon emissions by 30%. In addition, the chosen technology for the project will additionally allow us to reduce dust and nitrous oxide (NOx) emissions, further improving our impact on air quality.

Scope 2 reductions in Germany

In addition to our focus on Scope 1 emission reductions, in 2021, 50% of the electricity purchased at our three mills in Germany was green. This helped to contribute directly to the specific carbon emission reductions we realised in 2021.

Opportunities for value creation

In 2020 we established the 1.5 Future Energy Technologies & Decarbonisation cluster, tasked with exploring and developing novel technologies for fuel shift and deep decarbonisation in terms of Scope 1 and 2 emissions. This aligns with our commitment to decarbonising our operations in the decades ahead to 2050 – with specific targets defined in our science-based targets. The initial part of our decarbonisation journey will largely involve the deployment of known technology such as biomass boilers – but we cannot achieve net zero with today's technology.

Accordingly, the cluster's role is to identify, assess and champion new and emerging technologies which will be fundamental to meeting our net zero aspirations. The cluster has a particular focus on scanning or developing the future and new technologies required to dramatically reduce energy requirements in pulp and papermaking processes and energy supplies.

Responding to climate change

Why it's material

The Sixth Assessment Report conducted by the Intergovernmental Panel on Climate Change (IPCC) concludes that "Human-induced climate change is already affecting many weather and climate extremes in every region across the globe. Evidence of observed changes in extremes such as heatwaves, heavy precipitation, droughts and tropical cyclones and, in particular, their attribution to human influence, has strengthened since AR5."[1]

Accordingly, we have identified climate change as a top 10 risk that underpins all four key fundamentals of our business strategy. Responding to climate change in a meaningful manner is not only key to our business success, it is also important for the greater good of our communities, stakeholders and our customers. There is clear alignment between our response to climate change and how it directly links with five of the seven UN SDGs that we have prioritised at global level.

How this issue links to other aspects of our business

Our global priority SDGs	Our top 10 risks	Our strategic fundamentals	The global forces shaping our Thrive25 strategy
6 Clean water and sanitation; 7 Affordable and clean energy; 12 Responsible consumption and production; 13 Climate action; 15 Life on land	2 Evolving technologies and consumer preferences 4 Sustainability expectations 5 Climate change		• Climate change continuing to impact businesses and reshape societies

Key developments in FY2021

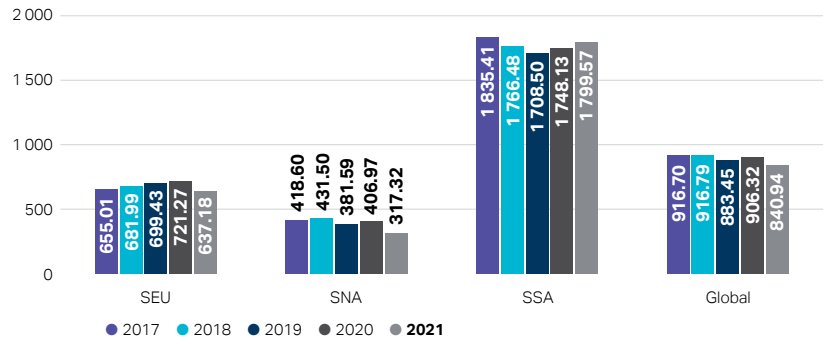
We continue to develop our climate strategy and have made significant progress in developing our near-term plans to mitigate our greenhouse gas emissions with the identification of key projects that will decarbonise our operational impact over the next five years.

We also made significant progress in assessing our resiliency to the physical risk and transitional risks and opportunities of climate change as framed by the Task Force on Climate-related Financial Disclosures (TCFD).

Within the context of the TCFD, in the past year we focused on our primary assets. This included 18 of our mills covering all three regions, as well as all our plantations in South Africa. Over 60 employees participated in the initiative. Leveraging the operational risk teams from each region, they documented past climatic events, costs and mitigation strategies in order to understand the physical and transitional risk more fully. We made very good progress in assessing how we can embed the consideration of climate change in our current risk register methods, thereby improving our overall approach to risk.

We worked with outside consultancy, S&P Global and the Global Change Institute (GCI) at the University of the Witwatersrand (WITS), to help us establish long-term climate change trends and implications to 2050, primarily for South Africa. Due to the nature of our operations – in other words, capital intensive assets that are not easily relocated – we adopted a conservative view on physical climate projections, aligning with Representative Concentration Pathway (RCP) 8.5.

Specific GHG (Scope 1 and 2) emissions (kg CO_2e/adt)



Comment: Globally, specific Scope 1 and 2 emissions have declined by 8.3% over five years.

[1] *https://www.ipcc.ch/report/ar6/wg1/downloads/report/IPCC_AR6_WGI_SPM.pdf.*

Our key material issues continued

Planet continued

Responding to climate change continued

Key developments in FY2021

Mitigating chronic physical risks

Our most vulnerable assets to physical climate change are our plantations in South Africa. Our scientists have developed a high level of expertise in assessing physical climate change impacts. Their knowledge is supplemented by our strong partnership with the WITS GCI. A preliminary climate change investigation conducted by Sappi Forests' scientists indicated that chronic physical risks are our key risk mitigation focus.

One of the ways in which we mitigate physical risks is through continuous assessment of the health of our growing stock. This is measured through continuous evaluation of trees with emphasis on growth rate, age, utilisation efficiency. Annual measurement programmes using a pre-harvest measurement of 20,000 hectares per annum (8%), as well as an airborne laser scan of all the plantations conducted every second year together with analysis of growth trends and drivers from, for example, permanent sample plot programmes and actual versus planned yields per compartment are used to continuously adjust the annual cut and detect emerging problems.

Climate modelling in South Africa

We continued our work on a project with other industry members and the WITS GCI in South Africa. Phase 1, which began in 2020, involved the generation of raster climate surfaces for the entire forestry domain of South Africa, at 8 km resolution, with monthly time resolution, for the years 2020, 2030 and 2040 to 2100. Global Climate Models were regionally downscaled using a conformal-cubic atmospheric model. Raster climate surface data for the entire forestry domain of South Africa, at 9 x 11 km resolution, with monthly and daily time steps from 1961 to 2100 was supplied. Each dataset contained 17 climatic variables as set out below.

Summarised data was shared with S&P Global Trucost and used in quantifying our global climate risks for TCFD reporting.

The **17 climatic** variables regionally downscaled by WITS GCI

1. **24-hour accumulated rainfall** (mm)
2. **maximum temperature**
3. **minimum temperature**
4. **average temperature**
5. **maximum relative humidity** (%)
6. **minimum relative humidity** (%)
7. **wind speed at 10 m** (m/s)
8. **number of very hot days per year**
9. **number of extreme rainfall days per year**
10. **number of low fire-danger days per year**
11. **number of medium fire-danger days per year**
12. **number of high fire-danger days per year**
13. **number of very high fire-danger days per year**
14. **number of extreme fire-danger days per year**
15. **KB drought index**
16. **number of heat-wave days per year**
17. **number of very cold days per year**

In terms of Phase 2, a proposal has been made for further support to the WITS GCI to continue climate modelling activities and develop downscaled products (possibly using two or more future scenarios such as RCP 4.5 and RCP 8.5) while simultaneously maintaining underlying climate projections; to enhance knowledge and insight on impacts of climate change specific to forestry and to develop human capacity for the generation and interpretation of regional downscaled climate surfaces.

Opportunities for value creation

Sappi's tree breeding programme has seen an important shift from planting pure species to more productive, better adapted and more pest and disease resistant hybrids of both hardwood and softwood trees grown in our plantations in South Africa. This change in strategy is being driven by the need to respond more rapidly to the combined challenges of increased globalisation and changing weather patterns (driven by climate change) that are resulting in significant increases in pest and diseases in the tree crop. Sappi Forests' tree breeding programme is producing and selecting the most optimally suited hybrid varieties for each climatic zone, with a target of developing a hybrid varietal solution for all Sappi sites by 2025. The benefit of developing new hybrids is that breeders can additively combine the benefits from two or more species and develop varieties that have improved fibre yield and wood quality as well as better disease/pest tolerance. Tree improvement is aimed at increasing pulp yield per hectare by testing various species and hybrids across Sappi's diverse landholdings. As well as growth improvements, trees are bred for superior wood properties and resistance to biotic and abiotic threats including frost, drought, pests and diseases.

Our key material issues continued

Planet continued

Focusing on water stewardship

Why it's material

Water is essential for the health of the forests and plantations from which we source woodfibre. In addition, pulp and paper operations are highly dependent on the use and responsible management of water resources. Water is used in all major process stages, including raw materials preparation (wood chip washing), pulp cooking, washing and screening, and paper machines (pulp slurry dilution and fabric showers). Water is also used for process cooling, materials transport, equipment cleaning, general facilities operations, and to generate steam for use in processes and onsite power generation and various other purposes. Against this backdrop, responsible water stewardship is essential for Sappi and for a thriving world.

How this issue links to other aspects of our business

Our global priority SDGs	Our top 10 risks	Our strategic fundamentals	The global forces shaping our Thrive25 strategy
6 CLEAN WATER AND SANITATION 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION 15 LIFE ON LAND **Our additional SSA priority SDGs** 4 QUALITY EDUCATION	2 Evolving technologies and consumer preferences 4 Sustainability expectations 5 Climate change		• Climate change continuing to impact businesses and reshape societies

Key developments in FY2021

Collaborating for water stewardship

We have finalised a Water Stewardship agreement with the World Wide Fund for Nature South Africa (WWF-SA), aimed at improving water security in the uMkhomazi catchment area. With our significant manufacturing and forestry footprint in this catchment area, which forms part of the Southern Drakensberg Strategic Water Source Area in KwaZulu-Natal, it makes sense for us to focus our collaborative efforts here, where our Saiccor Mill and 42,000 ha of our forestry land is situated.

The catchment also serves commercial farmers, subsistence farmers and domestic users in dispersed settlements across the area. To meet the future needs of all users, sufficient water at an acceptable level of assurance and quality must be secured. We believe that this can only be achieved through multi-stakeholder collaboration across the landscape. To help coordinate and facilitate the approach, we have launched a two-year project with WWF-SA to engage local communities, civil organisations, leadership and regulatory authorities in dialogue and cooperation focused on water stewardship. This collaborative approach is an extension of an innovative structure, known as the Integrated Community Forum, which we pioneered and through which we engage with local adjacent communities.

The multi-stakeholder engagement will provide a platform for open dialogue regarding water resources in the catchment and will concentrate on four main focus areas to improve water security in the uMkhomazi, namely:

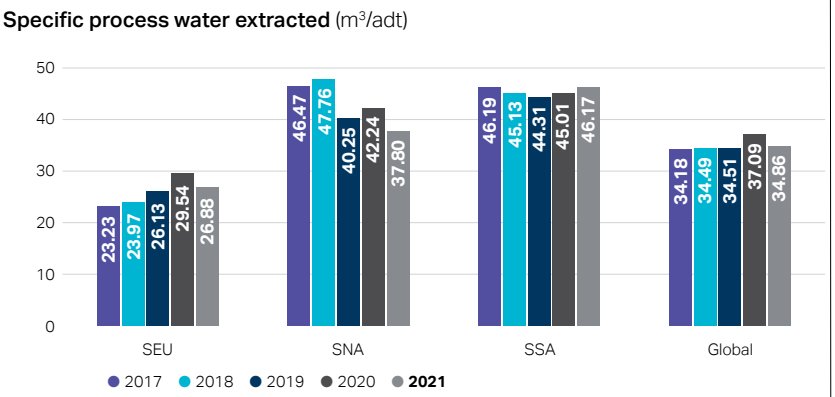
- Improved water governance through multi-stakeholder engagement
- Water-use efficiency
- Removal of alien invasive plants and wetland rehabilitation
- Capacity development of local communities in natural resource management.

Thrive25 targets in South Africa

The World Resources Institute has categorised South Africa as being characterised by medium/high water stress[1], while a publication issued by UN Water puts the country in the medium risk category.[2] Water stress is defined as freshwater withdrawn as a proportion of available freshwater resources. Use of the WRI's Aqueduct tool[3] which goes into a level of granular detail, indicates that two of our mills are in areas of low/medium risk, two in an area classified as medium/high risk and one in an area of high risk. Our decision to establish water-related Thrive25 targets in South Africa was based on stakeholders' general perception that the country is facing extremely high levels of water stress. This is based on devastating droughts in recent years and on the fact that South Africa's rainfall, at 490 mm per year, is half the world average.

(1) *https://www.wri.org/insights/17-countries-home-one-quarter-worlds-population-face-extremely-high-water-stress.*
(2) *https://www.unwater.org/publications/summary-progress-update-2021-sdg-6-water-and-sanitation-for-all/.*
(3) *https://www.wri.org/aqueduct.*

Comment: Year on year, specific process water extracted decreased by 6%.



Opportunities for value creation

The interconnected nature of the UN SDGs is clearly highlighted by the impact of climate change on water. The Water Stewardship project with WWF-SA will not only impact on *SDG6: Clean Water and Sanitation*, but also on *SDG1: No Poverty*, which is one of Sappi SA's additional priority targets. The opportunity for green jobs through the partnership's focus on alien invasive plant clearing is also fully aligned with Sappi's commitment to ESD that promotes sustainable livelihoods through capacity building of small and medium enterprises. (Described in further detail on page 64 of this report)

Our key material issues continued

Planet continued

Accelerating circular business models

Why it's material

Circular thinking such as we practise at Sappi goes beyond mere waste beneficiation. We approach our environmental impact from a holistic perspective grounded in life-cycle thinking, from procurement of raw materials and energy through manufacturing, use and the next life of our products. The benefits of this approach align with our purpose of contributing to a thriving world, one with less waste, lower costs and reduced environmental impact.

How this issue links to other aspects of our business

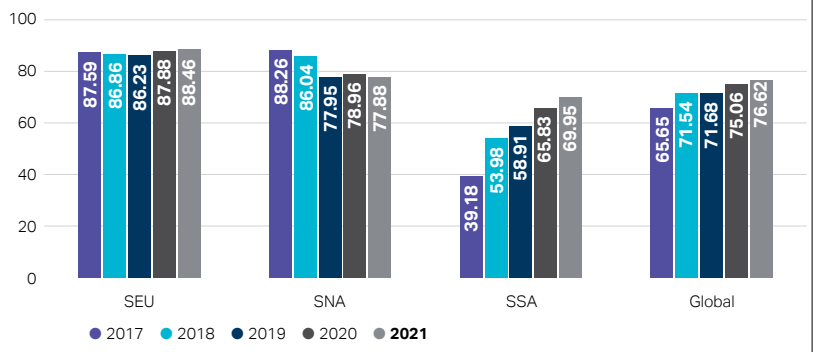
Our global priority SDGs	Our top 10 risks	Our strategic fundamentals	The global forces shaping our Thrive25 strategy
6 CLEAN WATER AND SANITATION 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION 15 LIFE ON LAND 17 PARTNERSHIPS FOR THE GOALS	2 Evolving technologies and consumer preferences 4 Sustainability expectations 5 Climate change		• The move towards a circular economy • Climate change continuing to impact businesses and reshape societies • Resource scarcity and growing concern for natural capital

Key developments in FY2021

In keeping with our focus on circular economy principles, we are working to increase our use of renewable energy and eliminate waste through superior product and process design. As an example, we increased the percentage of solid waste beneficiated from 65.65% in 2017 to 76.62% - an increase of 16.7% over five years.

Other developments, including our ongoing progress in adjacent markets and collaboration in a textile recycling project, together with new products, are detailed on pages 75 and 77 respectively of this report.

Beneficial use of solid waste (%)



CASE STUDY

Recognition for our circular project in North America

In FY2021, in North America, we were a recipient of the Leadership in Sustainability – Water Award from the American Forest & Paper Association (AF&PA) as part of its *Better Practices, Better Planet 2020* Sustainability Awards programme. We were recognised for our 'Caustic Reclaim and Reuse' project at Somerset Mill, Maine.

The project reduces the volume of purchased chemicals required to meet the mill's boiler flue-gas desulphurisation (FGD) environmental goals, as well as offset the acid usage in its onsite waste treatment plant. Somerset Mill operates a large steam plant and utilises demineralised water as a main makeup water source for its recovery boiler and two multi-fuel power boilers. This project repurposes a large source of spent caustic from the demineraliser regeneration operation to meet FGD goals, as well as offsets purchased acid usage in our onsite waste water treatment plant as a consequence of the spent caustic utilisation.

The project significantly reduces overall caustic purchases as well as acid usage for effluent treatment. The reclaimed caustic concentration to the wet industrial scrubber is significantly lower than the concentration of fresh caustic. Accordingly, not only is the spent caustic reclaimed from the sewer, but so is the water that dilutes it to the lower concentration. This added reclaimed water in turn reduces the fresh water demand to meet the FGD scrubber evaporation requirements by 45,425 litres per day. The process can be replicated at other mills which can reduce chemical demand by reusing demineralised regeneration caustic, thereby improving both environmental footprint and the bottom line.

Opportunities for value creation

In the year under review we joined the CBA which was established by His Royal Highness, the Prince of Wales, under his Sustainable Markets Initiative in 2020. The alliance aims to accelerate the transition to a circular bioeconomy that is climate neutral, inclusive and prospers in harmony with nature, by providing knowledge-informed support and a learning and networking platform. It connects the dots between investors, companies, local communities, governmental and non-governmental organisations to advance the circular bioeconomy – while also restoring biodiversity. Current activities include forest landscape restoration and agroforestry projects in Africa, South America and Asia.

While our membership is still in its early days, we believe that collaboration with the alliance and leveraging our agroforestry knowledge gained through our Sappi Khulisa programme will present significant opportunities going forward.

Our key material issues continued

Planet continued

Safeguarding and restoring biodiversity

Why it's material

Experts concur that connected, diverse and extensive ecosystems can help stabilise the climate and will have a better chance of thriving in a world permanently altered by rising emissions. Stable, resilient ecosystems are important to Sappi given that our primary input, woodfibre is a renewable natural resource and depends on ecosystem services such as healthy soils, clean water, pollination and a stable climate. Safeguarding and restoring biodiversity is important for our business, our stakeholders and the planet.

How this issue links to other aspects of our business

Our global priority SDGs	Our top 10 risks	Our strategic fundamentals	The global forces shaping our Thrive25 strategy
6 CLEAN WATER AND SANITATION 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION 15 LIFE ON LAND 17 PARTNERSHIPS FOR THE GOALS	4 Sustainability expectations 5 Climate change		• The move towards a circular economy • Climate change continuing to impact businesses and reshape societies • Resource scarcity and growing concern for natural capital

Key developments in FY2021

Implementing a Biodiversity Strategy and Action Plan

The development of a Biodiversity Strategy and Action Plan (BSAP) for Sappi Forests was initiated in November 2020. The BSAP refers to the UN SDGs, the South African National Biodiversity Strategy and Action Plan, and the South African National Biodiversity Institute (SANBI) biodiversity targets. The seven steps which form the framework for the development of the strategy are aligned with the stakeholder requirements of the Textile Exchange Biodiversity Module. Guidance from the Science Based Targets Network has also been used as reference. The latter aims to transform economic systems and protect the global commons – air, water, land, biodiversity and oceans.

A key component of the strategy is to undertake a biodiversity risk assessment. There are two components to the risk assessment: a spatial assessment and an issues-based risk assessment. The spatial component of this assessment involves identifying high conservation values on our plantations. This is a certification requirement and, drawing on past knowledge and more recent methodologies, assessments of critical biodiversity areas and vegetation types present on Sappi land have been completed for both provinces.

The issues-based risk assessment complements draft targets that have already been identified. In general, four hazards were identified as high risks:

- Soil erosion and sedimentation
- Stream flow reduction
- Ecosystem modification (caused by the spread of plantation species off our land)
- Invasion by alien species such as wattle, lantana and bugweed which we do not grow.

Mapping vegetation

One of the pillars of Sappi's Thrive25 strategy is that we will act as a custodian of land and forests. In alignment with this, we identify, monitor and manage Important Conservation Areas (ICAs) on our landholdings in South Africa. In FY2020, we reported that we had made progress in terms of our Thrive25 biodiversity target by addressing our first biodiversity objective underpinning this task. This involved understanding what types of vegetation are present on our plantations, as well as their conservation value, thereby enabling the compilation of appropriate management plans for implementation.

Assessing Important Conservation Areas

In FY2021, we completed the assessment of ICAs for all our plantations in Mpumalanga. ICAs are areas that are important at the local level and are classified using a systematic conservation planning approach. Criteria used include the presence of both plant and animal red data species, the threat status of the ecosystem, the size, connectedness, condition and aesthetic and recreational value of the area. The ICA assessment is currently in progress for our plantations in KwaZulu-Natal.

Approximately 160 sites on Sappi-owned land are currently classified as ICAs, adding up to about 39,500 ha of a diverse range of habitats including grasslands, wetlands and riverine areas and natural forest patches.

Plantations are now required to identify three projects from the list of ICAs that can be actioned over the next few years to improve scores from the baseline condition assessment. To assist in moving towards achieving the 10% biodiversity improvement envisaged by Thrive25, Sappi Forests has developed an ICA projects template to ensure that the progress of the projects can be measured in a standardised manner. Based on the findings of the initial assessment of each area, suggestions for improvement can range from increased weed control to attain a maintenance status, improvements in sub-standard crossings to improve stream flow and reduce sedimentation, and the prevention of overgrazing and frequent burning of important grasslands.

Opportunities for value creation

We see promising opportunities for value creation by working with a broad range of stakeholders on biodiversity- and forestry-related issues, including the following:

- In collaboration with Meat Naturally and other stakeholders (Zikhali community and the traditional authority), we are working on the uMhlathuze Grazing Project which involves the communities bordering our Mooiplaas plantation. It is proposed that an association will be formed by the community to run the project and that eco-rangers from the community will be trained to herd and manage the cattle. With the community's buy-in, the project will mitigate the negative impacts associated with overgrazing and indiscriminate fires which are a risk to Sappi plantations. Positive benefits include grassland restoration to be measured by veld condition assessments, improved community relations and enhanced regional economic development.
- Under the auspices of Forestry South Africa (FSA), we are participating in a Farmers' Guideline Working Group. Steps have been taken to determine material and methods for developing environmental guidelines such as burning (residue management) and weeding specifically for farmers.
- Again under the auspices of FSA, we are chairing a Soil Conservation Working Group, established due to increasing concerns related to soil loss, sedimentation in streams from forestry operations and operational procedures that exacerbate this problem. This is in collaboration with various industry representatives in the Environmental Management Committee of FSA, soil and forestry specialists, both independent and based at the University of Stellenbosch.

Product review

Pulp

Our renowned dissolving and kraft pulps provide a sustainable, versatile approach, to creating a better tomorrow.

Our dissolving pulp (DP) brand, Verve, creates renewable alternatives for raw material feedstock to textiles, pharmaceuticals, foodstuffs, and more.

Pulp*

> We continue to invest in all three of our world-class production sites – further entrenching our leadership position as a trusted source for responsible and sustainable DP."

Our pulp segment predominantly comprises two product categories, namely, DP and high-yield pulp (HYP). Occasionally, excess kraft pulp produced at Cloquet Mill, Somerset Mill and Ngodwana Mill is sold externally and included in the Pulp segment.

Our Verve brand, is a significant player in the DP market. With capacity of 1.4 million tons per annum and 17% share of the DP market, Verve is a truly sustainable brand. From textiles to pharmaceuticals and food applications, Sappi has the expertise, technology and the track record to meet almost any challenge from these DP market segments.

DP is a highly purified form of cellulose extracted from sustainably grown and responsibly managed trees using unique cellulose chemistry technology. The majority of DP is consumed to make textiles, such as viscose and lyocell, where DP is converted to viscose and lyocell staple fibres. From there, the fibre is spun into yarns and ultimately woven into textiles, providing naturally soft and breathable fabrics which are smooth to the touch, hold colour and drape well. The fibres produced from DP also act as good blend partners in fabric with cotton and polyester. Man-made cellulosic fibre, however, far exceeds cotton and polyester when it comes to sustainability. What consumers want are goods that are renewable, biodegradable and have superior resource efficiency. This is where man-made cellulosic fibres differentiate themselves versus the alternatives.

Viscose staple fibre (VSF) is the most prominent of the man-made cellulosic fibres, and accounts for approximately 73% of global DP demand. VSF is most commonly used in fashion, home and decorating textiles as well as non-woven applications such as the fibre component in face masks, health and hygiene clothing and sanitation. Verve DP provides both the quality and the sustainability assurance into this major market segment.

Lyocell represents the next generation of man-made cellulosic fibres. With its sustainable DP raw material, reduced chemical processing and closed loop systems, Lyocell continues to be the most sustainable wood-based cellulosic fibre. Our commitment to and investment in sustainability shows in that approximately 60% of the world's Lyocell fibre is manufactured from DP produced at Sappi's DP manufacturing sites.

DP can also be processed into products that are used in food and beverages, health and hygiene, wrapping and packaging, pharmaceuticals and many more applications that touch our daily lives.

Demand for DP used in textiles, particularly viscose and lyocell fibres, is expected to continue to grow post the Covid-19 pandemic. Based on the growth rate in the overall textile market, driven by factors such as population growth, rising urbanisation, wealth

* *In the prior report this segment was listed as Dissolving Pulp.*

and the shift towards more comfortable, environmentally friendly natural fibres, we expect long-term growth in demand to be between 4% to 6% per annum for DP.

Market prices for DP are influenced by VSF and other textile market dynamics, paper pulp market pricing which influences swing mills, as well as general macro-economic uncertainties pertaining to the ongoing US/China trade dispute and US$/RMB exchange rates fluctuations.

Sappi's Matane Mill, located in Quebec, Canada, has the capacity to produce 270,000 tons of HYP. Approximately 40% of Matane's pulp production is consumed internally within our packaging business, thereby increasing the pulp integration. The higher levels of pulp integration lowers our cost of pulp, reduces its volatility on earnings through the pulp cycle and provides certainty of supply. External HYP sales to third parties are included in the Pulp segment.

The pulp produced at Matane Mill is a high-quality, high-yield pulp made from either Aspen or Maple hardwood. Sappi Matane Aspen pulp is a high-yield fibre with good bulk, excellent brightness and exceptional drainage. It is ideal for the manufacturing of tissue grades as well as graphic paper grades. Sappi Matane Maple is a high-yield pulp with superior bulk and drainage properties, as well as excellent opacity and formation. It is an excellent fibre for the manufacturing of paperboard and linerboard products as well as speciality papers, tissue and towelling.

In FY2021, the Pulp segment made up 18% of Sappi's sales. This figure includes HYP from Matane Mill and kraft pulp produced at Ngodwana Mill. A severe second wave of Covid-19 infections in South Africa necessitated a prioritisation of oxygen supplies into the health care sector. Consequent restrictions on the procurement and transport of oxygen to the South African mills resulted in a temporary curtailment of DP production at the Ngodwana Mill, resulting in the mill producing a few thousand tons of kraft pulp in the second quarter.

Our markets in 2021 and outlook for 2022

DP market conditions rallied strongly from the first quarter on the back of improved apparel retail demand in the US and Asia, which favourably impacted demand for all textile fibres. Low DP and VSF inventory levels, high paper pulp prices and a weaker US$/Renminbi exchange rate were all factors that further contributed to the positive sentiment in the sector. The market price[1] for hardwood DP surged from a base of US$624 per ton in October 2020 to a peak of US$1,106 per ton in April 2021 and closed the year at the end of September 2021 at US$1,000 per ton.

Buoyant demand and significantly better market prices resulted in EBITDA ex SI for the year being substantially higher than the prior year. EBITDA ex SI margins for this segment improved from approximately 8% to 21% as a result of the higher US$ prices, slightly offset by a stronger ZAR/US Dollar exchange rate, which impacts our South African operations.

Segment volumes decreased 6%, or 79,000 tons compared to last year. The ongoing global supply chain challenges, exacerbated by the impact from the South African civil unrest and a cyber security breach at the Durban port, constrained sales resulting in a backlog of 100,000 tons at year end which reduced EBITDA ex SI by approximately US$30 million. In addition, once off events at the South African mills including a labour strike, shortage of oxygen due to Covid-19, an extended annual shut at Saiccor Mill and civil unrest, which forced Saiccor Mill to close temporarily, significantly reduced production volumes. Construction work at our 110,000 ton expansion project at Saiccor Mill was impacted negatively by Covid-19 lockdowns and associated travel restrictions, which delayed the project schedule. Commissioning of the plant began during the fourth quarter and additional production will commence in the first quarter of the 2022 financial year. The project is additionally expected to yield long-term safety, efficiency and reliability improvements. This investment is a key part of our strategic vision as we expand into fast-growing, higher-margin segments.

Overall market conditions for DP continue to be strong. However, short-term demand in China is impacted by the recent implementation of energy savings regulations which impose curtailments for energy intensive manufacturing operations across the country. The textile value chain in China has been negatively impacted thereby reducing VSF production and DP demand. Consequently, DP market prices dropped to US$940 per ton in October 2021. The lower VSF supply and a widening price differential to cotton fuelled a significant rise in VSF pricing, which should be positive for DP pricing. Sappi's sales volumes are not expected to be impacted by the weaker Chinese DP demand as we see, in contrast to China, DP demand in South-East Asia, Europe, North America and the near East remains strong.

Global logistical challenges and vessel shortages are expected to continue through FY2022, which may have an ongoing negative impact on our export sales. It is unlikely that any significant improvement in supply chain reliability will be realised in the first quarter and hence the backlog of 100,000 tons of DP sales volumes will take time to resolve. We aim to remain focused on meeting and exceeding the needs of our customers. We will continue to capitalise on our competitive advantages: our world-class and sustainably managed plantations, our geographic positioning and our sterling reputation as a reliable partner, to bring our customers sustainable products that create shared value for everyone.

Matane Mill volumes have been fully sold out with strong Asian demand offsetting any weakness we have experienced in other markets. Our focus remains on meeting our own growing need for high-quality high-yield pulp for our packaging and speciality papers businesses in Europe and North America, as well as external sales to third parties.

[1] *Market price for imported hardwood DP into China issued daily by the CCF group.*

Pulp segment made up

18%

of Sappi's sales in FY21

Packaging and speciality papers

Developing and delivering innovative, sustainable solutions is at the heart of our philosophy.

We offer a broad range of paper based sustainable solutions as an alternative to fossil fuel-based, non-renewable packaging in many of our product segments.

Packaging and speciality papers

> "Innovative packaging and speciality paper products and services with a commitment to sustainability and a circular economy. Working closely with brand owners, converters, printers, designers and communications agencies, we pride ourselves in being a reliable and global business partner".

Legislative changes and growing consumer pressure are forcing brands to re-think their packaging choices. Governments, retailers, brand owners and their consumers are demanding paper-based packaging solutions that are biodegradable, recyclable, compostable and provide the functionality of plastic-based materials. We estimate that the increasing demand for more sustainable and environmentally friendly packaging solutions will lead to demand growth of 3-6% per year globally, across the spectrum of our products.

Sappi's evolution within this segment is supported by the suitability of our technically advanced and efficient paper machines for conversion to packaging grades that require a variety of surface treatments or coatings for functionality. Ahead of commissioning conversion projects, we carefully analysed our assets, specifically their production capabilities and cost of production, the cost to serve customers, demand growth and competitive threats. We chose only those projects where we believed we held a significant advantage.

We have made progress in growing our business with a compelling value proposition, a propensity for innovation, and a superlative service record. We aim to create solutions that solve our customers' most critical challenges, helping them grow their sales, lower costs, improve their sustainability metrics and minimise their risk.

We work in partnerships based on trust and respect. For that reason, we place great value on reliability. Our well-maintained assets, financial stability, global availability and consistent premium quality are vital to our customers.

In FY2021, 30% of Sappi's sales were packaging and speciality papers, up from 27% last year.

Sappi offers products and solutions in many different product categories including:

Flexible packaging: innovative paper-based solutions with integrated functionalities such as barrier technology from water, oxygen and grease as well as sealing properties are suitable for various applications, notably in packaging for food as well as non-food markets.

Label papers and self-adhesives: label papers are used for both wet glue and wet strength labels processes in the beverage, food and packaging applications. Our clay coated kraft and glassine release liners provide solutions not only for labels but applications such as self-adhesive tapes, medical and industrial applications.

Containerboard: includes liners and fluting, for corrugated boxes. Sappi's products are found in applications like consumer packaging, shelf-ready packaging and transport packaging for agricultural and industrial uses.

Paperboard: high-quality coated boards for use in luxury packaging applications that require functionality and superior graphics across a range of market segments, including health and beauty, confectionery, premium beverages and food packaging.

Casting and release papers: used by suppliers to the fashion, textile, automobile and laminate industries. Our papers serve as moulds to impart textures on other surfaces, ranging from decorative laminates and synthetic leather to engineered films and rubber.

Dye sublimation papers: for digital transfer printing with water-based dye sublimation inks. Designed for the transfer of an image onto various materials, such as apparel, outdoor advertising and home textiles.

Digital imaging papers: for large format inkjet printing. Posters, for indoor/outdoor applications and technical printing in the construction industry (CAD/Engineering).

Tissue paper: used for bathroom tissue, kitchen towels, serviettes and medical and industrial wipes.

We manufacture at sites throughout Europe, North America and South Africa, ensuring scale-based efficiencies and security of supply. Globally, we are well positioned to support and benefit from the paper for plastic packaging movement. For example, in 2019, the European Union introduced new rules to reduce marine litter by banning certain single-use plastic items, alongside a measure which holds those plastic producers responsible for the cost of cleaning these items from European beaches. The industry will also be given incentives to develop less-polluting alternatives for these products. With this comprehensive product range on three continents, R&D centres in each region, sharing best practices and collaborating with customers to develop new solutions, our customers can expect reliability of supply from a broad geographic footprint, and a leader in innovation within the sector.

Our markets in 2021 and outlook for 2022

The highlight of the year for this business segment was the achievement of record profitability as Covid-19 lockdowns eased and global economic activity resumed. Volumes were 21% higher than last year which was primarily driven by the successful ramp-up of sales volumes from Somerset Mill PM1 in North America. The line ran paperboard at the investment target levels from the second quarter and the focus shifted to product mix and margin optimisation. Containerboard demand in South Africa was robust on the back of strong fruit exports which contributed to sales for the segment increasing 26% year on year. Growth in the European packaging and speciality paper sales volumes was hampered by weaker demand for certain non-essential luxury product categories and prolonged speciality paper qualifications, however, certain packaging grades within this segment did grow. Profitability in the European region was also impacted by higher purchased pulp, energy, chemicals and delivery costs resulting in EBITDA ex SI margins for the segment decreasing from 14.1% last year to 13.6% in fiscal 2021.

This business segment has proven to be resilient in difficult economic circumstances and supports our strategy to diversify the product portfolio into higher margin and growing segments. We believe we will achieve additional volume growth in 2022, aided by the shift from plastics to paper in various packaging and speciality paper categories. We expect continued success from our conversion projects which were completed in 2018. Customer qualifications and trial-runs of our new products prove we are capable of developing innovative and quality products on which our customers can depend.

Packaging and speciality papers made up

30%

of Sappi's sales in FY21

Graphic papers

Our wide range of versatile surfaces and superior papers make any project outstanding

Create impactful brand experiences with our brilliant, high-performing range of graphic papers.

Graphic papers

> When companies build brands, picking the right paper can mean the difference between creating something average and something memorable."

At Sappi, we understand this difference and use our expertise to develop a variety of graphic papers designed to meet specific needs, whether a high-end product with the extra wow factor, a comprehensive solution that caters to numerous requirements or a paper that is more budget friendly. We at Sappi deliver, so that brands can have a more memorable impact.

Our markets in 2021 and outlook for 2022

Global demand for graphic papers has generally been in secular decline. The outbreak of Covid-19 in the prior year led to a significant decline in graphic paper usage across the globe, however, as Covid-19 lockdowns eased and economic activity resumed, global demand for graphic paper grades progressively improved through the course of the year. Market recovery in Europe lagged North America due to stricter lockdowns in the European Union. Capacity closures in North America, in combination with constrained imports into the region due to supply chain challenges, contributed to a favourable shift in the supply and demand balance and enabled domestic producers to operate at full capacity. Our strategy remains to reduce our exposure to graphic markets and align this business over time with market demand. To this end, in 2017 and 2018, we converted various paper machines within our portfolio from graphic paper to packaging and speciality paper grades, where demand is growing worldwide and in 2020 closed two paper machines. Our focus is on maximising the segment's significant cash flow generation, continuously improving our cost position, and optimising the utilisation of our best-in-class production assets.

In our fiscal 2021, industry statistics show volume declines of approximately 14% relative to the prior year for European coated woodfree and coated mechanical papers largely as a result of the severe impact of the Covid-19 pandemic related lockdowns and the economic after-effect on the industry. Our graphic papers segment volumes increased 3% relative to the prior year but was 83% of fiscal 2019. The lagging European demand recovery necessitated 367,000 tons of graphic papers production curtailment in our European operations. Average prices realised were 3% up relative to 2020, however, EBITDA ex SI deteriorated from US$131 million to US$120 million, driven primarily by substantial cost inflation in purchased pulp, chemicals, energy and delivery costs. Our EBITDA ex SI margin declined relative to last year,

from 5.1% to 4.4%, due to rising input costs in combination with a lag in selling price increases.

In 2022, we expect to sell higher volumes of graphic paper as the recovery of demand combined with industry capacity closures has tightened the market balance. In North America, ongoing restrictions on imports due to global supply chain disruptions have contributed to a positive environment in this region. Recent spikes in global energy prices for gas, power and coal are anticipated to have an adverse impact on our first quarter results, principally in Europe. To offset rising costs, we have announced selling price increases across all paper grades. In addition, energy specific surcharges have been implemented for all European shipments from 25 October 2021.

In FY2021, 52% of Sappi's sales were from the graphic papers segment. The four major grades of graphic paper are discussed below:

Coated woodfree paper

Printers and publishers use coated woodfree paper for a variety of marketing promotions including brochures, catalogues, calendars, corporate reports, direct mail, books and magazines. Coated woodfree paper provides a smooth and uniform surface for optimal print fidelity. We manufacture coated woodfree paper in our North American and European businesses but sell to customers all over the world. Coated woodfree paper products are sold through large paper merchants, as well as directly to commercial printers.

Demand trends: Global advertising expenditure is forecast to grow, but the share of that spend relative to print is expected to decline. However, we believe there will always be a place for paper within the marketing mix. Globally, demand for coated woodfree paper is forecast to decline from approximately 21 million tons in 2019 to approximately 16 million tons by 2024.

Sales: Sappi's sales volumes for coated woodfree paper increased 6% from last year and sales were 8% higher, largely due to a recovery in demand, as Covid-19 lockdowns eased, and global economic activity resumed. Globally, demand for coated woodfree paper increased by approximately 1% with Sappi gaining market share.

Coated mechanical paper

Coated mechanical paper is primarily used in magazines, catalogues, newspaper inserts and other advertising materials. Sappi's coated mechanical paper sales all come from our European business. Customers for this paper are typically large web printers, publishing houses, retailers and cataloguers.

Demand trends: Demand for coated mechanical paper is more closely linked to that of demand for magazines. Readership, subscriptions, circulation, pagination and advertising revenue per page continue to decrease in larger markets as consumers opt for digital formats.

Sales: Sappi's sales from coated mechanical paper were 3% lower than last year, as we took market-related downtime in response to poor demand. Volumes were approximately 1% lower than the prior period. This year, the global market contracted by approximately 1% relative to the prior year.

Uncoated woodfree paper

Uncoated woodfree paper is used for letterheads, business stationery, photocopy paper, books, brochures, envelopes, pamphlets and magazines. Sappi manufactures and sells uncoated woodfree paper in our European and South African businesses. Our main customers in this sector are paper merchants, commercial printers and retailers.

Demand trends: Demand for uncoated woodfree paper is not expected to decline over the next several years, with limited growth coming from emerging markets.

Sales: Our sales from uncoated woodfree paper were 1% higher than last year, largely as a result of the resumption of global economic activity as Covid-19 lockdowns eased. Globally, demand increased by approximately 1% in the current financial year.

Newsprint paper

Newsprint is manufactured from mechanical and bleached chemical pulp, with uses including the printing of newspapers and advertising inserts. We manufacture and sell newsprint from our South African business.

Demand trends: Demand for newsprint is principally derived from newspaper circulation and overall retail advertising. Newspaper readership is declining around the world. This industry segment was hard hit by the Covid-19 pandemic with an estimated drop in demand of approximately 6% during the current year and an estimated decline of 3% to 6% annually through to 2025. Publishers are consolidating, while some titles have closed. Pockets of growth exist in advertising-financed daily newspapers typically found in large metropolitan cities.

Sales: Newsprint volumes continue to be impacted by the negative impacts of Covid-19 on the economy, however, no production curtailment was necessary in the current financial year. Our volumes and sales were above the prior year by approximately 21% and 24%, respectively. Globally, newsprint demand declined 6% versus 2020.

Graphic papers segment made up

52%

of Sappi's sales in FY21

Chief Financial Officer's Report

"We are targeting reductions in both our absolute GHG emissions and emission intensity and in the past year we have committed to setting a science-based target for our emissions reduction initiatives."

Glen Pearce Chief Financial Officer (CFO)

Section 1
Financial highlights

US$ million	2021	2020	% change
Sales	**5,265**	4,609	14
EBITDA excluding special items	**532**	378	41
Operating profit excluding special items	**203**	57	256
Profit (loss) for the year	**13**	(135)	nm
EBITDA excluding special items to sales %	**10.1%**	8.2%	n/a
Operating profit excluding special items to sales %	**3.9%**	1.2%	n/a
Operating profit excluding special items to capital employed (ROCE) %	**5.4%**	1.6%	n/a
Net cash (utilised) generated	**29**	(257)	nm
Net debt	**1,946**	1,957	(1)
Basic earnings per share (US cents)	**2**	(25)	nm

The ubiquitous uncertainties of the global economic recovery from the pandemic made for difficult forecasting during fiscal 2021. Supply chain optimisation, working capital and liquidity management were focus areas throughout the year as we considered the impact of the various forecasting outcomes. There was an initial emphasis on securing liquidity due to the unpredictable speed of the recovery. The group issued convertible bonds, refinanced our 2023 bonds, increased our revolving credit facilities and extended our covenant holiday to alleviate liquidity concerns.

The demand recovery in the majority of our markets exceeded expectations and pressured supply chain processes. We experienced challenges at opposite extremes with excessive stocks due to logistic problems in some regions and low inventories as demand exceeded available capacity in other regions. Commodity prices increased sharply during the year causing our variable costs per ton to increase from US$431/ton in Q1 to US$483/ton in Q4. Selling prices increased by US$61/ton to US$752/ton during the final quarter, more than recovering the increased costs and resulting in Q4 EBITDA ex SI margins improving to 12% (8% during Q1).

Net finance costs of US$134 million included the revaluation of a derivative liability of US$31 million and costs associated with the refinancing of the 2023 bonds of US$3 million. Excluding the above items, finance costs of US$100 million were in

line with expectations. The US$1 million tax recovery is mainly due to investment allowances received from the Saiccor Mill expansion project. Profit for the year was US$13 million (LY loss = US$135 million) and earnings per share excluding special items increased from a loss of US5 cents to an earnings of US15 cents. The directors have considered it prudent to temporarily halt dividends until such time as market conditions improve.

Cash generated for the year of US$29 million includes capital expenditure of US$374 million.

Segment reporting

Our reporting is based on the geographical location of our businesses, ie Europe, North America and South Africa.

The selected product line information is reviewed by our Executive Committee in addition to the geographical basis upon which the group is managed. This additional information is presented in this report to assist our stakeholders in obtaining a complete understanding of our business.

Exchange rates and their impact on the group's results

The group reports its results in US Dollar and, as such, the main foreign exchange rates used in the preparation of the financial statements were:

	Income statement average rates		Balance sheet closing rates	
	2021	**2020**	**2021**	**2020**
EUR1 = US$	**1.1955**	1.1195	**1.1716**	1.1632
US$1 = ZAR	**14.8505**	16.2265	**14.9659**	17.1311

Two of our three geographic business units (Europe and South Africa) have home or 'functional' currencies of Euro and ZAR respectively. The results and cash flows of these two non-US Dollar units are translated into US Dollar at the average exchange rate for the reporting period in order to arrive at the consolidated US Dollar results and cash flows. When exchange rates differ from one period to the next, the impact of translation from the functional currency to reporting currency can be significant.

Chief Financial Officer's Report continued

Section 2
Financial performance

The discussion in this section focuses on the group financial performance in 2021 compared with 2020. A detailed discussion, in local currencies, of each of our three operating regions follows in Section 3.

Income statement

Our group financial results can be summarised as follows:

Metric tons '000	2021	2020	% change
Sales volume	**7,339**	6,788	8
US$ million			
Sales revenue	**5,265**	4,609	14
Variable manufacturing and delivery costs	**(3,238)**	(2,838)	14
Fixed costs	**(1,777)**	(1,673)	6
Sundry items[1]	**(47)**	(41)	15
Operating profit excluding special items	**203**	57	256
Special items	**(57)**	(95)	n/a
Operating profit	**146**	(38)	nm
Net finance costs	**(134)**	(88)	52
Taxation	**1**	(9)	nm
Net profit	**13**	(135)	nm
EPS excluding special items (US cents)	**15**	(5)	nm

[1] *Sundry items include all income and costs not directly related to manufacturing operations such as debtor securitisation costs, commissions paid and received and results of equity accounted investments.*

Sales volume

In 2021, sales volume increased by 551,000 tons compared with 2020. The regional and product segment contributions to sales volume are shown below:

Sales volume Metric tons '000	2021	2020	% change
North America	**1,685**	1,516	11
Europe	**2,817**	2,698	4
South Africa	**2,837**	2,574	10
Group	**7,339**	6,788	8
Pulp	**1,236**	1,315	(6)
Packaging and speciality papers	**1,464**	1,209	21
Graphic papers	**3,200**	3,096	3
Forestry	**1,439**	1,168	23

Pulp volumes were down 6% for the year, limited by global logistics challenges, civil unrest and production problems at our South African operations. Customer demand was strong throughout the year and approximately 100,000 tons were delayed into the next fiscal as a result of these challenges.

Packaging and speciality papers segment volume growth was experienced in all our regions as the conversion projects in North America and Europe started to take full effect.

Graphic papers volumes improved steadily during the year with the recovery in Europe lagging North America due to stricter lockdowns in the European Union. Significant capacity closures in both markets assisted with improving capacity utilisation in the remaining operating facilities. The European operations nevertheless recorded 367,000 tons of commercial downtime for the year.

Capacity utilisation improved to an average of 84% for the group as improved packaging and speciality papers and graphic paper markets assisted us in taking less production downtime during the year.

Sales volume to capacity	2021 %	2020 %
North America	94	85
Europe	82	73
South Africa	80	81
Group	84	78

Sales revenue

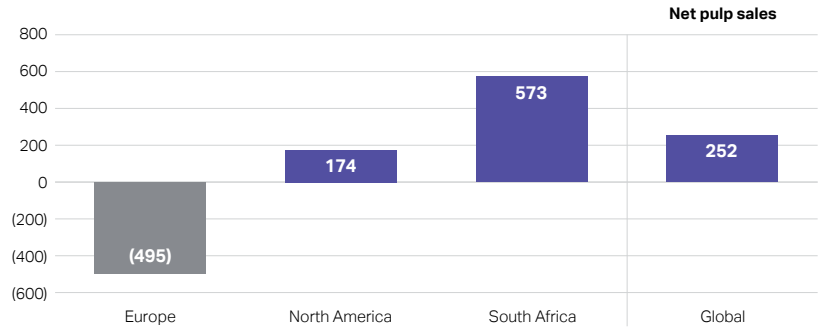
Sales revenue increased by 14% from US$4.6 billion in 2020 to US$5.3 billion in 2021. Selling price and mix improvements resulted in sales revenue improving by US$395 million. Consolidated volumes were up on last year as discussed above resulting in sales revenue improving by US$88 million. The weaker US Dollar resulted in a positive US$173 million conversion impact.

Variable and delivery costs

Variable and delivery costs increased by US$400 million from 2020. The volume increase of 8% contributed to the bulk of the increase. Delivery costs per ton increased as a result of global supply chain challenges while fibre and chemical costs followed general commodity increases as global markets recovered from the low pricing experienced during the pandemic.

The net pulp purchases and sales of the Sappi group is detailed in the graph below.

Sappi group pulp balance (US$ million)



The table below reflects the breakdown of variable and delivery costs by type.

Variable manufacturing and delivery costs US$ million	2021	2020	% change
Wood	573	561	2
Energy	437	352	24
Chemicals	784	679	15
Pulp and other	958	851	13
Delivery	486	395	23
Group	3,238	2,838	14

Chief Financial Officer's Report continued

Fixed costs

Fixed costs increased by US$105 million from fiscal 2020. Furloughing, government subsidies and salary sacrifices recorded during 2020 were not repeated in 2021 resulting in personnel costs increasing by 12%. Similarly, maintenance work delayed during the height of the pandemic in 2020 was resumed during 2021. The reduction in 'Other' is mainly a credit to inventory movement as a result of a stock build. The stronger ZAR and EUR resulted in an increase in US Dollar costs (US$76 million). Excluding the currency impact fixed costs increased by US$28 million.

Details of the make-up of fixed costs are provided in the table below.

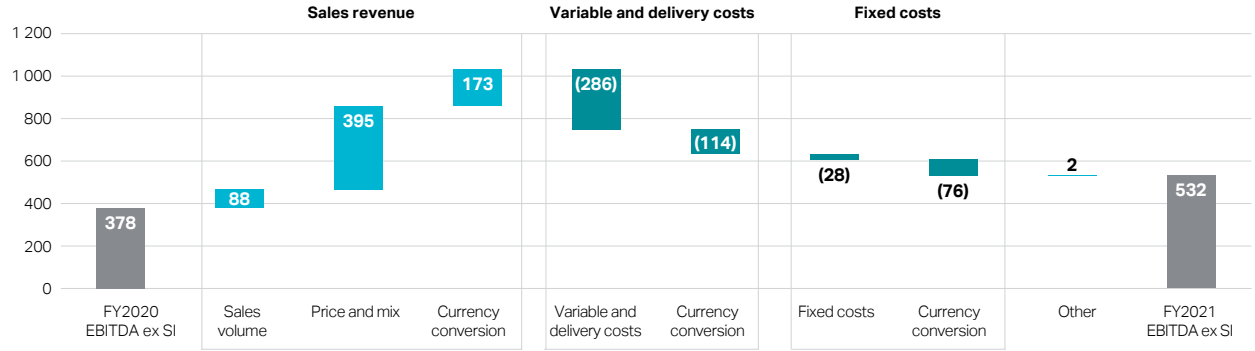
Fixed costs US$ million	2021	2020	% change
Personnel	1,077	959	12
Maintenance	240	217	11
Depreciation	319	313	2
Other	141	184	(23)
Group	1,777	1,673	6

EBITDA and operating profit excluding special items

EBITDA excluding special items increased to US$532 million, 41% higher than the previous year. Operating profit excluding special items increased from US$57 million last year to US$203 million in 2021.

The EBITDA ex SI bridge reflected in the graph below shows the impact on profitability from lower sales volumes and selling prices offset by reduced variable and fixed costs.

Reconciliation of EBITDA excluding special items: 2021 compared to 2020[1] (US$ million)



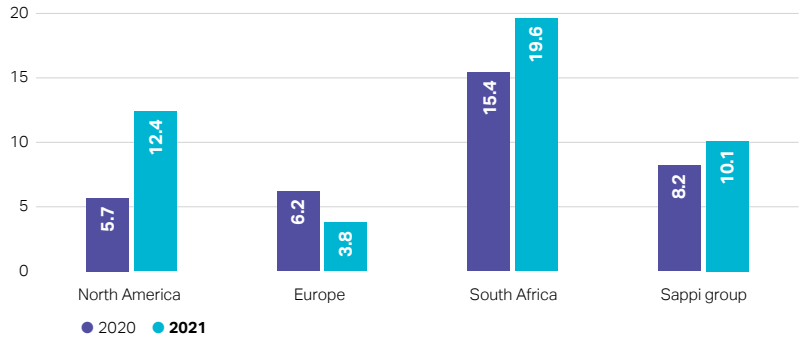
[1] *All variances were calculated excluding Sappi Forestry.*

[2] *'Current conversion' reflects translation and transactional effect on consolidation.*

The tables below detail the EBITDA and operating profit excluding special items of the business for both 2021 and 2020 and the margins of each.

EBITDA excluding special items by region US$ million	2021	2020
North America	209	79
Europe	94	143
South Africa	228	151
Corporate and other	1	5
Group	532	378

EBITDA ex SI margin by region (%)



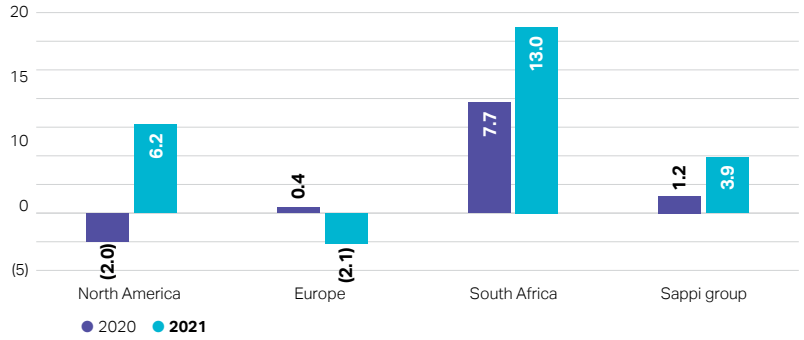
EBITDA excluding special items by product category US$ million	2021	2020
Pulp	197	63
Packaging and speciality papers	214	179
Graphic papers	120	131
Other	1	5
Group	532	378

Operating profit excluding special items by region US$ million	2021	2020
North America	105	(27)
Europe	(52)	8
South Africa	151	75
Corporate and other	(1)	1
Group	203	57

Chief Financial Officer's Report continued

Section 2
Financial performance continued

Operating profit margin by region (%)



Operating profit excluding special items by product category US$ million	2021	2020
Pulp	127	(2)
Packaging and speciality papers	109	88
Graphic papers	(32)	(30)
Other	(1)	1
Group	203	57

In the chart below, 77% of the group's EBITDA ex SI originates from growing markets in the pulp and packaging and speciality papers segments. The graphic papers segment, which contributes 23% of the EBITDA ex SI remains an important strategic component of our business.

EBITDA excluding special items by product 2021: US$ 532 million

- Pulp (US$197 million)
- Packaging and speciality papers (US$214 million)
- Graphic papers (US$120 million)

For information regarding the financial performance of the regions, please refer to Section 3 of this report.

Key operating targets

Our financial targets and performance against the key operating targets are dealt with in the **Letter to Shareholders** section.

Special items

Special items consist of those items which management believe are material, by nature or amount, to the results for the year and require separate disclosure. A breakdown of special items for 2021 and 2020 is reflected in the table below:

Special items – gain (loss) US$ million	2021	2020
Plantation price fair value adjustment	(13)	20
Acquisition costs	–	(6)
Net restructuring provisions	(2)	(34)
Profit (loss) on disposal and written off assets	1	1
Net asset (impairment) reversals	(15)	(15)
Equity accounted investees impairments	(4)	(19)
Insurance recoveries	(1)	–
Fire, flood, storm and other events	(23)	(42)
Total	(57)	(95)

The net impact of special items in 2021 was US$57 million. The major components are described below:

- A negative non-cash US$13 million plantation price fair value adjustment was recognised following decreases to the market price of timber.
- Asset impairments of US$7 million were recorded against our Lomati Sawmill and the change to the PM2 newsprint machine at Ngodwana Mill, US$12 million against our mechanical coated cash-generating unit and US$4 million against the Forestry First equity investment. A gain on remeasurement of US$4 million was recorded on our held-for-sale assets.
- Fire, flood, storm and other events includes fire and turbine damage at the Alfeld and Maastricht Mills of US$7 million, flood damage at Matane Mill of US$4 million, provision for environment claims of US$4 million, strike related costs in South Africa of US$3 million and fire and hail damaged timber of US$2 million.

Net finance costs US$ million	2021	2020
Finance costs	112	93
Finance income	(8)	(5)
Net foreign exchange gains	(1)	–
Net fair loss on financial instruments	31	–
Total	134	88

Finance costs of US$134 million were higher than the prior year primarily due to the non-cash fair value adjustments arising from revaluation of the conversion rights for the Sappi Southern Africa Limited's US$123 million (R1.8 billion) convertible bond issued in the first quarter and refinancing costs in the second quarter for the new 2028 bonds.

Section 2
Financial performance continued

Taxation

A regional breakdown of the tax charge is provided below.

US$ million	Profit (loss) before tax	Tax (charge) relief	Effective tax rate %
Europe	(145)	7	5
North America	77	(2)	5
South Africa	80	(4)	4
Total	12	7	(8)

The difference between the effective and statutory tax rates of the European entities is mainly due to non-valued losses carried forward in Belgium, Netherlands, Finland and Austria.

In North America, effective and statutory tax rates differ predominantly due to non-valued losses carried forward in the United States of America.

The South African effective tax rate is mainly as a result of special and normal tax allowances relating to the Saiccor Mill expansion.

Net profit, earnings per share and dividends

After taking into account net finance costs and taxation, our net profit and earnings per share for 2021, with comparatives for 2020, were as follows:

US$ million	2021	2020
Operating profit	146	(38)
Net finance costs	134	88
Profit (loss) before taxation	12	(126)
Taxation	(1)	9
Profit (loss) for the period	13	(135)
Weighted average number of shares is issue (millions)	549.7	545.5
Basic earnings per share (US cents)	2	(25)

The directors have elected not to declare a dividend and temporarily halt dividends until such time as market conditions improve.

Section 3

Below we discuss the performance of the regional businesses. The discussion is based on performance in local currencies as we believe this facilitates a better understanding of the revenue and costs in the European and South African operations.

North America Metric tons '000	2021	2020	% change
Sales volume	1,685	1,516	11
Pulp	453	453	–
Packaging and speciality papers	485	330	47
Graphic papers	747	733	2

	US$ million 2021	US$ million 2020	% change	US$ per ton 2021	US$ per ton 2020	% change
Sales	1,688	1.385	22	1,002	914	10
Variable manufacturing and delivery costs	(1,122)	(968)	16	(666)	(639)	4
Contribution	566	417	36	336	275	22
Fixed costs	(535)	(508)	5	(318)	(335)	(5)
Sundry items and consolidation entries	74	64	16	44	42	5
Operating profit excluding special items	105	(27)	nm	62	(18)	nm
EBITDA excluding special items	209	79	165	124	52	138

The North American business recorded its best result in over 10 years. Volumes in the packaging and speciality papers segment increased by 47% as the region improved the mix of products on the converted paper machine at Somerset Mill. The substantial reduction of capacity in the North American graphic papers market combined with logistics challenges on imported graphic paper products created tight market conditions and the opportunity to increase selling prices and restore margins in that segment. The region also benefited from a recovery in DP selling prices resulting in overall EBITDA ex SI margins improving from 6% in 2020 to 12% in 2021. The integration of the Matane Mill systems and procedures were successfully completed during the year.

Europe Metric tons '000	2021	2020	% change
Sales volume	2,817	2,698	4
Packaging and speciality papers	525	478	10
Graphic papers	2,292	2,220	3

	€ million 2021	€ million 2020	% change	€ per ton 2021	€ per ton 2020	% change
Sales	2,090	2,067	1	724	766	(3)
Variable manufacturing and delivery costs	(1,350)	(1,268)	6	(479)	(470)	2
Contribution	740	799	(7)	263	296	(11)
Fixed costs	(702)	(722)	(3)	(249)	(268)	(7)
Sundry items and consolidation entries	(82)	(70)	17	(30)	(25)	20
Operating profit excluding special items	(44)	7	nm	(16)	3	nm
EBITDA excluding special items	78	128	nm	28	47	(40)

The European region struggled to reverse the downward selling price trend which had started during the last quarter of the previous fiscal. Selling prices remained at low levels for the first three quarters of the current fiscal and recovered during the last quarter. There was a strong recovery in volumes with packaging and speciality papers volumes increasing by 10%. Logistics challenges hampered a volume recovery in the graphics markets as container availability limited export volumes. The fourth quarter graphic papers volumes were, however, 37% up on the same quarter last year as supply chain restrictions eased. Variable costs, in particular purchased pulp, increased substantially during the year resulting in margin squeeze. The region managed to offset the reduced contribution by reducing fixed costs by 3%. The European operations were nevertheless forced to take 376,000 tons of production downtime during the year. EBITDA ex SI margins reduced from 6% to 4% as a consequence.

Section 3 continued

South Africa*

Metric tons '000	2021	2020	% change
Sales volume*	1,398	1,406	(1)
Pulp	784	861	(9)
Packaging and speciality papers	459	399	15
Graphic papers	155	146	6

	ZAR million 2021	ZAR million 2020	% change	ZAR per ton 2021	ZAR per ton 2020	% change
Sales*	16,083	14,928	8	11,504	10,617	8
Variable manufacturing and delivery costs	(9,995)	(9,460)	6	(7,149)	(6,728)	6
Contribution	6,088	5,468	11	4,355	3,889	12
Fixed costs	(5,985)	(5,809)	3	(4,281)	(4,132)	4
Sundry items and consolidation entries	2,139	1,558	37	1,530	1,190	38
Operating profit excluding special items	2,242	1,217	84	1,604	866	85
EBITDA excluding special items	3,386	2,450	38	2,422	1,743	39

* *Excludes Forestry.*

The missed opportunities in the South African region dented the good year-on-year recovery. Net selling prices of DP increased 15% from the historic lows of the previous year while packaging selling prices remained in line with the previous year. Despite the strong market demand for all the region's products, sales volumes were restricted by civil unrest, production problems and logistics challenges. DP sales volumes of 82,000 tons were delayed into the following fiscal due to unavailability of ocean freight vessels. Vessel scarcity resulted in delivery costs increasing 6% during the year. Variable costs, predominantly energy and chemicals, increased by 6% during the year as well. Commissioning of the Saiccor Mill expansion project began during the fourth quarter and additional production will commence in the first quarter of fiscal 2022. Fixed costs were restricted to an increase of 3% despite personnel cost increases matching inflationary increases of 5%. As a consequence of the above, EBITDA ex SI margins increased from 16% in the previous year to 21%

The region's capital expenditure focused on increasing DP capacity during the year.

Major sensitivities

Some of the more important factors which impact the group's EBITDA excluding special items, based on current anticipated revenue and cost levels, are summarised in the table below:

Sensitivities	Change	Europe € million	North America US$ million	South Africa ZAR million	Translation impact* US$ million	Group US$ million
Net selling prices	1%	25	18	233	–	63
Dissolving pulp prices	US$10	–	3	158	–	14
Variable costs	1%	15	9	120	–	34
Sales volume	1%	8	7	96	–	23
Fixed costs	1%	7	5	57	–	16
Paper pulp price	US$10	6	1	6	–	8
Oil price	US$1	3	–	–	–	3
ZAR/US$ (weakening)	10 cents	–	–	83	(2)	3
Euro/US$ (weakening)	10 cents	(2)	(3)	–	(11)	(16)

* *Based on currency impact on translation of EBITDA ex SI.*

The table demonstrates that EBITDA excluding special items is most sensitive to changes in the selling prices of our products.

The calculation of the impact of these sensitivities assumes all other factors remain constant and does not consider potential management interventions to mitigate negative impacts or enhance benefits.

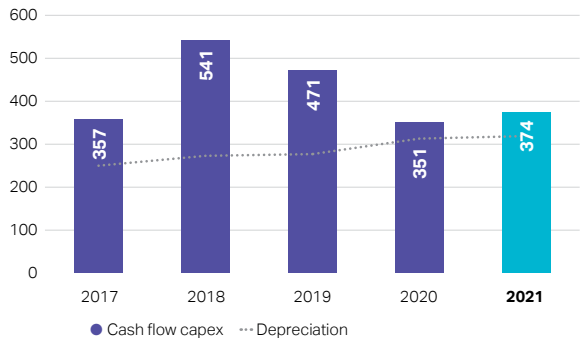
Section 4
Cash flow

In the table below, we present the group's cash flow statement for 2021 and 2020 in a summarised format:

US$ million	2021	2020
Operating profit excluding special items	203	57
Depreciation and amortisation	329	321
EBITDA excluding special items	532	378
Contributions to post-employment benefits	(49)	(40)
Other non-cash items	(11)	(15)
Cash generated from operations	472	323
Movement in working capital	39	65
Net finance costs	(102)	(102)
Taxation	(2)	(26)
Dividend paid	–	–
Capital expenditure	(374)	(351)
Net proceeds on disposal of assets	4	1
Acquisition	–	(160)
Other	(8)	(7)
Net cash generated (utilised)	29	(257)

Net cash generated for the financial year was US$29 million (FY2020: US$257 million utilised). The improvement in cash generation reflects the recovery from the impact of Covid-19 relative to the comparative year. A reduction in net working capital requirements was achieved despite the supply chain challenges which resulted in increased stock holding. Good management of accounts receivables and payables contributed to the reduced requirement. The increased capital expenditure includes the majority of the Saiccor Mill expansion spend.

Investment in fixed assets versus depreciation (US$ million)



Chief Financial Officer's Report continued

Section 5
Balance sheet

Summarised balance sheet

US$ million	2021	2020
Property, plant and equipment	3,325	3,103
Right-of-use assets	110	101
Plantations	477	419
Net working capital	403	441
Other assets	364	296
Net post-employment liabilities	(197)	(306)
Other liabilities	(566)	(465)
Employment of capital	3,916	3,589
Equity	1,970	1,632
Net debt	1,946	1,957
Capital employed	3,916	3,589

Sappi has 19 production facilities in 10 countries, capable of producing approximately 3.9 million tons of pulp and 5.5 million tons of paper. For more information on our mills, their production capacities and products, please refer to the **Where we operate** section.

During 2021, capital expenditure for property, plant and equipment was US$374 million. The capacity replacement value of property, plant and equipment for insurance purposes has been assessed at approximately US$22 billion.

Property, plant and equipment

The cost and depreciation related to our property are set out in the table below.

Book value of property, plant and equipment

US$ million	2021	2020
Cost	9,908	9,346
Accumulated depreciation and impairment	6,583	6,243
Net book value	3,325	3,103

The group incurred capital expenditure of US$374 million during the year. This was largely offset by depreciation of US$289 million while the weaker US Dollar resulted in foreign currency translation gains of US$160 million.

Plantations

We regard ownership of our plantations in South Africa as a key strategic resource as it provides access to low cost fibre for pulp production and ensures continuity of supply on an important raw material input source.

The South African region has access to approximately 394,000 hectares of land of which approximately 258,000 hectares are planted with pine and eucalyptus. These plantations provide approximately 67% of the wood requirements for our South African mills.

During the year, there were market price increases coupled with higher average fair value rates. These increases were offset by the rising cost of fuel and an increase in the discount rate. As we manage our plantations on a sustainable basis, the growth for the year was offset by timber felled during the year.

Our plantations are valued on the balance sheet at fair value less the estimated costs of delivery, including harvesting and transport costs. In notes 2.3.4 and 11 to the financial statements, we provide more detail on our accounting policies for plantations, how we manage our plantations as well as the major assumptions used in the calculation of fair value.

Working capital

The component parts of our working capital at the 2021 and 2020 fiscal year ends are shown in the table below:

Net working capital

US$ million	2021	2020
Inventories	841	673
Trade and other receivables	703	584
Trade and other payables and provisions	(1,141)	(816)
Net working capital	403	441

Optimising working capital remains a key focus area for us and appropriate targets are incorporated into the management incentive schemes for all businesses. The working capital investment is seasonal and typically peaks during the third quarter of each financial year.

Net working capital decreased to US$403 million in 2021 from US$441 million in 2020. The material movements in working capital are discussed below:

- Inventories increased by US$168 million, caused mainly by increased inventory levels and an unfavourable currency translation impact of US$25 million.
- Receivables increased by US$119 million following higher net selling prices and increased volumes in the fourth quarter combined with an unfavourable currency translation impact of US$7 million.
- Payables increased by US$325 million largely due to increases in trade payables on higher sales volumes, increases in bonus accruals and accruals for rebates and a favourable currency translation impact of US$40 million.

Post-employment liabilities

We operate various defined benefit pension/lump sum plans, post-employment healthcare subsidies and other employee benefits in the various countries in which we operate. A summary of defined benefit assets and liabilities (pension and post-employment healthcare subsidies) is as follows:

Defined benefit liabilities

US$ million	2021	2020
Defined benefit obligation	(1,523)	(1,600)
Fair value of plan assets	1,329	1,294
Net balance sheet liability	(194)	(306)
Cash contributions to defined benefit plans/subsidies	50	36
Income statement charge (credit) to profit or loss	28	25
Cash contributions deemed 'catch-up'*	30	16

* *'Catch-up' is cash contributions paid to defined benefit plans in excess of current service cost.*

Gross liabilities from all our plans reduced by US$77 million from US$1,600 million to US$1,523 million over the year. The main cause of the reduction was due to an increase in discount rates in regions where we hold significant liabilities.

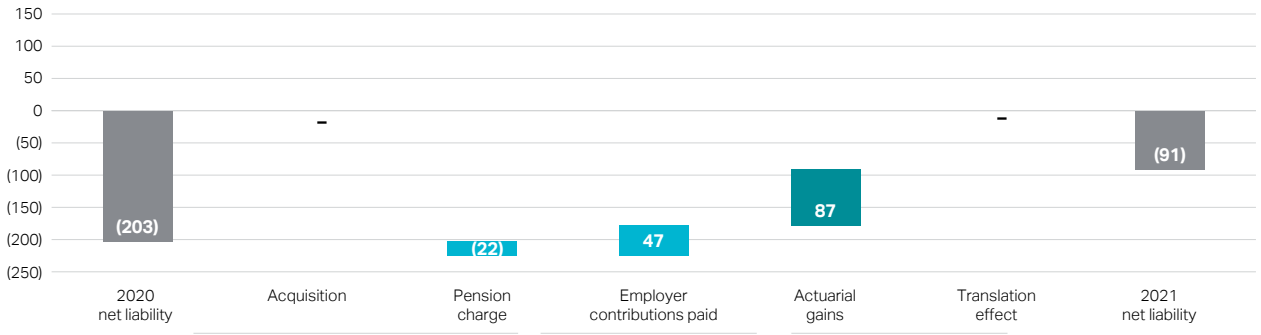
Fair value of plan assets rose by US$35 million from US$1,294 million to US$1,329 million over the year due to favourable investment returns of assets in our funded plans from outperforming bonds.

Included in the net balance sheet liability above is a net loss of US$2 million resulting from movements of local results relative to the reporting currency.

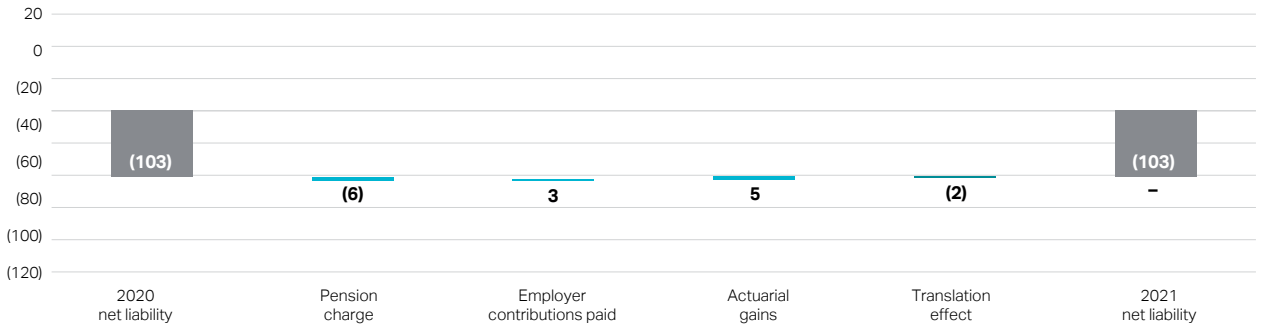
Section 5 continued

The decrease in liabilities, coupled with the increase in assets, contributed to a reduction in the overall net liability by US$112 million from US$306 million to US$194 million over the year. A reconciliation of the movement in the balance sheet over the year is shown graphically below and disclosed in more detail in note 28 of the annual financial statements.

Sappi Limited defined benefit pensions balance sheet movement (US$ million)



Sappi Limited post-retirement medical aid subsidy balance sheet movement (US$ million)



Equity

Year-on-year, equity increased by US$338 million to US$1,970 million as summarised below:

Equity reconciliation US$ million	2021
Equity as at September 2020	1,632
Profit for the year	13
Dividend paid	–
Actuarial gains	90
Issue of shares	26
Convertible bond – equity portion	39
Share-based movements	8
Movement in hedging reserves	(2)
Foreign currency movements	164
Equity as at September 2021	1,970

The group realised a profit for the year of US$13 million and recorded actuarial gains of US$90 million. Convertible bonds were issued during the first quarter and subsequent to shareholder approval the equity portion of the convertible bond of US$39 million was reclassified to equity. During the fourth quarter holders of the convertible bonds elected to convert, and shares to the value of US$26 million were issued. Share-based payments of US$8 million and foreign currency movements of US$164 million accounted for the remainder of the movement during the year.

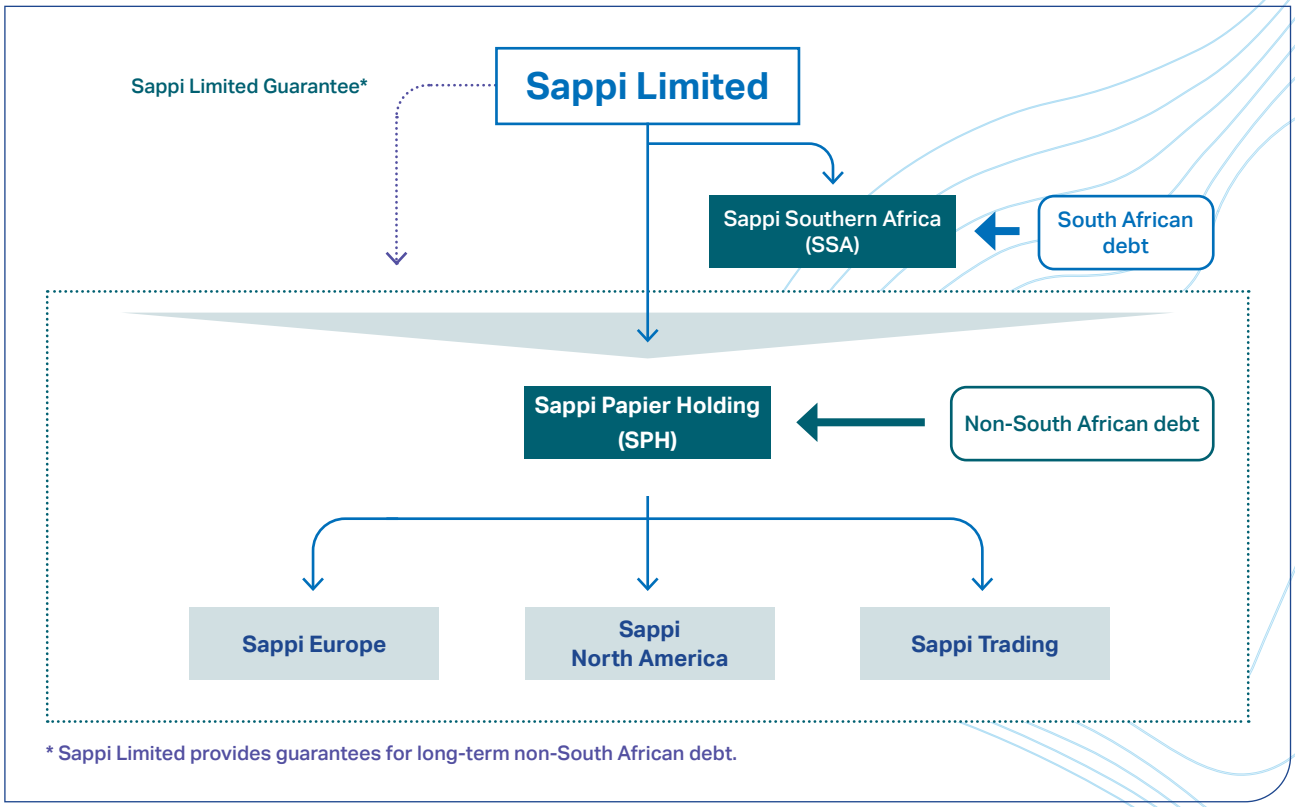
Debt

Debt is a major source of funding for the group. In the management of debt, we focus on net debt, which is the sum of current and non-current interest-bearing borrowings and bank overdrafts, net of cash and cash equivalents.

Debt funding structure

The Sappi group principally takes up debt in two legal entities. Sappi Southern Africa Limited issues debt in the local South African market for its own funding requirements and Sappi Papier Holding GmbH (SPH), which is Sappi's international holding company, issues debt in the international money and capital markets to fund our non-South African businesses. SPH's long-term debt is supported by a Sappi Limited guarantee and the financial covenants on certain of its debt agreements are based on the ratios of the consolidated Sappi Limited group. The covenants applicable to the debt of these two entities and their respective credit ratings are discussed on page 130.

The diagram below depicts our debt funding structure.



Section 5
Balance sheet continued

Below we highlight the main financing activities that occurred during the year:

- In November 2020 Sappi Southern Africa placed a new seven-year Convertible Bond, with an interest coupon of 5.25% and a conversion share price of ZAR33.1636, a premium of 32.5% of the share price at the time of bond placement.
- SPH's securitisation programme of €330 million matured in January 2022 and was extended to January 2024 during the fiscal year.
- SPH's EUR350 million 2023 public bond was refinanced and upsized in March 2021, with a new EUR400 million 2028 bond at a coupon of 3.625%.

Structure of net debt and liquidity

We consider the group liquidity position to be sufficient, with cash holdings of US$366 million at financial year end, and US$732 million of unutilised committed revolving credit facilities.

The structure of our net debt at September 2021 and 2020 is summarised below:

US$ million	2021	2020
Long-term debt	**2,157**	1,942
Senior unsecured debt	**1,769**	1,649
Securitisation funding	**337**	256
IFRS 16 *Leases**	**119**	105
Less: Short-term portion	**(67)**	(69)
Net short-term debt/(cash)	**(211)**	15
Overdrafts, revolving credit facility (RCF) and short-term loans	**88**	225
Short-term portion of long-term debt	**67**	69
Less: cash	**(366)**	(279)
Net debt	**1,946**	1,957

* *IFRS 16 accounting standard adopted from fiscal 2020.*

Movement in net debt

The movement of our net debt from fiscal 2020 to fiscal 2021 is summarised in the table below:

	US$ million
Net debt at September 2020	**1,957**
Increase of IFRS 16 *Leases*	**34**
Net impact of SSA Convertible Bond	**(48)**
Net cash generated in 2021	**(29)**
Currency translation, fair value and other non-cash adjustments	**32**
Net debt at September 2021	**1,946**

Group debt profile

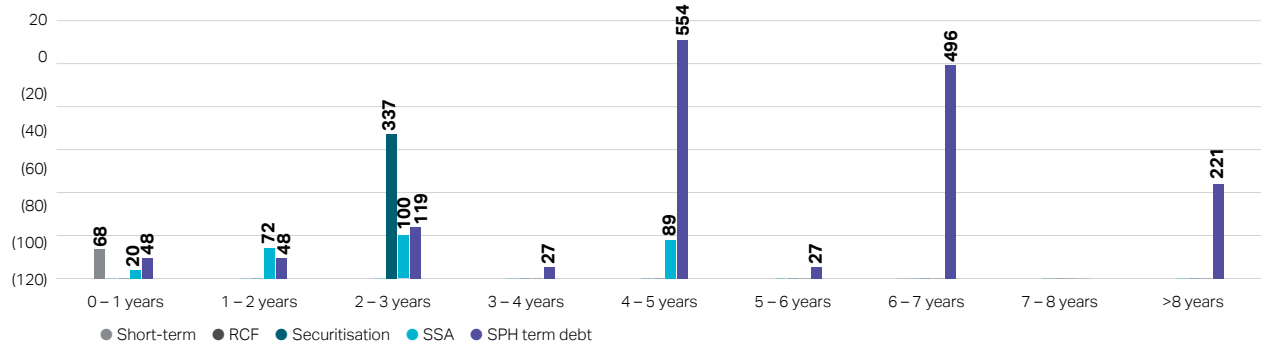
We show the major components and maturities of our net debt at September 2021 below. These are split between our debt in South Africa and our debt outside South Africa.

	Amount US$ million	Interest rates (local currencies)	Fixed/ variable	Maturity (Sappi fiscal years) 2022	2023	2024	2025	Thereafter
South Africa								
Short-term notes	20	6.00%	Variable	20				
SSA07 Public bond	72	6.20%	Fixed		72			
SAA08 Public bond	100	9.25%	Fixed			100		
Convertible bond	89	5.25%	Fixed					89
Gross debt	281							
less cash	(156)			(156)				
Net South African debt	125			(136)	72	100	0	89
Non-South African								
Securitisation (US$)	126	1.70%	Variable			126		
Securitisation (EUR)	210	1.70%	Variable			210		
IFRS 16 *Leases*	120	Various	Mixed	24	20	18	14	44
OeKB term loan 1	134	2.30%	Fixed	21	21	91		
OeKB term loan 2 (CAD)	102	4.10%	Fixed	15	15	15	15	44
OeKB term loan 2 (EUR)	87	1.50%	Fixed	12	12	12	12	37
Other bank debt (EUR)	68	0.30%	Variable	68				
2028 Public bonds (EUR)	469	4.00%	Fixed					
2026 Public bonds (EUR)	527	3.63%	Fixed					469
2032 Bonds (US$)	221	7.50%	Fixed					527
IFRS adjustments	(33)							(33)
Gross debt	2,031							
less cash	(210)			(210)				
Net non-South African debt	1,821			(70)	68	473	40	1,309
Net group debt	1,946			(206)	140	574	40	1,398

The majority of our non-South African long-term debt is guaranteed by Sappi Limited, the group holding company.

A diagram of the debt maturity profile for Sappi fiscal years is shown below:

Debt maturity profile (US$ million)



* *Excludes IFRS 16 lease with an average time to maturity of approximately four years.*

Section 5
Balance sheet continued

Covenants
Non-South African covenants

Financial covenants apply to US$322 million of our non-South African bank debt, the €525 million Revolving Credit Facility and the non-South African securitisation facility.

In view of the uncertainty due to Covid-19 the banking group agreed in 2020 to suspend the measurement of financial covenants until September 2021. This suspension is subject to normal conditions for this kind of assistance and included no dividend payments, maximum capex spending limits, a minimum liquidity requirement and no M&A activity without prior bank approval. Covenant measurement will commence again with effect from the December 2021 quarter. The covenants applicable from December 2021 are described below and are calculated on a rolling last four quarter basis and must be met at the end of each quarter.

- Ratio of group net debt to EBITDA ex SI:

December 2021	March 2022	June 2022	September 2022 to December 2022	March 2023
5.50	5.25	4.75	4.50	4.25

- Ratio of group EBITDA ex SI to net interest expense should not be less than 2.50-to-1.

South African covenants

Separate covenants also apply to the Revolving Credit Facility of our Southern African business.

These covenants are calculated on a rolling last four quarter basis and require that at the end of March and September each year, with regard to Sappi Southern Africa Limited and its subsidiaries:

- the ratio of net debt to equity at the end of March and September is not greater than 65%; and
- the ratio of EBITDA ex SI to net interest paid is not less than 2.5-to-1.

Below we show that for the year ended September 2021 the South African financial covenants were comfortably met.

South African covenants	2021	Covenant
Net debt to equity	9.15%	<65%
EBITDA ex SI to net interest	8.14	>2.50

In addition to the financial covenants referred to above, our bonds and certain of our bank facilities contain customary affirmative and negative covenants restricting, among other things, the granting of security, incurrence of debt, the provision of loans and guarantees, mergers and disposals and certain restricted payments. As regards dividend payments, in terms of the international bond indentures, any cash dividends paid may not exceed 50% of net profit excluding special items after tax and certain other adjustments, calculated on a cumulative basis.

Credit ratings

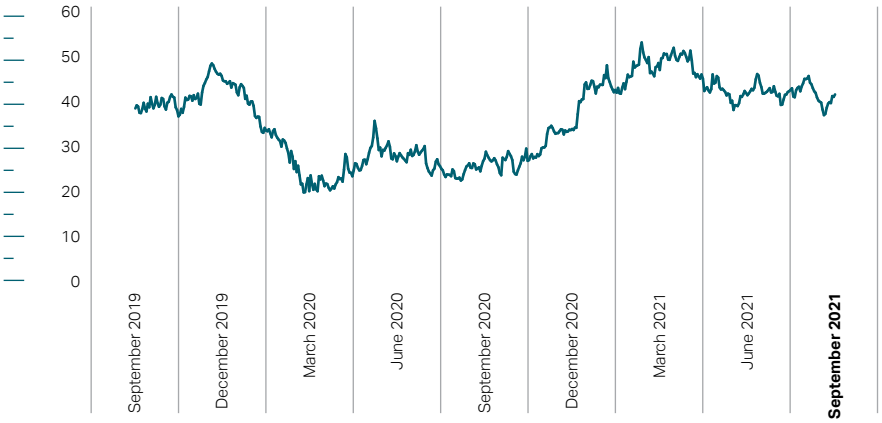
Global Credit Ratings: South African national scale rating Sappi Southern Africa Limited: AA (za)/A1+(za)/Stable Outlook (June 2021)

Moody's
Sappi Corporate Family Rating: Ba2/NP/Negative Outlook (December 2020)
SPH Debt Rating:
- 2028/2026 Bonds: Ba2/Negative Outlook (December 2020)
- 2032 Bonds: B1/Negative Outlook (December 2020)

S&P Global Ratings
Corporate Credit Rating: BB-/B/Stable Outlook (September 2020)
SPH Debt Rating:
- 2026/2028/2032 Bonds: BB- Stable Outlook (September 2020)

Section 6

Share price performance



Conclusion

Demand recovery post the peak of the pandemic exceeded expectations and contributed to an improved liquidity situation at year end. Gearing ratios remain high and the near-term focus will be on strengthening the balance sheet but matching that with delayed maintenance capital expenditure. Additionally, Science Based Targets will require committed capital expenditure and managing cash flows with commitments will be the challenge.

Logistics challenges are expected to persist in the year ahead placing strain on the management of working capital. Finished goods inventory levels and the availability of raw materials to service increased demand levels will require additional focus. The sharp increase in variable costs has emphasised the commitment to driving operational excellence in order to restore margins to sustainable levels.

The four key fundamentals of our Thrive25 strategy are sufficiently flexible to accommodate the intervention of the pandemic and the subsequent recovery. The short-term focus will be to strengthen the balance sheet by reducing debt and maximising cash generation. The medium to longer-term strategy will be to invest in growth opportunities and achieve our sustainability goals.

GT Pearce

Chief Financial Officer

08 December 2021

VELO CITY

The cheetah's light, streamlined body makes it well-suited to short, explosive bursts of speed, rapid acceleration and executing extreme changes in direction while moving at high speed. Contrary to the common belief that cheetahs – known to be the fastest land animal – hunt by simply chasing their prey at high speeds, they are in fact extremely strategic. They don't randomly sprint towards anything, but wait until the timing is right, varying their speed during the chase. Speed and smartness are attributes that resonate with us at Sappi, given that 'making smart decisions which we execute with speed' are among our core values.

Under our Thrive25 strategy, we foster a safety-first culture, using collaboration and the power of partnerships to respond to changes in our environment, moving Sappi forward and deliver value to our customers.

Our leadership and executive management

Non-executive directors

Sir Nigel Rudd (74)

Independent Chairman

Qualifications: DL, Chartered Accountant

Nationality: British

Appointed: April 2006

Skills, expertise and experience:

Sir Nigel Rudd has held various senior management and board positions in a career spanning more than 35 years. He founded Williams plc in 1982, one of the largest industrial holding companies in the United Kingdom (UK). Sir Nigel Rudd brings his expertise in finance, management, governance and leadership to the Sappi board.

Brian Richard Beamish (Brian) (64)

Independent

Qualifications: BSc (Mech Eng): HBS PMD

Nationality: British and South African

Appointed: March 2019

Skills, expertise and experience:

Mr Beamish, a qualified mechanical engineer, brings more than 40 years' experience in management, business and leadership in capital intensive industries to the board.

Michael Anthony Fallon (Mike) (63)

Independent

Qualifications: BSc Hons (First Class)

Nationality: British

Appointed: September 2011

Skills, expertise and experience:

Mr Fallon brings management and leadership experience that extends across a wide range of functions from research and development (R&D), human resources, finance, plant management, sales and marketing and supply chain to general management, including mergers and acquisitions.

James Michael Lopez (Jim) (62)

Independent

Qualifications: BA (Economics)

Nationality: American

Appointed: March 2019

Skills, expertise and experience:

Mr Lopez brings his experience as the former President and Chief Executive Officer (CEO) of Tembec Inc (2006 – 2017) a manufacturer of lumber, pulp, paper/paperboard and speciality cellulose and a global leader in sustainable forest management practices.

Nkateko Peter Mageza (Peter) (66)

Independent

Qualifications: FCCA (UK)

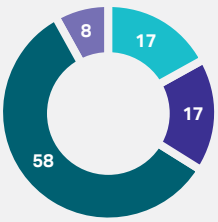
Nationality: South African

Appointed: January 2010

Skills, expertise and experience:

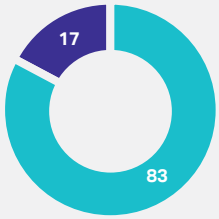
Mr Mageza brings his knowledge and experience having held senior executive positions across a wide range of industries.

Average age 2021 (%)



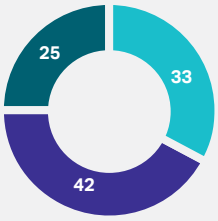
- 40s
- 50s
- 60s
- 70s

Independence 2021 (%)



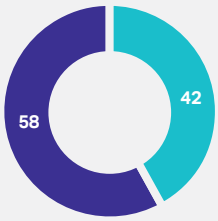
- Independenant non-executives
- Executives

Tenure 2021 (%)



- Zero to three years
- Three to 10 years
- Over 10 years

Diversity 2021 (%)



- Diverse
- Other

Zola Nwabisa Malinga (43)

Independent

Qualifications: BCom, CA(SA)

Nationality: South African

Appointed: October 2018

Skills, expertise and experience:

Ms Malinga has extensive experience in investment banking, corporate finance and real estate, having held senior roles at various financial institutions. She is also the founder and Executive Director of Jade Capital Partners, a women-owned investment holding company.

Dr Bonakele Mehlomakulu (Boni) (48)

Independent

Qualifications: PhD (Chemical Engineering)

Nationality: South African

Appointed: March 2017

Skills, expertise and experience:

With a PhD in chemical engineering, Dr Mehlomakulu has experience and expertise in innovation policy, management and leadership.

Mohammed Valli Moosa (Valli) (64)

Independent

Qualifications: BSc (Mathematics and Physics)

Nationality: South African

Appointed: August 2010

Skills, expertise and experience:

Mr Moosa has held numerous leadership positions across business, government, politics and civil society in South Africa and internationally. Mr Moosa has expertise in finance, general business and mining and is an international expert on sustainable development and climate change.

Robertus Johannes Antonius Maria Renders (Rob Jan) (68)

Independent

Qualifications: MSc (Mechanical Engineering), MDP

Nationality: Dutch

Appointed: October 2015

Skills, expertise and experience:

Mr Renders currently serves as a business consultant and independent director and brings to the board his extensive experience in governance and leadership as well as operational expertise in manufacturing and packaging internationally.

Janice Elaine Stipp (Janice) (62)

Independent

Qualifications: BA (Accounting), MBA

Nationality: American

Appointed: June 2019

Skills, expertise and experience:

Ms Stipp brings with her a wealth of experience in leadership, finance and treasury to the Sappi board.

Sappi board committee memberships:

- Audit and Risk Committee
- Human Resources and Compensation Committee
- Nomination and Governance Committee
- Social, Ethics, Transformation and Sustainability (SETS) Committee

* Committee Chairman

Our leadership and executive management continued

Executive directors

Stephen Robert Binnie (Steve) (54)

Chief Executive Officer

Qualifications: BCom, BAcc, CA(SA), MBA

Nationality: British

Appointed: September 2012

Skills, expertise and experience:

Mr Binnie was appointed CEO of Sappi Limited in July 2014 and brings extensive experience in financial management, leadership, corporate activity and strategy to the role.

Glen Thomas Pearce (58)

Chief Financial Officer

Qualifications: BCom, BCom Hons, CA(SA)

Nationality: South African

Appointed: June 1997

Skills, expertise and experience:

Mr Pearce joined Sappi Limited in June 1997 and was promoted to CFO and Executive Director of Sappi Limited in July 2014. Mr Pearce has extensive financial management experience, both locally and abroad.

Executive management

Marco Eikelenboom (54)

Chief Executive Officer of Sappi Europe

Qualifications: MS (Business Economics)

Appointed: September 1992

Skills, expertise and experience:

Mr Eikelenboom was appointed CEO of Sappi Europe on 01 April 2021. Mr Eikelenboom was previously Vice President Marketing and Sales for Graphic Papers and was integral in the successful restructure and refocus of Sappi's European operations.

Michael George Haws (Mike) (58)

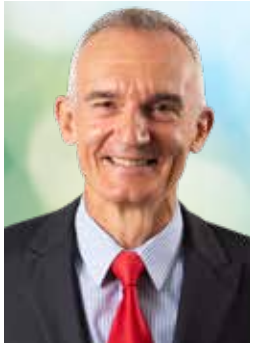
President and Chief Executive Officer of Sappi North America

Qualifications: BSc Paper Science and Engineering

Appointed: January 2012

Skills, expertise and experience:

Mr Haws brings his extensive industry leadership and strategy experience to the business. Mr Haws was integral to the development and execution of Sappi's 2020Vision and the investments made in North America to grow the dissolving pulp and packaging and speciality papers businesses.



Alexander van Coller Thiel (Alex) (60)

Chief Executive Officer of Sappi Southern Africa

Qualifications: BSc (Mechanical Engineering), MBA (Financial Management and Information Technology)

Appointed: December 1989

Skills, expertise and experience:

Mr Thiel has a long history with Sappi. His experience and expertise includes marketing, logistics, procurement, strategy and operations across Europe and Southern Africa.

Fergus Conan Salvador Marupen (Fergus) (56)

Group Head Human Resources

Qualifications: BA Hons (Psychology), BEd (Education Management), MBA (Stellenbosch), LCOR (Stanford University)

Appointed: March 2015

Skills, expertise and experience:

Mr Marupen's experience across a variety of industries in South Africa enables him to offer insight into human resources, governance and management, among many other fields.

Mohamed Iqbal Mansoor (54)

Executive Vice President of Sappi Dissolving Pulp

Qualifications: BSc (Chemistry and Mathematics), BSc Hons (Chemistry), MBA

Appointed: August 1991

Skills, expertise and experience:

Mr Mansoor's expertise includes contract negotiation and management, supply chain management, strategic planning, sales management, key account management, dissolving pulp, international logistics and technical application support.

Gary Roy Bowles (61)

Group Head Technology

Qualifications: BSc (Electrical Engineering), GCC, PR Eng, PMD, EDP

Appointed: November 1990

Skills, expertise and experience:

Mr Bowles brings more than 30 years of experience with Sappi as well as expertise in engineering, research, manufacturing, project execution, operational and risk management to his role.

Maarten van Hoven (48)

Group Head Strategy and Legal

Qualifications: BProc, LLM (International Business Law)

Appointed: December 2011

Skills, expertise and experience:

As an admitted attorney of the High Court in South Africa, Mr van Hoven brings expertise in corporate, commercial and competition law, in the private and public sectors, as well as experience in mergers and acquisitions.

Corporate governance

Sappi is committed to the highest standards of corporate governance, which form the foundation for the long-term sustainability of our company and creation of value for our stakeholders.

100%
Overall committee attendance rate

Good governance at Sappi contributes to living our values through enhanced accountability, a transparent and ethical culture, strong risk management, a focus on effective control of the business, legitimacy and good performance. Governance is one of our key enablers to unlocking and protecting value, as we optimise the use of our capitals, address our key risks while taking advantage of exciting opportunities (refer to page 34 **Risk management**), while minimising the negative impacts of trade-offs that have to be made, as set out in the presentation of **Our key material issues** on page 70. The group endorses the recommendations contained in the King Code of Governance™ for South Africa 2016 (King IV) and applies the various principles in the achievement of good governance outcomes.

An application register of how Sappi applies the **King IV principles** is provided on the group's website (www.sappi.com).

The group is listed on the JSE Limited and complies in all material respects with the JSE Listings Requirements, regulations and codes.

The board of directors

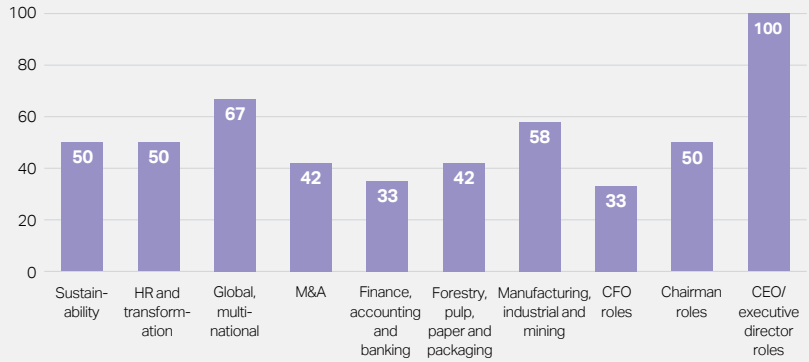
The basis for good governance at Sappi is laid out in the board charter, which sets out the division of responsibilities between the board and executive management. The board creates and protects sustainable value by collectively determining strategies, approving major policies and plans, taking responsibility for risk management, and providing oversight as well as monitoring, to help to ensure accountability. The board is satisfied that it has fulfilled its responsibilities in accordance with its charter for the reporting period.

For further information about the board and the **board charter** please refer to www.sappi.com.

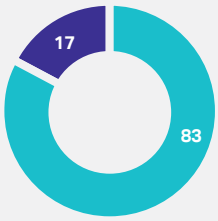
The Sappi board and diversity

Sappi operates globally and across a variety of markets, jurisdictions and cultures, requiring a diverse mix of experience, skills, gender, age and backgrounds. It is important that our board composition reflects this diversity, both in a South African context as well as globally. Diversity gives Sappi access to an increased range of talent, which helps to provide insight into the needs and motivations of a broader stakeholder base.

Board experience (%)
Sappi's board members have experience across multiple industries and leadership roles

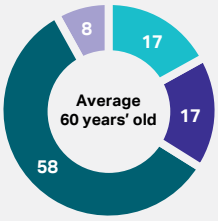


Directors' independence (%)



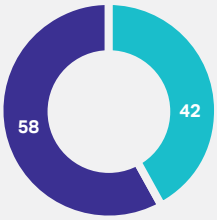
- Independent non-executives
- Executives

Directors' ages (%)



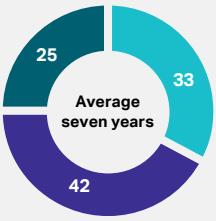
- 40s
- 50s
- 60s
- 70s

Diversity (%)



- Diverse (female or ethnically diverse)
- Other

Directors' tenure (as at year end %)



- Zero to three years
- Three to 10 years
- Over 10 years

The composition of the board and attendance at board meetings and board committee meetings is set out in the table below for the year ended September 2021:

Name	Appointed (Retiring) from board	Board	Board committees: Audit and Risk	Board committees: Nomination and Governance	Board committees: Human Resources and Compensation	Board committees: SETS	% attendance during tenure	AGM
Independent non-executives								
BR Beamish							100	
MA Fallon					Chairman		100	
JM Lopez							100	
NP Mageza			Chairman				100	
ZN Malinga							100	
B Mehlomakulu							100	
MV Moosa		Lead director				Chairman	100	
RJAM Renders							100	
Sir Nigel Rudd		Chairman	Ex officio	Chairman	Ex officio	Ex officio	100	
JE Stipp							100	
Executives								
SR Binnie (CEO)			By invitation	By invitation	By invitation		100	
GT Pearce (CFO)			By invitation				100	

Lead director · Committee member (present) · Chairman · Ex officio · Absent · By invitation

Strategic focus areas

In addition to the standard items on the board's agenda, the 2021 focus areas included:

- Review of progress in actioning the Thrive25 strategic plan
- Deep dives into the following topics:
  - strategic reduction in exposure to graphic paper and growth of packaging and speciality papers business in Sappi North America, and Sappi Europe
  - shipping and supply chain challenges due to the Covid-19 pandemic, impacting on containers and vessels, and the Suez Canal bottleneck
  - dissolving pulp business, including the Saiccor Mill expansion project
  - Sappi Southern Africa paper business and asset strategy
  - Sappi Biotech business review
  - external overviews of global and regional economies and related developments
- Long-term debt refinancing and covenants and covenant waiver period renegotiation
- Review of risks and opportunities related to carbon emissions, the reduction of Sappi's carbon footprint and climate change, in line with the Task Force on Climate-related Finance Disclosure (TCFD) recommendations, and the link to Sappi's targets development under the Science Based Target initiatives (SBTis), as well as Sappi's environmental, social and governance (ESG) disclosures
- Sappi Southern Africa transformation and succession planning, training and development
- Review of mill shuts and the project management process
- Review of regional market peculiarities, performance, opportunities and challenges
- Feedback on action points from the employee engagement survey
- A review of the Code of Ethics and related policies, including the anti-trust policy
- A review of cyber security risks and management's mitigation actions

All the top risks as well as emerging risks have been focused on by the board during 2021.

The following specific areas will be added to the board's agenda in 2022:

- Oversight of progress in achieving the Thrive25 strategic plan
- The revised approach for reviewing the risks facing the group, including risk appetite and tolerance will be operationalised at board and executive management levels
- Project management and oversight for large capital projects
- Promoting and enabling innovation
- Commercialisation of Biotech
- Consideration of additional cost improvement areas
- Increased focus on the responsibility of the board in responding to climate change
- Effective stakeholder engagement within the context of remuneration equity

Corporate governance continued

Induction and training of directors

Following appointment to the board, directors receive induction and all directors receive training tailored to their individual needs, when required.

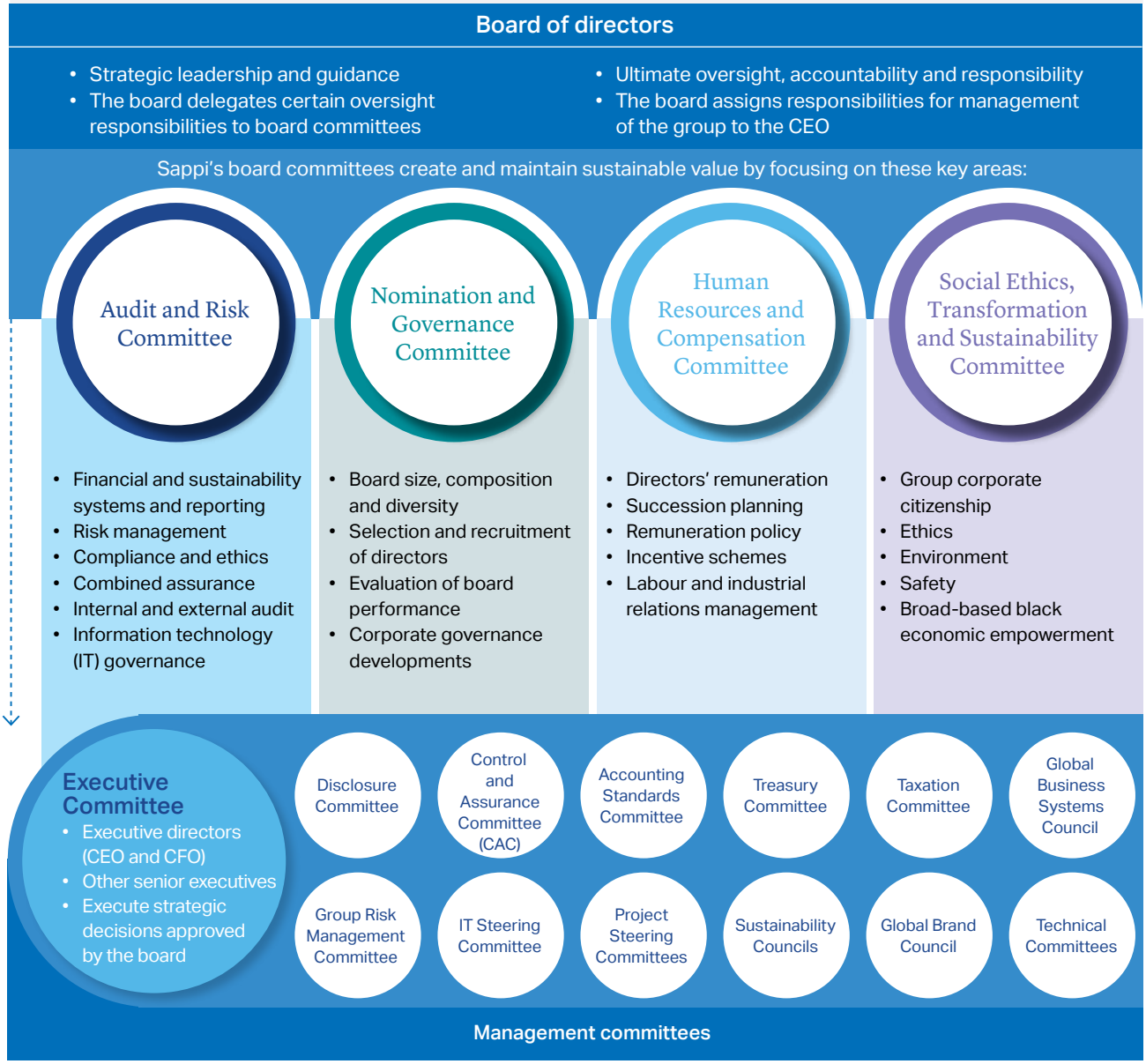
Stakeholder communication

The board is responsible for presenting a balanced and understandable assessment of the group's position in reporting to stakeholders. The group's reporting addresses material matters of significant interest and is based on principles of openness and substance over form. The reporting includes information on key trade-offs that have to be made. Various policies have been developed to guide engagement with Sappi's stakeholders such as the **Group Stakeholder Engagement policy** and **Group Corporate Citizenship policy** on www.sappi.com/policies. Sappi has a policy addressing Alternate Dispute Resolution (ADR) and relevant ADR clauses are generally included in contracts with customers and suppliers. There have been no requests for information for the period under review in terms of the Promotion of Access to Information Act (South African legislation).

Refer to **Our key relationships** on page 42 for more information.

Sappi board and management committees

Board and management committees have been established and are discussed from pages 141 to 147.



Board committees

The board has established committees to assist it to discharge its duties. The committees operate within written terms of reference set by the board.

NP Mageza
Chairman

Audit and Risk Committee

100%
Overall committee attendance rate

Membership details at September 2021:

- NP Mageza
- RJAM Renders
- ZN Malinga
- JE Stipp
- B Mehlomakulu

The Audit and Risk Committee confirms that it has received and considered sufficient and relevant information to fulfil its duties, as set out in the Audit and Risk Committee Report.

The external and internal auditors attended Audit and Risk Committee meetings and had unrestricted access to the committee and Chairman. The external and internal auditors met privately with the Audit and Risk Committee during 2021.

Mr NP Mageza is the Chairman and designated financial expert of the Audit and Risk Committee.

The committee is satisfied that it has fulfilled its responsibilities as set out in its terms of reference.

Key roles and responsibilities

The Audit and Risk Committee consists of five independent, non-executive directors. The committee assists the board in discharging its duties with oversight of:

- Safeguarding and efficient use of assets
- The risk management function, including a special focus on the presentation and evaluation of risk appetite, tolerance, key risk indicators and risk trends
- Information and technology risks, related controls and governance. This included the increasing threats of cyber-attacks and security in the operational technology area
- Non-financial risks and controls, through a combined assurance model
- Operation of adequate systems and control processes
- The integrity of financial information and the preparing of accurate financial reports in compliance with applicable regulations and accounting standards
- The certification process implemented by management to support the CEO and CFO confirmation of the fairness of the annual financial statements and the system of internal control over financial reporting, required by section 3.84(k) of the JSE Limited Listings Requirements (refer the directors' approval in the **2021 Group Annual Financial Statements**). This included consideration of the evaluation report, including identified control deficiencies and management's remedial actions, as well as compensating measures and assurance from other sources in the combined assurance framework
- The quality and transparency of sustainability information included in the annual integrated report
- Compliance with the group's Code of Ethics and external regulatory requirements
- The external auditors' qualifications, experience, independence and performance
- The performance of the internal audit function, this included review of the results of the Internal Quality Assurance Review performed during 2021
- The performance of the finance function
- Taxation policies, congruent with responsible corporate citizenship
- An internal review of the committee's operating effectiveness and performance every two years by way of an assessment with feedback being provided to the board

Strategic focus areas

The Audit and Risk Committee helped to create and protect value by providing oversight and guidance for a wide range of topics, including the following areas related to Sappi's strategy:

- Governance and risk aspects of projects to accelerate the group's ability to take advantage of opportunities in higher margin growth segments, such as in dissolving pulp, packaging and speciality papers, the biotech and renewable energy fields
- Cyber security incidents impacting on specific outsourced service suppliers
- Business continuity arrangements, including logistics and supply chain
- The establishment of a CAC, which makes use of combined assurance to focus on risks facing the group
- Regulatory compliance with global privacy legislation, such as the Protection of Personal Information Act and General Data Protection Regulation
- A revised approach to providing an overview of risks, including a new method of determining risk appetite and tolerance per risk

Areas of oversight for the committee in 2022 will be:

- Operationalising of the revised approach developed for the risk framework, combined assurance and oversight of risks
- Revised reporting for ESG matters and procedures for financial reporting attestations
- The new whistleblower hotline
- The impact of the Covid-19 tail on the business and feedback on business recovery, liquidity, credit risks and financial reporting
- Emerging IT risks
- Capital, IT, and business projects governance

For more information refer to the **Audit and Risk Committee Report in our Annual Financial Statements** on www.sappi.com/annual-reports.

Stakeholders	Risks
The Audit and Risk Committee has helped to create and protect value for the following stakeholders: employees, customers, shareholders and regulators. Refer to **Our key relationships** on page 42 for further details.	The Audit and Risk Committee has focused on all of the top 10 risks: 1 Safety 2 Evolving technologies and consumer preferences 3 Supply chain disruption context and competitive industry 4 Sustainability expectations 5 Climate change 6 Cyber security 7 Cyclical macro-economic factors 8 Uncertain and evolving regulatory landscape 9 Liquidity 10 Employee relations For further details refer to **Risk management** on page 34.

Sir N Rudd
Chairman

Nomination and Governance Committee

100%
Overall committee attendance rate

Membership details at September 2021:

- Sir Nigel Rudd
- MV Moosa
- MA Fallon

Key roles and responsibilities

The Nomination and Governance Committee consists of three independent directors. The committee considers the leadership and governance requirements of the company including a succession plan for the board. The committee identifies and nominates suitable candidates for appointment to the board in line with Sappi's policy on the promotion of gender and race diversity at board level, for board and shareholders' approval. The committee considers the independence of candidates as well as directors. The committee makes recommendations on corporate governance practices and disclosures, and reviews compliance with corporate governance requirements. The committee has oversight of appraising the performance of the board and all the board committees. The results of this process and recommended improvements are communicated to the chairman of each committee and the board. The committee reviewed and approved a policy on broader diversity at board level. The functioning and performance of Sappi's board and board committees were assessed internally in 2021 and it was established that the board and board committees functioned well, but that the directors would benefit from additional deep dives into specific topics. This has been implemented.

Strategic focus areas

The Nomination and Governance Committee helped to protect value by providing oversight and guidance in 2021 over:

- Corporate governance
- Tone at the top
- Succession plans for senior executives and the board with a focus on board composition
- Assessment of the board and board committee performance
- Rotation and replacement of directors
- Reviewed the Sappi Limited directors' shareholdings and dealings in securities
- Oversight of the appointment of replacements for direct reports to the CEO

A focus area for 2022 will be executive succession planning and board committee chairmanships and memberships.

The committee is satisfied that it has fulfilled its responsibilities as set out in its terms of reference.

Stakeholders	Risks
The Nomination and Governance Committee has helped to protect value primarily for the following stakeholders: shareholders and regulators. Refer to **Our key relationships** on page 42 for further details.	The Nomination and Governance Committee focused on governance, independence, and composition of the board, board committees and executive management positions to effectively address all material risks facing the company including all the top 10 risks. For further details refer to **Risk management** on page 34.

MA Fallon
Chairman

Human Resources and Compensation Committee

100%
Overall committee attendance rate

Membership details at September 2021:

- MA Fallon
- NP Mageza
- RJAM Renders
- BR Beamish

Key roles and responsibilities

The Human Resources and Compensation Committee consists of five independent directors. The responsibilities of the Human Resources and Compensation Committee are, among others, to provide oversight of the group's human capital, determine the group's human resource policy and strategy, assist with the hiring, and setting of terms and conditions of employment of executives, the approval of retirement policies, and succession planning for the CEO and management. The committee ensures that the compensation philosophy and practices of the group, including the CEO's performance objectives, are aligned to the group's Thrive25 strategy and performance goals. It reviews and agrees the various compensation programmes, and, in particular, the compensation of executive directors and senior executives as well as employee benefits. It also reviews and agrees to executive proposals on the compensation of non-executive directors for approval by the board and ultimately by shareholders. The committee is updated on the Industrial Relations climate, training initiatives and engagement survey results and action items.

Strategic focus areas

The 2020 report was supported at the Annual General Meeting (AGM) on 03 February 2021 with a vote of 96,6% on the remuneration policy and 95.7% on the implementation report. This has been a significant endorsement by the shareholders in relation to our ongoing commitment to good governance and disclosure.

Apart from its normal annual workplan, the key focus for the committee was on the following:

- Implementation of return on capital employed (ROCE) as a measure in our short-term incentive plan from 2022, replacing working capital
- Implementation of a voluntary minimum shareholding requirement for all prescribed officers to be achieved by December 2025
- Disclosure of the vested Performance Share Plan (PSP) award as part of the total remuneration in line with best practice
- ESG targets are included in the personal objectives of all senior managers
- Discussion on the King IV guidance paper on effective stakeholder engagement
- Oversight on key succession transitions across all regions, and
- A bespoke benchmark on non-executive directors' fees

The strategic focus areas for the committee in 2022:

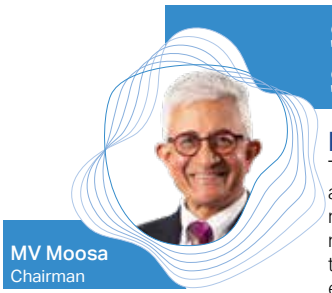
- Key activities for the committee in 2022 will be, *inter alia*, the approval of the remuneration and bonuses for executive directors and senior management
- Oversee the implementation of the human resources Thrive25 plan
- In addition to the annual work plan as approved by the committee, the chairman of the committee and senior executives from Sappi will, if required, also be visiting key shareholders to discuss issues of mutual concern

The committee is satisfied that it has fulfilled its responsibilities as set out in its terms of reference.

For more information refer to the **Remuneration Report** on page 154.

Stakeholders	Risks
The Human Resources and Compensation Committee has helped to protect value primarily for the following stakeholders: employees, shareholders and regulators. Refer to **Our key relationships** on page 42 and to the **Remuneration Report** on page 154 for further details.	The Human Resources and Compensation Committee has focused on the following of the top 10 risks: 1 Safety 2 Evolving technologies and consumer preferences 4 Sustainability expectations 5 Climate change 6 Cyber security 7 Cyclical macro-economic factors 8 Uncertain and evolving regulatory landscape 10 Employee relations For further details refer to **Risk management** on page 34.

Social, Ethics, Transformation and Sustainability (SETS) Committee



MV Moosa
Chairman

Membership details at September 2021:

- MV Moosa
- SR Binnie
- B Mehlomakulu
- BR Beamish
- JM Lopez

Key roles and responsibilities

The SETS Committee comprises four independent non-executive directors, and the CEO. A 100% attendance record was achieved by board committee members for 2021. Other executive and group management committee members attend SETS Committee meetings by invitation. It should be noted that a number of other non-executive directors attend SETS Committee meetings ex-officio. The chairmen of the Audit and Risk Committee and SETS Committee attend each other's committee meetings to avoid unnecessary repetition of discussions.

100%
Overall committee attendance rate

The committee's mandate is to oversee the group's sustainability strategies, ethics management, good corporate citizenship, labour and employment practices, as well as its contribution to social and economic development and, with regards to the group's South African subsidiaries, the strategic business priority of transformation.

The SETS Committee is supported by the Global Sustainability Council as well as by regional sustainability committees in dealing with day-to-day sustainability issues and helping to develop and entrench related initiatives in the business.

Strategic focus areas

In 2021 the committee provided oversight of:

- Sappi's social and economic development standing (United Nations Global Compact and the Organization for Economic Co-operation and Development)
- Safety initiatives
- Progress on developing a group-wide approach for the TCFD
- The development and approval of science based targets for the group
- External assurance on lost-time injury frequency rate (LTIFR) and Scope 1 and Scope 2 emissions data as well as environmental impact analyses for major investment projects
- Trade-offs between:
  - Productivity and safety advantages of mechanisation and the social and human capital implications
  - Financial and natural capitals relating to the use of coal versus other renewable energy fuels for our heating requirements. This included further reductions in the group's carbon footprint
- Sappi Southern Africa's performance against the applicable Broad-based Black Economic Empowerment (BBBEE) Legislation, the EE Act and the Forestry Charter, including unfair discrimination and equality policy
- Other ESG focus areas

The committee is satisfied that it has fulfilled its responsibilities as set out in its terms of reference.

The committee will provide oversight of the following strategic business areas in 2022

- TCFD developments
- Implementation of science-based targets and a climate change strategy
- Progress towards biodiversity improvement goal
- Production efficiencies and events
- Consideration of feedback about the changes in the safety culture at operating units
- Improved stakeholder engagement, making use of media developments and opportunities

For more information refer to the **SETS Report** and to **Our global sustainability goals** at www.sappi.com.

Stakeholders	Risks
The SETS Committee has a broad spread of stakeholders for which it helps to protect (or create) value: suppliers, customers, employees, regulators, shareholders and society. Refer to **Our key relationships** on page 42 for further details.	The SETS Committee has focused on the following of the top 10 risks: 1 Safety 2 Evolving technologies and consumer preferences 3 Supply chain disruption 4 Sustainability expectations 5 Climate change 7 Cyclical macro-economic factors 8 Uncertain and evolving regulatory landscape 10 Employee relations For further details refer to **Risk management** on page 34.

For more information on sustainability at Sappi refer to the **SETS Committee report** on page 174 and for a summary of the group's sustainability initiatives at www.sappi.com.

Management committees

The board assigns responsibility for the day-to-day management of the group to the CEO. To assist the CEO in discharging his duties, a number of management committees have been formed. Some of these committees also provide support for specific board committees. The management committees are key components of Sappi's second line of defence and assurance. Refer to page 149 for additional details of Sappi's approach to **risk, controls and assurance**.

Executive Committee

This committee comprises executive directors and senior management from Sappi Limited as well as the CEOs of the three main regional business operations, and the pulp business. The CEO has assigned responsibility to the executive committee for a number of functional areas relating to the management of the group, including the development of policies and alignment of initiatives regarding strategic, operational, financial, governance, sustainability, social and risk processes. The executive committee meets at least five times per annum.

Disclosure Committee

The Disclosure Committee comprises members of the executive committee and senior management from various disciplines. Its objective is to review and discuss financial and other information prepared for public release. It is the ultimate decision-making body, apart from the board, with regards to disclosure.

Treasury Committee

The Treasury Committee meets monthly to assess financial risks on treasury-related matters. Specific focus areas in 2021 related to ensuring sufficient group liquidity during the ongoing Covid-19 pandemic, arranging suitable financing for the remaining capex of the Saiccor Mill project, refinancing the US$350 million 2023 bond and negotiating new financial covenants. Key focus areas in 2022 will be the renewal of the €525 million and R1.8 billion revolving credit facilities, including renegotiation of financial covenants and the introduction of sustainability key performance indicators to the facilities.

Taxation Committee

The Taxation Committee meets monthly to discuss and address global taxation matters. The main focus areas of the committee for 2021 included:

- Tax accounting and reporting
- Tax compliance including transfer pricing and basic earnings per share reporting
- Tax audits and international mitigation measures to avoid double taxation
- New tax legislation

These topics will continue to receive oversight from the committee in 2022.

Project Steering Committees

For key strategic projects, steering committees are established to oversee successful execution of the project.

Technical Committees

The Technical Committees focus on global technical alignment, performance and efficiency measurement as well as new product development.

Group Risk Management Committee

The committee is known as the Group Risk Management Team (GRMT) and is mandated by the board to establish, coordinate and drive the risk management process throughout Sappi. It has established a risk management system to identify and manage significant risks. The GRMT reports regularly on risks to the Audit and Risk Committee and the board. Risk management software is used to support and report upon the risk management process. During 2021 key initiatives included operationalisation of the group's risk appetite and tolerance framework, a dashboard summarising group risks and trends. In 2022 the GRMT will review policy, procedures and assurance, to address business continuity risk.

Corporate governance continued

Control and Assurance Committee

The CAC is supported by the internal control function and multi-disciplinary combined assurance workgroups (CAWs) and provides regular oversight and guidance to the business on internal controls and combined assurance for financial, strategic and operational risks. The committee is accountable to the GRMT and the Audit and Risk Committee.

IT Steering Committee

The IT Steering Committee, assisted operationally by the Group IT Committee, promotes IT governance throughout the group and is the highest authority responsible for this aspect of Sappi's business, apart from the board. The committee has a charter approved by the Audit and Risk Committee and the board. An IT governance framework has been developed and IT feedback reports are presented to the Audit and Risk Committee and the board. Sappi IT has implemented a standardised approach to IT risk management through a group-wide risk framework supported by the use of risk management software. The committee has helped to create value for shareholders in 2021 by its oversight of:

- A Sappi IT security spend benchmarking exercise, and the development of a framework to further evaluate third-party IT security risks
- The development of a global operational technology (OT) security methodology and
- The integration of the Matane Pulp Mill's IT system into Sappi's SAP system
- The preparation for major IT projects including S4 HANA, Synergy (MES) and Pelati (Sales, supply chain and finance harmonisation), Simunye, and the Digital Strategy and governance
- O365 email security, which was enhanced and an email security gateway was deployed
- Expansion of the group security function with further security resource capacity scheduled for 2022, making use of a cyber skills incubator

Oversight by the committee will continue in 2022 for these IT initiatives, as well as:

- The due diligence for a cloud-based disaster recovery strategy
- Execution of the Digital Strategy and governance, via a global digital council
- Deployment of the global OT security methodology to the three largest mills in the group
- Pen testing with Insider threat assessment
- ISO 27001 certification preparation
- Establishment of a global 24/7 Security Operations Centre
- Business continuity and cyber recovery vault
- Adoption of a dedicated emergency communications platform for cyber emergencies
- Formalisation of data classification framework and control technology
- Third-party risk management implementation
- Centralisation of endpoint security, additional email security hardening, and a cloud security framework
- Global vulnerability management

Global Business Systems Council

This council meets monthly to provide direction for strategic business improvement projects, in particular, OneSappi harmonisation initiatives, and effective use of resources.

Sustainability Council

The Sappi Group Sustainability Council leads on all sustainability related policies and practices and provides support to the SETS Committee. Members meet quarterly to report progress against sustainability goals and key initiatives, share best practices, and exchange information on emerging issues. Members review regional information for various disclosure mechanisms, including the CDP's climate change and forests programmes and the annual Group Sustainability Report.

Key focus areas for 2021 included:

- Oversite and review of the Thrive25 sustainability targets
- Sappi's climate change strategy and action plans including:
  - Alignment of Sappi's decarbonisation roadmap with the Science Based Targets initiative (SBTi)
  - Assessment, and improvement, of our resiliency to risks and opportunities posed by climate change, as framed by the Task Force on Climate-related Financial Disclosures (TCFD)
  - Integration of decarbonisation and sustainability metrics in capital investment procedures
- Sustainable procurement roll out of EcoVadis to our top suppliers
- Social impact strategy for South Africa
- Identifying collaboration opportunities to further Sappi's sustainability objectives and leverage Sappi expertise to contribute to the Sustainable Development Goals (SGDs)

Brand Council

This council coordinates Sappi's brand communication programme, monitors brand performance and ensures effective brand management to enhance Sappi's reputation.

Ensuring leadership through ethics and integrity

Sappi is committed to doing business the right way. Trust is created by operating from a commonly accepted set of values, enhancing and protecting our reputation. We require our directors and employees to act with integrity, to be courageous, to make smart decisions and to execute with speed, in all transactions and in their dealings with all business partners and stakeholders.

Code of Ethics

Our values underpin the group's Code of Ethics and commit the group and its employees to sound business practices and compliance with applicable legislation, which help to promote legitimacy.

All new employees receive training on the Code of Ethics and related topics, such anti bribery and corruption and anti-competitive practices, as part of onboarding. Refresher training was provided to all employees on the Code of Ethics in 2021.

A group Supplier Code of Conduct has been developed to help ensure that Sappi's values and ethical standards are clearly understood and supported by all our suppliers, their first-tier suppliers and other stakeholders.

Actions are taken against employees and suppliers who do not abide by the spirit and provisions of our code. This includes termination of contractual arrangements, and criminal actions.

Refer to www.sappi.com for the Code of Ethics.

Legal compliance programme

The programme is designed to increase awareness of, and enhance compliance with, applicable legislation is in place. The group compliance officer reports twice per annum to the Audit and Risk Committee.

Sappi's legal compliance programme has been boosted by:

- The implementation of legal compliance software including Exclaim for Sappi Southern Africa, GEORG Compliance Management for the German mills, and Policy Passport for Group policies and procedures.
- The provision of online training to employees across the group on relevant core legal compliance topics.
- The use of software tools and the related training and online learning is helping to create and protect value primarily for employees, customers, shareholders and regulators.

Conflict of interests

The group has a policy that obliges all employees to disclose any interest in contracts or business dealings with Sappi to assess any possible conflict of interest. The policy also dictates that directors and senior officers of the group must disclose any interest in contracts as well as other appointments to assess any conflict of interest that may affect their fiduciary duties.

During the year under review, apart from that disclosed in the financial statements, none of the directors had a significant interest in any material contract or arrangement entered into by the company or its subsidiaries.

For more information on how Sappi addresses conflict of interest please refer to the Preventing fraud and corruption section of the Code of Ethics at www.sappi.com.

Insider trading

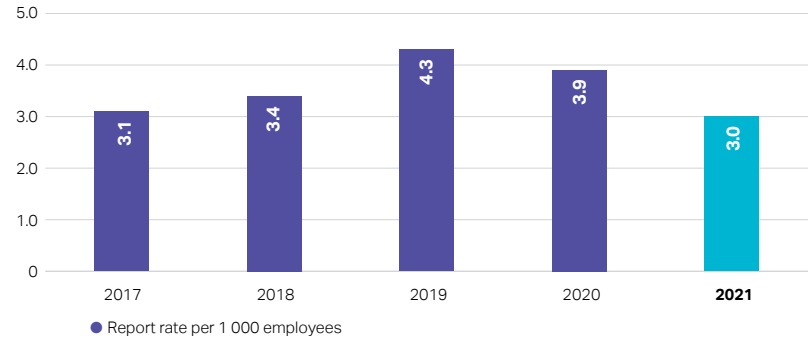
The company has a code of conduct for dealing in company securities and follows the JSE Limited Listings Requirements in this regard.

For further information refer to the Insider trading section of the Code of Ethics which can be found at www.sappi.com.

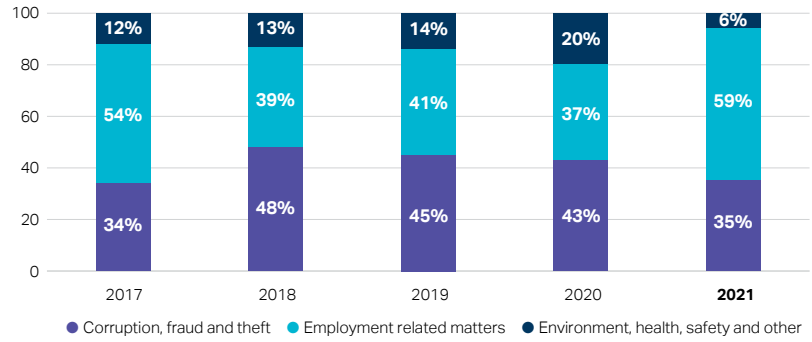
Reporting on compliance and ethics concerns

Sappi employees and stakeholders can report any potential illegal or non-compliant behaviour they observe directly to senior management, internal audit or legal counsel, or alternatively, report anonymously, via telephone or an online form. Whistle-blower 'hotlines' have been implemented in all the regions in which the group operates. The hotline service, operated by independent service providers, enables all stakeholders to anonymously report environmental, safety, ethics, accounting, auditing, control issues or other concerns. Retaliation against whistle-blowers is not tolerated. The follow-up on all reported matters is coordinated either by legal counsel or internal audit and reported to the Audit and Risk Committee. The majority of calls and ethics reports received related to the Southern African region. Please refer to the whistle-blower hotline and ethics report graphs for information on the number of hotline calls per 1,000 employees, the categories of hotline calls and ethics reports, and the outcome of the investigations. The hotline report rates, categories of reports and outcomes of cases broadly align with international whistle-blower benchmark data. For more information, refer to the Reporting and whistle-blowing section of the **Code of Ethics**, at www.sappi.com

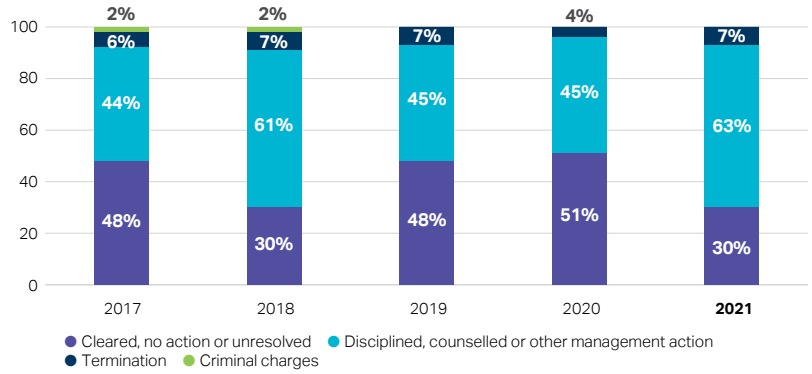
Hotline report rate per 1,000 employees per annum



Hotline and ethics cases by category (%)



Hotline and ethics case outcomes (%)



Financial statements

The directors are responsible for overseeing the preparation and final approval of the group annual financial statements, in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

The group's results are reviewed prior to submission to the board, as follows:

- All quarterly results – by the Disclosure Committee as well as the Audit and Risk Committee, and
- Interim and final results – by external audit.

Risk, controls and assurance at Sappi

Risks facing the group are identified, evaluated and managed by implementing risk mitigations, such as insurance, strategic actions or specific internal controls. Sappi maintains a robust framework of risks and controls which assists in the application of the King IV guidelines and the achievement of governance outcomes by helping to: create an ethical culture; establishing effective control; and promoting legitimacy, all of which help Sappi and its stakeholders to benefit from good performance. The framework includes controls addressing our material matters, by focusing on the main drivers of Sappi and comprises both financial and non-financial controls, which support the achievement of our strategy, within our risk appetite and tolerance levels, across the economic, social and environmental context in which the organisation operates as well as each of the six capitals set out in the IIRC's model. More information on these capitals and Integrated thinking in the context of Sappi's sustainable business model can be found in **Our Strategy and Performance** on page 10, as well as **Our global sustainability goals** at www.sappi.com.

The group's internal controls and systems are designed in accordance with the COSO control framework to support the achievement of the group's objectives including strategic, operational and financial performance goals, effective and efficient use of resources, safeguarding assets against material loss, integrity and reliability of internal and external financial and non-financial reporting, and compliance with applicable laws and regulations.

Sappi operates a combined assurance framework, which aims to optimise the assurance coverage obtained from management, internal assurance providers and external assurance providers, on the risk areas affecting the group. Combined assurance is overseen by the CAC. The committee and its CAWs provide holistic feedback to the GRMT and Audit and Risk Committee on the state of controls and the quality and coverage of assurance from the various assurance providers

Corporate governance continued

across Sappi's three lines of assurance. The workgroups focused the following risk topics: capital projects management, cyber security risks, human resources risks and maintenance risks, in 2021. In Financial Year 2022 the CAWs will assist the CAC to create and protect value by undertaking reviews of combined assurance, risks and controls relating to taxation and business continuity, as well as developing the risk and control framework particularly in the legal compliance, product safety and IT security areas.

Risk areas and value drivers, capitals	First line of assurance	Second line of assurance	Third line of assurance	Oversight by the board
	Business management operations supported by appropriate controls and systems	Monitoring and oversight functions	Independent assurance provided by external audit, internal audit and other assurance providers	Board and sub-board committees
Governance, risk, and controls – general (core business cycles)	Day-to-day risk management activity Established risk and control environment Executive, corporate and regional lead teams Corporate and regional business functions, eg sales, finance, IT, human resources, purchasing Business units, eg forestry, mills, sales offices Business unit operations, eg production, engineering, controlling, materials management	Control and Assurance Committee management self-assessments	Internal audit	Audit and Risk Committee
Strategy and vision, competition and markets, socio-political		Executive Committee, Group Head Strategy, Global Business Council, Control and Assurance Committee, management self-assessments	Internal audit	Nomination and Governance Committee
Financial, tax and treasury		Control and assurance, accounting standards, taxation, treasury and Disclosure Committees, management self-assessments	KPMG, tax authorities, internal audit	Audit and Risk Committee
Legal and compliance		Legal compliance programme, Group Compliance Manager	Legal compliance audits, internal audit	Audit and Risk, SETS, Human Resources and Compensation Committees
IT		IT Steering Committee, group IT governance functions, management self-assessments	KPMG, ISA 3402s, penetration testing, internal audit	Audit and Risk Committee
Planet, environment, natural capital		Sustainability councils, Environmental and Energy (E4) Global Cluster, GRMT	ISO 14001, FSC, PEFC, EMAS, KPMG, EcoVadis Government reviews emissions effluent etc, internal audit	SETS Committee
Ethics		Group Compliance Manager, ethics surveys, management self-assessments	Internal audit	SETS Committee, Audit and Risk Committee
People, human resource and transformation		Global Human Resource Committee, regional labour forums, employee engagement surveys, management self-assessments	BBBEE audits, internal audit	Audit and Risk, SETS, Human Resources and Compensation Committees
Research and development, intellectual property		Group technical cluster, management self-assessments	ISO 17025, internal audit	SETS Committee
Manufacturing, supply chain management, quality, forestry		Technical clusters and platforms, regional safety, health, environment and quality audits, supplier audits, management self-assessments	ISO 9001, ISO 50001, FSC PEFC, SFI, Matrix, internal audit	SETS Committee
Stakeholders, communication, reputation, society		Group corporate affairs, sustainability and investor relations functions	Internal audit	SETS Committee
Safety		Group and regional risk management teams, safety audits	OHSAS 18000, ISO 22000 regulatory inspections, internal audit	SETS Committee

A key element of combined assurance at Sappi is derived from the annual control self-assessments completed by control owners, which helps to protect value for stakeholders by providing management and the board with assurance on the state of controls throughout the group. The remediation of control gaps identified through this process is monitored by management, relevant committees, auditors and the board.

The Audit and Risk Committee advises the board on the state of risk management and controls, as well as assurance, in Sappi's operating environment. This information is used as the basis for the board's review, sign-off and reporting to stakeholders, via the annual integrated report and annual financial statements, on risk management and the effectiveness of internal controls and assurance within Sappi.

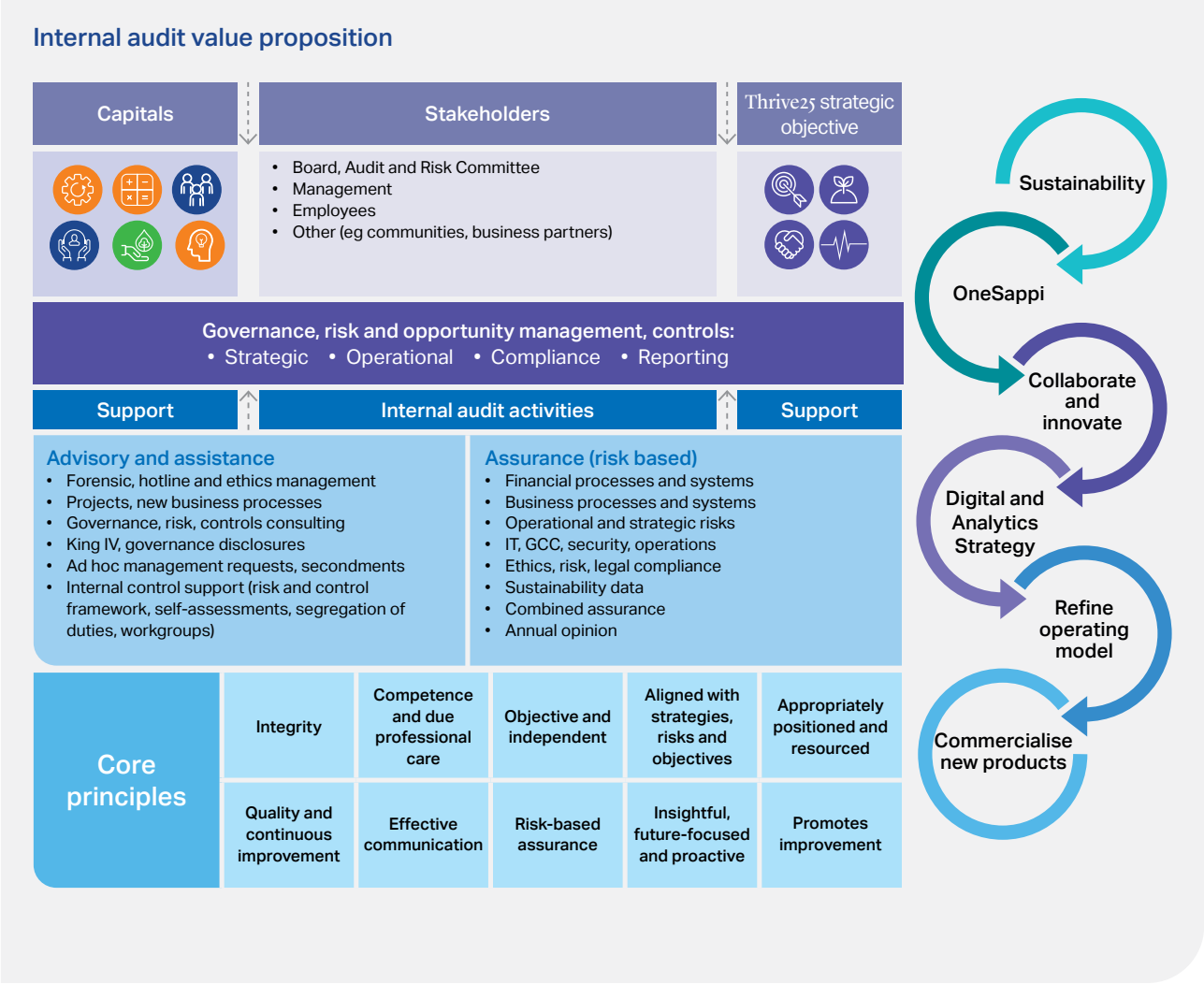
As part of combined assurance in respect of reported information, Sappi has obtained assurance on the data in the annual integrated report from the following sources:

- Financial data is independently audited by KPMG
- External sustainability assurance was obtained from KPMG in 2021 for Scope 1 and 2 emissions information as well as specific safety information
- Specific planet (environment) related processes are subject to review by third parties during the year. Certain local environmental and safety reporting is subject to audit by local regulators
- Reviews of sustainability information have been undertaken by central technical management and internal audit.

Internal audit

The group has an effective, suitably resourced, risk-based internal audit department. The department operates in terms of a specific charter from the Audit and Risk Committee and independently appraises the adequacy and effectiveness of the group's governance, risk management, systems, internal controls and accounting records. Internal audit coordinates combined assurance and reports the findings to local and divisional management, the external auditors, and the Audit and Risk Committee.

The head of internal audit reports to the Audit and Risk Committee, meets with board members, has direct access to executive management and is invited to attend certain management meetings. The role of internal audit at Sappi is set out in the following diagram:



Corporate governance continued

During 2021, apart from the ongoing focus on financial controls, internal audit helped to create and protect value for Sappi and our stakeholders by completing reviews in support of the following strategic objectives:

- **Achieve cost advantages:** procurement audits, advisory services to the global business systems projects (Requisition to Pay, Sales Order to Cash, implementation of Robotics Process Automation)
- **Rationalising declining businesses:** Undertaken project management reviews for business optimisation projects
- **Accelerate growth in high margin products:** Integration and control onboarding reviews of Matane Mill. Assurance reviews of the Saiccor Mill expansion project in SSA and Project Horse for the packaging and speciality papers business in Sappi Europe.

The coverage plan for 2021 was substantially achieved despite the challenges presented by the Covid-19 pandemic and associated travel bans and lockdowns. We refocused our audit plan to address possible Covid-19 impacts: including raw materials supply chain, treasury (eg cash flow and liquidity), credit risks, financial reporting, cyber risk, and business continuity planning.

In 2022 internal audit will support the achievement of Sappi's Thrive25 strategic objectives by completing advisory and assurance projects in the following areas:

Sustain our financial health : sales, procurement, treasury, and working capital processes

Drive operational excellence: sales and operations, maintenance, energy, strategic business and IT projects including digital innovation initiatives

Grow our business: R&D, packaging and speciality papers, capital projects (Saiccor Mill expansion project in SSA and Taurus in Sappi Europe), and new businesses eg biomaterials, integration and control onboarding reviews of the Matane Pulp Mill in Canada

Enhance trust: ethics, governance, sustainability, and cyber security reviews

Internal audit maintains an internal quality assurance programme. In 2020, an external quality assurance review was conducted by the Institute of Internal Auditors (IIA). A Generally Conforms rating was received, which is the highest of the three levels of conformance to the IIA's standards. The 2021 internal quality assurance review highlighted a need for more attention to the documentation of effectiveness testing. This will be addressed in 2022.

Board assessment of the company's risk management, compliance function and effectiveness of internal controls and combined assurance

The board is responsible for the group's systems of internal financial and operational control. As part of an ongoing comprehensive evaluation process, control self-assessments, independent reviews by internal audit, external audit and other assurance providers, were undertaken across the group to test the effectiveness of various elements of the group's financial, disclosure and other internal controls as well as procedures and systems. Identified areas of improvement are being addressed to strengthen the group's controls further. The board has assessed the combined assurance provided in 2021. The results of the reviews did not indicate any material breakdown in the functioning of these controls, procedures and systems during the year. The internal controls in place, including the financial controls and financial control environment, are considered to be effective and provide a sound basis for the preparation of the financial statements, annual integrated report and other reports used internally for management decision making.

Company secretary

The Company Secretary does not fulfil executive management functions outside of the duties of Company Secretary and is not a director. During the year, the board assessed the independence, competence, qualifications and experience of the Company Secretary and has concluded that she is sufficiently independent (ie maintained an arm's length relationship with the executive team, the board and individual directors), qualified, competent and experienced to hold this position. The Company Secretary is responsible for the duties set out in section 88 of the Companies Act 71 of 2008 (as amended) of South Africa. Specific responsibilities include providing guidance to directors on discharging their duties in the best interests of the group, informing directors of new laws affecting the group, as well as arranging for the induction of new directors.

Remuneration Report

"Dear shareholder, I present the committee's report on remuneration for executive directors, executive committee members and non-executive directors. This report details the company's compensation policy and implementation thereof."

Mike Fallon Chairman of the Human Resources and Compensation Committee

The information provided in this report has been approved by the board as per the recommendation by the Human Resources and Compensation Committee.

The report is split into three sections: Section A details previous voting outcomes, focus and compliance statement of the committee, Section B gives an overview of our remuneration policy and Section C addresses the implementation of the remuneration policy in 2021.

Our report and disclosures fully comply with regulatory and statutory provisions relating to remuneration governance in all the countries in which we operate. This report is aligned with the principles and recommended practices of King IV as part of our commitment to good corporate governance.

The previous report was supported at the Sappi Limited's AGM on 3 February 2021, with a vote of 96.6% endorsing the remuneration policy and a vote of 95.7% for the implementation report.

Review of directors' remuneration policy and shareholder consultation

We aim to ensure that our policy will continue to support Sappi's Thrive25 objectives.

The key changes that have been made are:

- Implementation of return on capital employed (ROCE) as a measure in our short-term incentive plan from 2022, replacing working capital
- Implementation of a voluntary minimum shareholding requirement for all prescribed officers to be achieved by December 2025
- Disclosure of the vested PSP award as part of the total remuneration in line with best practice
- ESG (environmental, social and governance) targets are included in the personal objectives of all senior managers

We value the input of our shareholders and will continue to seek their input to ensure good disclosure.

Succession planning

One of the key oversight responsibilities of the committee is to ensure strong succession plans are in place to develop suitable internal candidate succession for all senior management and executive role appointments. This includes oversight of the group's training and development processes. As we announced in October 2020, Berry Wiersum retired as CEO of our European operations and was succeeded by Marco Eikelenboom. The availability of an internal successor for Berry and the smooth transition process bears testimony of our robust succession planning process to manage the retirement risks. Tracy Wessels was appointed as Group Head Sustainability and Investor Relations replacing Graeme Wild who was appointed as VP Sales and Marketing, Sappi Southern Africa.

Introduction of ROCE

Through various forums, stakeholders have raised questions pertaining to Sappi's short-term incentive and suggested that Sappi should consider introducing a return measure in determining performance. We value the input of all stakeholders, and as we drive forward with our Sappi Thrive25

strategic plans, Sappi will be introducing ROCE as a measure for their short-term incentives as from 2022. ROCE will be calculated for the group and all regions will be measured on the group ROCE to support and drive our OneSappi philosophy.

The agreed target will be the budgeted ROCE. We believe that this is a fair measure considering the volatility in the current business environment and the cyclical nature of our business. The targeted ROCE will be appropriately adjusted on an annual basis depending on the returns. We will aim to outperform Sappi's cost of capital over time through the cycles. This measure will replace working capital and amount to 20% of the overall incentive. We will continually review the appropriateness of the 20% weighting and make recommendations accordingly.

This is a significant development in our continuous drive to improve the business and has been fully supported by our top 550 senior managers, who will be subject to the revised basis of measurement from October 2021.

Voluntary minimum shareholding requirement for all prescribed officers

I am also pleased to announce that voluntary minimum shareholding requirements have been introduced for all prescribed officers. As you know, the Group Chief Executive Officer, Steve Binnie previously volunteered to introduce this requirement in 2015. We believe that this broader application will further align senior management and shareholder interest. All prescribed officers in Sappi were engaged and support the implementation of a voluntary minimum shareholding requirement.

Incentive schemes – short- and long-term

Despite the challenging operating environment, both the EBITDA ex SI and the working capital performance target were achieved for the Management Incentive Scheme (MIS). The consolidated EBITDA ex SI of US$532 million was ahead of the target of US$473 million. Our primary objective from a health and safety point of view is to have zero injuries and zero fatalities. Although we did not achieve our lost-time injury frequency rate (LTIFR) of 0.41, the group had no fatalities in 2021. Our final LTIFR for the year was 0.48.

The overall vesting on the Issue 43 performance share was 12.5%.

Details of these are covered further in Section C of the report.

Executive objectives

For 2022, the focus of the Sappi leadership team will be to:

- Drive the safety-first programme
- Improve Sappi's sustainability footprint
- Continue leading the Sappi values (integrity, speed, courage and smart decision-making)
- Continue with the embedment of Sappi Thrive25 strategy
- Grow the packaging and specialities business with optimal volumes
- Manage the graphics business capacity
- Drive operational excellence across all plants
- Develop plans to manage the current global logistic challenges
- Reduce debt levels towards the 2x EBITDA ex SI target
- Complete the commissioning of the Saiccor expansion project to ensure the increased dissolving pulp volumes
- Talent management and succession – managing key retirements over the next 12 months and near-term succession

Conclusion

Our remuneration policy is benchmarked continuously against the relevant industry peers to ensure competitive reward and that it motivates our senior team to achieve the group's objectives and deliver sustainable returns and value creation for our shareholders. The committee believes that the remuneration of executives during 2021 reflects our challenges and successes to date in the delivery of our strategy. We have improved disclosures on our policy and the implementation report. We have listened to you, our shareholders, and the developments in the short-term bonus criteria and the voluntary minimum shareholding requirement reflects this feedback. Thank you for your support and advice that you have given for our 2021 remuneration report.

Mike Fallon
Chairman of the Human Resources and Compensation Committee

Remuneration Report continued

Section A: Voting, focus and compliance statement

Statement of voting at Annual General Meeting

The AGM of Sappi Limited was held on 3 February 2021 and the requisite resolutions endorsing the remuneration policy and the implementation report were passed as follows:

Ordinary resolution number 7: Non-binding endorsement of remuneration policy

For	Against	Shares voted	Abstain
484,202,272	17,189,481	501,391,753	1,066,632
96.57%	3.43%	100%	

Ordinary resolution number 8: Non-binding endorsement of implementation report

For	Against	Shares voted	Abstain
479,881,839	21,507,527	501,389,366	1,069,019
95.71%	4.29%	100%	

At the February 2020 AGM, the results for the requisite ordinary resolutions endorsing the remuneration policy and the implementation report were 80.22% and 83.11%, respectively.

Human Resources and Compensation Committee

The purpose of the committee is to oversee remuneration matters for all controlled subsidiaries of Sappi Limited. Its key objectives are to:

- Make recommendations on remuneration policies and practices, including Sappi's employee share schemes
- Ensure effective executive succession planning
- Review compliance with all statutory and best practice requirements on labour and industrial relations management

The committee consisted of four independent non-executive directors:

- Mr MA Fallon – Chairman
- Mr BR Beamish
- Mr NP Mageza
- Mr RJ Renders

The Chairman of the company, Sir Nigel Rudd, attends committee meetings ex-officio while the Group CEO, Mr SR Binnie together with Group Head Human Resources, Mr Fergus Marupen attend meetings by invitation.

Mrs A Mahendranath, Company Secretary, attends the meeting as secretary to the committee.

The Human Resources and Compensation Committee met four times during the year and held one telephone conference.

Attendance at meetings by individual members is detailed on page 139.

None of the committee members has any significant personal financial interest, or conflict of interest, or any form of cross directorship, or day-to-day involvement in the running of the business.

Executive directors and managers are not present during committee discussions relating to their own compensation.

The Human Resources and Compensation Committee ensures that the policy governing compensation practices and structures within the group support the group's strategy and performance goals. The policy also enables the attraction, retention and motivation of executives and all employees.

The key activities of the committee during 2021 are summarised as follows:

Recommended and approved

- Implementation of ROCE as a measure in the short-term incentive from 2022, replacing working capital
- Implementation of a voluntary minimum shareholding requirement for all prescribed officers effective May 2021
- The allocation of 2021 performance share awards to executive directors and all other eligible participants
- Salary increases and bonus payments for executive directors and other key senior managers for 2021
- Fee levels for non-executive directors of the Sappi Limited Board for consideration and recommendation to shareholders for approval
- The allocation model and the comparator peer group for the 2021 PSP
- The 2022 MIS rules
- Retention bonuses for key staff on Sappi strategic projects

Reviewed

- The 2020 Remuneration Report, including the content of the company compensation policy and practices, which was put to shareholders for a non-binding vote at the AGM in February 2021
- Development of the 2021 Remuneration Report for shareholder approval in February 2022
- The succession, retirement and development plans for key management positions
- The group's industrial relations policy and implementation
- The group's training and development policy and implementation
- Update on the HR2025 plan
- The Investor feedback on the 2020 Remuneration Report
- 2020 committee evaluation
- Sappi's Covid-19 response and the impact on employees

Independent advice

Management engaged the services from the following organisations to assist in compensation work during the course of the year:

- Mercer Kepler, United Kingdom
- Korn Ferry, South Africa
- KPMG Inc, South Africa
- Bowmans, South Africa
- PricewaterhouseCoopers Tax Services, South Africa

Compliance statement

The Human Resources and Compensation Committee is committed to maintaining high standards of corporate governance and supports and applies the principles of good governance advocated by King IV. Our remuneration approach and disclosures fully comply with regulatory and statutory provisions relating to reward governance in all the countries in which we operate. The committee ensures compliance with legal and regulatory requirements as they pertain to compensation.

The Human Resources and Compensation Committee is of the view that the objectives stated in the remuneration policy have been achieved for the period under review. The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference and with the status of remuneration and incentives in the group.

Areas of focus for 2022

Key activities for the committee in 2022 will be, *inter alia*, the approval of the remuneration and bonuses for executive directors and senior management.

In addition to the annual work plan as approved by the committee, the chairman of the committee and senior executives from Sappi will, if required, also be visiting key shareholders to discuss issues of mutual concern.

Section B: Overview of the remuneration policy

Compensation strategy and policy

Our compensation packages:

- Are designed to attract, retain and motivate executives and all employees to deliver on performance goals and strategy
- Are simple, transparent and aligned with the interests of shareholders
- Reflect the views of our investors, shareholder bodies and stakeholders
- Are structured in a way that substantial rewards are only paid for exceptional performance and that poor performance does not earn an incentive award
- Encourage behaviour consistent with the group's risk and reward philosophy
- Have an appropriate and balanced reward mix for executive directors and other executive managers based on base pay, benefits and short and long-term incentives within the context of the industry sector
- Are applied consistently across the group to promote alignment and fairness
- Through the Deferred Shares Bonus Plan, provide for a voluntary deferral of 40% of the Group CEO's annual bonus, and 30% of the executive managers' annual bonuses (to purchase Sappi shares), to ensure a long-term focus on the company's performance by the individual concerned and establish a personal stake in the company
- Are designed to pay at the market median for all components of pay, except for short-term incentives, which are targeted at the 75th percentile
- To support our Thrive25 ambitions

Summary of reward components of executive directors and other members of the group executive committee

The compensation of executive directors and other executive committee members comprises fixed and variable components.

	Purpose	Structure	Opportunity
	Fixed		
Component – Base salary	• To reflect market value of the role, individuals' skills, contribution, experience and performance • To attract and retain key talent	• Paid monthly in cash • Reviewed annually with any increases to be effective from 01 January each year • Base salary reviews take into account prevailing market practices, economic conditions and the levels of base salary increase mandates provided to the general employee population	• Increases are applied in line with outcomes of performance discussions with the individuals concerned and market conditions
Component – Benefits	• To provide protection and market competitive benefits to aid recruitment and retention	• Private medical insurance • Income in the event of death or disability These are: • Appropriate in terms of level of seniority; • Market related • Death benefit is a multiple of base salary, and • Non-pensionable	• None
Component – Pension	• To provide market related benefits • Facilitate the accumulation of savings for post-retirement years	• Comprises defined benefit and defined contribution plans • A large number of defined benefit plans are closed to new hires • Employees in legacy-defined benefit plans continue to accrue benefits in such plans for both past and future service • Retirement plans differ by region	• Executive members of defined contribution plans receive a company contribution of up to 18.47% of salary

	Purpose	Structure	Opportunity
	Variable		
Component – Annual cash incentive	• Focus participants on targets relevant to the group's strategic goals • Drive performance • Motivate executives to achieve specific and stretching short-term goals • Reward individuals for their personal contribution and performance • Deferred share proportion of the annual bonus aligns interests with shareholders	• All measures and objectives are reviewed and set at the beginning of the financial year • Payments are reviewed and approved at year end by the committee based on performance against the targets • Threshold is required to be met for any bonus payment to occur • Target level of bonuses varies from 65% to 85% of base salary • Weightings for 2021 were: EBITDA ex SI – 50%; Working Capital – 20% and safety – 10%; Individual – 20% • If the agreed target for EBITDA ex SI is achieved, a bonus award percentage of 100% will be paid for that component. A bonus award percentage of up to 150% can be earned if 110% or more of the agreed target is achieved • If the agreed target % for working capital is achieved, a bonus award percentage of 100% will be paid for that component. A bonus Award percentage of up to 150% can be earned if 90% or less than the target is achieved. If the working capital target is exceeded by more than 10% then no bonus award will be paid for working capital • Bonuses are paid in cash. The Group CEO and executive committee members have volunteered to purchase shares with 40% and 30% of their after-tax cash bonus, respectively. The right to sell the shares is deferred for up to three years, subject to individual members not being terminated for cause • Non pensionable • Malus and clawback may be applied in the following circumstances: (i) Financial results of the group or a company/ business unit in the Sappi group have been materially misstated (ii) A participant has ceased to be a director or employee by reason of gross misconduct and has resulted in significant losses to the business (iii) There has been material breach of Code of Ethics/Law (iv) There has been an erroneous assessment of the extent to which any performance conditions has been satisfied resulting in a higher vesting outcome	• The maximum bonus for executive directors is 115% of base salary • Regional CEOs can earn a maximum bonus of 95% of base salary • Executive committee members and other senior managers may earn a maximum bonus of up to 88% of base salary • A cash award is made

Section B: Overview of the remuneration policy

Compensation strategy and policy continued

	Purpose	Structure	Opportunity
	Variable		
Component – Long-term share incentive plans	• Align the interests of the executive members with those of the shareholder • Reward the execution of the strategy and long-term outperformance of our competitors • Encourage long-term commitment to the company • Is a wealth creation mechanism for executive members if the company outperforms the peer group	• Conditional grants awarded annually to executive directors, executive committee members and other key senior managers of the company • Straight-line vesting after four years • Performance is measured relative to a peer group of 16 other industry-related companies • The number of conditional shares allocated varies between the CEO and each of the executive committee members. Measures for 2021 awards were relative total shareholder return (TSR) – 50% and relative cash flow return on net assets (CFRONA) – 50% • Malus and clawback may be applied in the following circumstances: (i) Financial results of the group or a company/business unit in the Sappi group have been materially misstated (ii) A participant has ceased to be a director or employee by reason of gross misconduct and has resulted in significant losses to the business (iii) There has been material breach of Code of Ethics/Law (iv) There has been an erroneous assessment of the extent to which any performance conditions have been satisfied resulting in a higher vesting outcome	• A higher share price will benefit the participants
	Voluntary minimum shareholding requirement for prescribed officers	• The target holding as a multiple of annual base salary needs to be achieved by December 2025. The requirement is that the CEO should hold 3 times annual base salary, up from his previous 2 times. The CFO 2 times and all other prescribed officers at 1 times annual base salary • The acquisition of shares will primarily be achieved by vesting performance shares and through the acquisition of shares under the executive management share purchase scheme (whereby an individual is required to purchase shares from a designated portion of their after tax MIS bonus). However, individuals can also purchase shares during the normal open period with the appropriate approvals	
Component – Service contracts	• Provide an appropriate level of protection to both the executive and to Sappi	• Executive committee members have notice periods by the company of 12 months or less • Separation agreements, when appropriate, are negotiated with the individual concerned with prior approval being obtained in terms of our governance structures	• In circumstances where there is a significant likelihood of a transaction involving the Sappi group or a business unit, limited change in control protections may be agreed and implemented if deemed necessary for retention purposes

Service contracts

Mr Binnie and Mr Pearce have an ongoing employment contract which requires six months' notice of termination by the employee and 12 months' notice of termination by the company.

Depending on their location, executive committee members have ongoing employment contracts which require between three to six months' notice of termination by the employee and six to 12 months' notice of termination by the company.

Other than in the case of termination for cause, the company may terminate the executive directors' service contracts by making payment in lieu of notice equal to the value of the base salary plus benefits which they would have received during the notice period.

Executive directors are required to retire from the company at the age of 63 years. The retirement age of executive committee members is generally between the ages of 63 years and 65 years and differs by region.

Choice of performance measures and approach to target setting

Short-term incentive: MIS

The table below shows the metrics and why they were chosen and how targets are set.

Metric	Percentage (%)	Relevance	How do we set the targets?
EBITDA ex SI	50	A key indicator of the underlying profit performance of the group, reflecting both revenues and costs. Aligns closely with our strategic goals of achieving cost advantages and growth. More efficient water, energy and raw material usage is also encouraged.	Targets and ranges are set each year by the board taking account of required progress towards strategic goals, and the prevailing market conditions.
Working capital	20	A key indicator of accounts payable, accounts receivable, cash management and stock levels. Achieving optimum working capital levels in the business requires efficient use of resources throughout the supply chain and influences cash management, a key pillar of our strategy.	Targets and ranges are set each year by the board taking account of the required progress towards strategic goals, and the prevailing market conditions.
Safety	10	A core value of the company and one of the key indicators of whether the business is meeting its sustainability goal of zero harm.	The committee considers input from the SETS Committee and sets appropriate standards and goals. The measurement will be the LTIFR. If there is a fatality in a specific region, the group executive committee, the regional executive committee and the affected operations, will score zero.
Individual performance	20	An indicator of the contribution of each executive director, individual performance for relevant managers. Includes several key non-financial targets in relation to numerous ESG, living the Sappi Values, major capital projects and BBBEE in the case of South Africa.	Priorities are set for the CEO by the Chairman of the board in line with the business plan for the applicable year. Targets and ranges are then cascaded to the rest of the business teams. These are reviewed as part of an annual review with the Chairman.
ROCE (To be implemented in 2022 replacing working capital)	20	A key indicator of the underlying returns that the group achieves on its capital employed. Achieving a ROCE over time that outperforms the group's weighted cost of capital will ensure alignment of the group's returns targets with those expected by the group's shareholders.	Targets and ranges are set each year by the board taking account of the required progress towards strategic goals, and the prevailing market conditions.

Section B: Overview of the remuneration policy

Compensation strategy and policy continued

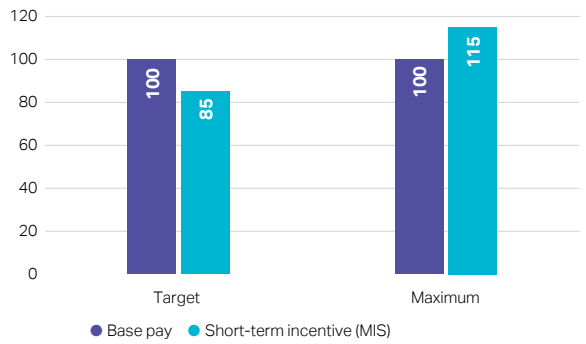
The bonus payment opportunity available to executive directors and executive committee members is as follows:

	On-target bonus	Stretch target
Executive director	85% of base salary	115% of base salary
Regional CEO	70% of base salary	95% of base salary
Other prescribed officers (ie executive committee members)	65% of base salary	88% of base salary

Remuneration at different performance levels

The chart below illustrate the total potential remuneration (base pay and short-term incentives) for executive director at different performance levels.

Remuneration levels CEO and CFO (% of base pay)



Long-term incentives are excluded from these scenarios as their vesting depends on performance conditions being met.

Performance Share Plan

The Sappi PSP provides for annual awards of conditional performance shares which are subject to meeting performance targets measured over a four-year period. These awards will only vest if Sappi's performance, relative to a peer group of 16 other industry-related companies is ranked at median or above the median.

The performance criteria are relative TSR and relative CFRONA.

The table below shows the metrics and why they were chosen and how targets are set.

Metric	Relevance	How do we set the targets?
TSR	TSR measures the total returns to Sappi's shareholders, providing close alignment with shareholder interests.	The committee sets the performance requirements for each grant. A peer group of packaging and paper sector companies is used. Nothing vests in positions 10 – 17 of the peer group. Vesting increases from 25% at position 9 to 100% for positions 1 – 5.
CFRONA	A key indicator of the effective use of capital. CFRONA is calculated as cash generated by operations after working capital movements (before interest, tax and dividends) divided by average total assets (excluding cash) less interest-free liabilities. This measure is calculated using a simple annual average over the previous four-year period.	The committee sets the performance requirements for each grant. A peer group of packaging and paper sector companies is used. No vesting occurs in positions 10 – 17 of the peer group. Vesting increases from 25% at position 9 to 100% for positions 1 – 5.

The peer group for the PSP award consisted of the following 16 industry-related companies:

Stora Enso	**Lenzing**	**Graphic Packaging International**	**UPM-Kymmene**
Rayonier Advance Materials	**Borregaard**	**Sun Paper**	**Metsá Board**
BillerudKorsnäs	**Holmen**	**Mondi PLC**	**International Paper**
West Rock	**Verso**	**Suzano**	**Resolute Forest Products**

Vesting schedule

The vesting schedule for 2017 allocation for both TSR and CFRONA is as follows:

Position	Vesting
1 – 5	100%
6	80%
7	65%
8	45%
9	25%
10 – 17	0%

Disclosure

In this report, Sappi discloses vested as well as grant performance share values. In the 2020 report only the grant benefits were disclosed.

Malus and clawback

Awards made to the CEO, Chief Financial Officer and prescribed officers under Sappi's MIS and PSP are subject to both malus and clawback provisions which may be applied during the period of two years after the date of vesting or granting. Clawback refers to the recovery of paid or vested amounts and malus refers to the reduction, including to nil, of unvested or unpaid amounts. Malus and clawback may be applied in the following circumstances:

- Financial results of the group or a company/business unit in the Sappi group have been materially misstated
- A participant has ceased to be a director or employee by reason of gross misconduct and has resulted in significant losses to the business
- There has been material breach of Code of Ethics/Law
- There has been an erroneous assessment of the extent to which any performance conditions have been satisfied resulting in a higher vesting outcome.

Statement of fair and responsible remuneration

The group's compensation policy for the remuneration of executive directors and other senior executives is set taking appropriate account of remuneration and employment conditions of other employees in the group.

The committee annually receives a report from management on pay practices across the group, including salary levels and trends, collective bargaining outcomes and bonus participation. At the time that salary increases are considered the committee additionally receives a report on the approach management proposes to adopt for general staff increases. Both these reports are taken into account in the committee's decisions regarding the remuneration of executive directors and other senior executives.

In some countries where the group operates, more formal consultation arrangements with employee representatives are in place relating to employment terms and conditions, in accordance with local legislation and practice. The group also conducts employee engagement surveys every two years which gauge employees' satisfaction with their working conditions. The Sappi board is given feedback on these survey results.

Approach to remuneration benchmarks

Executive compensation is benchmarked on data provided in national executive compensation surveys, for countries in which executives are domiciled, as well as information disclosed in the annual reports of listed companies of the Johannesburg Stock Exchange. Sappi participates in global remuneration surveys and uses data from global remuneration survey, ie PwC, Mercer, *et al* to determine appropriate remuneration levels.

Ensuring an appropriate peer group in order to retain the integrity and appropriateness of the benchmark data is a key task of the Human Resources and Compensation Committee. Executive pay is benchmarked every alternate year.

The remuneration package for a newly appointed executive director is set in accordance with the terms of the group's approved remuneration policy in force at the time of appointment. The variable remuneration for a new executive director is determined in the same way as for existing executive directors. For internal and external appointments, the group may meet certain relocation expenses, as appropriate.

Remuneration Report continued

Remuneration policy for non-executive directors (fees)

Element	Purpose	How it works?	Fees
	Fixed		
Non-executive Chairman (fees)	• To attract and retain a high-calibre chairman, with the necessary experience and skills • To provide fees which take account of the time commitment and responsibilities of the role	• The Chairman receives an all-inclusive fee	• The Chairman's fees are reviewed periodically by the committee • Fees are set by reference to market median data for companies of similar size and complexity to Sappi
Other non-executive directors (fees)	• To attract and retain high-calibre non-executives, with the necessary experience and skills • To provide fees which take account of the time commitment and responsibilities of the role	• The non-executives are paid a basic fee • Attendance fees are also paid to reflect the requirement for non-executive directors to attend meetings in various international locations • The chairmen of the main board committees and the lead independent director are paid additional fees to reflect their extra responsibilities	• Non-executive directors' fees are reviewed periodically by the Chairman and Human Resources and Compensation Committee • Fees are set by reference to market median data for companies of similar size and complexity to Sappi

Sappi may reimburse the reasonable expenses of board directors that relate to their duties on behalf of Sappi. Sappi may also provide advice and assistance with board directors' tax returns where these are impacted by the duties they undertake on behalf of Sappi.

All non-executive directors have letters of appointment with Sappi Limited for an initial period of three years. In accordance with best practice, non-executive directors are subject to re-election at the AGM after the three-year period. Appointments may be terminated by Sappi with six months' notice. No compensation is payable on termination, other than accrued fees and expenses.

Voting on remuneration

As required by King IV, Sappi's remuneration policy and implementation report as detailed in this Remuneration Report, need to be tabled for separate non-binding advisory votes by shareholders at the upcoming AGM. In the event that either the remuneration policy or the implementation report, or both, are voted against by 25% or more of the voting rights entitled to be exercised by shareholders at such AGM, then the committee will ensure that the following measures are taken in good faith and with best reasonable efforts:

- An engagement process to ascertain the reasons for the dissenting votes, and
- Appropriately addressing legitimate and reasonable objections and concerns raised which may include amending the remuneration policy or clarifying or adjusting remuneration governance and/or processes.

You can also view the full **Remuneration policy** on www.sappi.com

Section C: Remuneration implementation report

Compensation structure

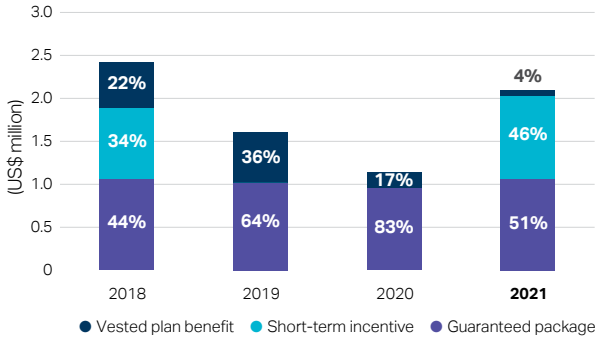
Total compensation comprises fixed pay (ie base salary and benefits) and variable performance-related pay, which is divided further into short-term incentives with a one-year performance period and long-term incentives which have a four-year performance period.

Compensation mix

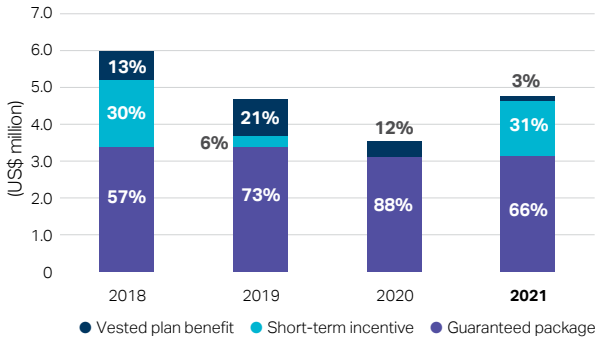
The compensation mix for executive directors and executive committee members is shown in the schematics below.

The long-term incentive awards are based on the vested value of the performance plan shares issued on 04 December 2017 (share price at date of allocation: ZAR95,64). Details of the executive directors' remuneration can be found on page 169.

Executive directors



Prescribed officers compensation mix



Our compensation policy aims to have a balance between guaranteed, short- and long-term incentives.

Base salary

The Human Resources and Compensation Committee approved the level of base salary for each executive director, executive committee member and other key senior managers.

The salary increases were based on individuals' performances and contributions, internal relativities, inflation rates in the countries of operation, general market salary movement and overall affordability.

In January 2021, Mr Binnie and Mr Pearce received zero salary increases on both their South African and offshore portion.

The same salary increase percentages were applied in determining the salary increases for executive committee members' and general staff, dependent on location.

Retirement benefits

Retirement benefits are largely in the form of defined contribution schemes. In some instances, legacy defined benefit schemes exist. Almost all the defined benefit schemes are closed to new hires.

Mr Binnie and Mr Pearce are both members of defined contribution funds and the total employee and company contribution is ZAR350,000 each.

No additional payments were made to any retirement fund on behalf of the executive directors.

Short-term incentive

A performance threshold of 85% of budgeted EBITDA ex SI for the group is required before any bonus can be paid to participants in the group scheme.

Section C : Remuneration implementation report continued

Short-term incentive continued

2021 MIS outcomes for executive directors

MIS EBITDA	Threshold	Target	Maximum	Actual
US Dollar (million)	402	473	520	578
Points		50	75	75

Working capital	Threshold	Target	Maximum	Actual
Percentage	13.6%	12.4%	11.2%	10.6%
Points		20	30	30

Safety	Target	Actual
LTIFR	0.42	0.48
Points		–

Personal objectives of executives for 2021 MIS

Performance objectives	Link to strategic fundamental	Description	Tasks and targets
Drive the safety-first programme		Drive safety-first across Sappi with continuous improvement on overall severity rates measured by the Injury Index II of Own and Contractors.	• Zero fatalities • Group own employee LTIFR <0.42
Drive to ensure that Sappi has sufficient liquidity and capital resources to sustain the business		Ensure that Sappi will have sufficient liquidity and capital resources to sustain the business.	• Targets as per financial disclosures: – Liquidity – Debt to EBITDA ex SI – Return on capital employed
Continue leading the Sappi values		Ensure continued communication and training around values. Drive visible felt leadership through more direct engagement with shop floor by all lead team members.	• All employees to complete the three-yearly cycle of Code of Ethics compliance training • 100% sign-off on Policy Passport • Zero tolerance for discipline failures around ethics • Each group lead team member to visit their allocated sites at least once every two years • Improvement in senior management relationships score in the engagement survey
Drive Sappi's sustainability footprint		Meet Sappi's annual sustainability targets.	• All BP21 sustainability targets met
Drive operational excellence across all plants		Govern implementation of operational excellence programmes to drive an excellence culture.	• OME group average target at group level within 1% of budget of 80.5% • OME average better than the previous year achievement of 79% • Project Ranulph cost savings of US$68.8 million

Performance objectives	Link to strategic fundamental	Description	Tasks and targets
Execute Saiccor Mill expansion project as planned		Governance oversight of Saiccor Mill expansion project.	• Project back on stream post Covid-19 delays • Saiccor Mill expansion project success rating using the post-project evaluation
Grow packaging and speciality paper business with optimal volumes		Grow volumes in SSA and SNA in line with increase in demand.	• Packaging 1.444k tons • Packaging EBITDA margin 12.5%
Manage graphic paper business capacity		Manage graphics capacity in line with market demands.	• Manage volumes in line with adjusted Covid-19 recovery plan to approximately 3,500k tons • EBITDA margin for graphics 5.4%
Manage key retirements and near-term succession		Successors identified for all key retirees for the next 12 months.	• 90% ready now successors for all key retirements
Sappi Thrive25 strategy		Lead the roll-out of the Thrive25 strategy across all regions.	• Regional strategies in place supporting Thrive25 • Significant progress on all four fundamentals (Grow our business, Sustain our financial health, Drive operational excellence and Enhance trust)

The Chairman conducted a formal review with the CEO and scored him out of 20 points on the achievement of the stated objectives, namely objective achieved 2 points, partially achieved 1 point and non-achievement 0 points.

2021 MIS outcomes for executive directors

	EBITDA ex SI	Working capital	Safety	Personal	Total
Points	50	20	10	20	100
Steve Binnie	75	30	–	18	123
Glen Pearce	75	30	–	18	123

For 2021, Mr Binnie and Mr Pearce achieved a bonus outcome of 105% of base salary before currency translations.

For ease of reference, the bonus calculation is based on the executive director bonus target of 85% (annual salary) multiplied by 123% bonus outcome (reflected above), is equal to 105% of annual salary, as detailed in the remuneration tables.

Performance Share Plan outcomes for 2021

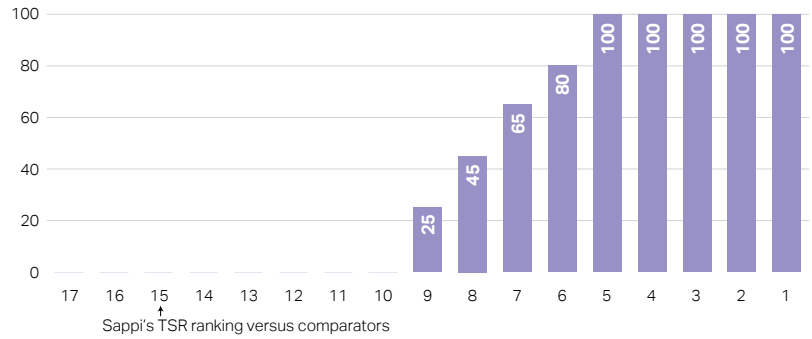
For the four-year period ending September 2021, Sappi's performance relative to the peer group measured on TSR was ranked 15th, resulted in a 0% vesting on the TSR component. The determination of the vesting of the shares was provided by Mercer Kepler, an independent third party.

For the four-year period ending September 2021, Sappi's performance relative to the peer group measured on CFRONA was ranked 9th, resulted in 25% vesting on the CFRONA component. This result was verified by KPMG, our external auditors.

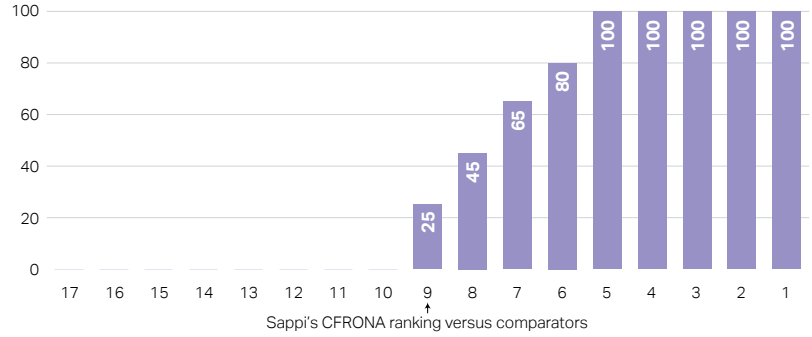
Remuneration Report continued

In aggregate, therefore 12.5% of the total 2017 awards vested.

2017 TSR vesting schedule (% of awards vesting)



2017 CFRONA vesting schedule (% of awards vesting)



In December 2017, Mr Binnie was granted 137,000 conditional performance plan shares, of which 12.5% of the allocation will vest in December 2021.

In December 2017, Mr Pearce was granted 63,000 conditional performance plan shares, of which 12.5% of the allocation will vest in December 2021.

The historical vesting of PSP awards:

Share awards	2018	2019	2020	2021
TSR	100%	80%	0%	0%
CFRONA	100%	100%	100%	25%
Aggregate	100%	90%	50%	12.5%

Performance Share Plan allocations for 2021

Each year, Mercer Kepler provides management with a recommendation for an appropriate pool size. For the 2021 allocation, it was approved to grant the number of shares implied by the same ZAR value of the previous year PSP awards, where value is based on trailing long-run average share price at grant (eg 12 months). This approach has been applied for the last four years and is consistent with recommendations by our shareholders, to disclose the allocation method.

Mr Binnie was awarded 180,000 conditional performance plan shares in November 2021 that will vest in November 2025.

Mr Pearce was awarded 85,000 conditional performance plan shares in November 2021 that will vest in November 2025.

Dilution

If all outstanding plan shares were to vest as at September 2021, the resulting dilution effect would be 2.53% (2020: 2.12%, 2019: 2.3%) of issued ordinary share capital excluding treasury shares.

Voluntary minimum share holding

This voluntary requirement has been introduced for all prescribed officers. The target holding as a multiple of annual base salary needs to be achieved by December 2025. The requirement is that the CEO should hold 3 times annual base salary, up from his previous 2 times. The CFO 2 times and all other prescribed officers at 1 times annual base salary.

The acquisition of shares will primarily be achieved by vesting PSPs and through the acquisition of shares under the executive management share purchase scheme (whereby an individual is required to purchase shares from a designated portion of their after-tax MIS bonus). However, individuals can also purchase shares during the normal open period with the appropriate approvals. SENS announcements will be applicable.

Prescribed officer	Shareholding			
	Target minimum	Number of shares (Sept 2021)	Value of shares	Actual multiple
SR Binnie	3x	400,000	US$1,136,000	2.0
GT Pearce	2x	185,877	US$527,891	1.6
M Eikelenboom	1x	20,318	US$57,703	0.1
M Haws	1x	40,000	US$113,600	0.3
A Thiel	1x	561,902	US$1,595,802	4.7
M van Hoven	1x	203,403	US$577,665	3.2
G Bowles	1x	109,438	US$310,804	1.2
F Marupen	1x	73,261	US$208,061	1.1
M Mansoor	1x	57,050	US$162,022	0.5

* *Average share price of US$2.84 (R40.95) for September 2021.*
** *Based on the base salary as at 1 January 2021.*
*** *Based on base salary as at 1 April 2021 for M Eikelenboom.*

Remuneration disclosure of executive directors and prescribed officers

Executive directors' emoluments for 2021 (US Dollar)

Executive director	Short-term compensation (STC)				Subtotal STC	LTSIP (Value of shares vested this year)*	Total
	Base salary	Annual cash award	Other allowances	Benefits & pension	A	B	A + B
S Binnie	564,742	607,749	16,440	84,179	1,273,110	50,924	1,324,034
G Pearce	326,357	351,098	9,344	61,581	748,380	23,417	771,797
Total	891,099	958,847	25,784	145,760	2,021,490	74,341	2,095,831

* *Long-term Share Incentive Plan (PSP) (LTSIP).*

- Local earnings are translated into the reporting currency (US Dollar) using the average exchange rate over the financial year The average rate for SA Rand and Swiss Franc appreciated by 8% and 6%, respectively against the US Dollar
- Due to the earnings currencies (ZAR) appreciating against the reporting currency (US$) over the year, this had the effect of showing earnings in US Dollar terms to be higher
- Base salary – the actual salary earned during 2021
- Performance related remuneration – the actual value earned in 2021 based on the rules of the MIS
- Sums paid by way of expense allowance – expenses allowed
- Contributions paid under pension and medical aid schemes – the annual contribution paid by the company into a defined benefit fund on behalf of the members determined as a percentage of their base salary
- Long-term shares vested in December 2021

LTSIP benefit: 2021 allocation (will vest in 2025)

Executive director	Number of shares	Share price at allocation* R	Total awarded benefit ** US$
S Binnie	180,000	42	504,000
G Pearce	85,000	42	238,000

* *Estimated share price.*
** *Assuming 100% vesting on both performance conditions.*

Remuneration Report continued

Executive directors' emoluments for 2020 (US Dollar)

	Short-term compensation (STC)				Subtotal STC	LTSIP (Value of shares vested this year)	Total
Executive director	**Base salary**	**Annual cash award**	**Other allowances**	**Benefits & pension**	**A**	**B**	**A + B**
S Binnie[1]	504,410	–	15,531	74,296	594,237	132,823	727,060
G Pearce[2]	291,478	–	8,827	56,126	356,431	61,492	417,923
Total	795,888	–	24,358	130,422	950,668	194,315	1,144,983

[1] *SR Binnie received a 4.6% increase on the South African portion (70% of total salary), and a 1.0% increase on the off-shore portion of his salary (30% of total salary). Overall salary expressed in reporting currency was 6.5% lower than in 2019.*

[2] *GT Pearce received a 4.6% increase on the South African portion (70% of total salary), and a 1.0% increase on the off-shore portion of his salary (30% of total salary). Overall salary expressed in reporting currency was 6.6% lower than in 2019.*

- Local earnings are translated into the reporting currency (US Dollar) using the average exchange rate over the financial year The average rate for SA Rand depreciated by 13% and appreciated for the Swiss Franc by 4%
- Due to the earnings currencies (ZAR) depreciating against the reporting currency (US Dollar) over the year, this had the effect of showing earnings in US Dollar terms to be lower than last year
- Base salary – the actual salary earned during 2020, including the three-month 10% salary reduction
- Performance related remuneration – the actual volume earned in 2020 based on the rules of the MIS.
- Sums paid by way of expense allowance – expenses allowed
- Contributions paid under pension and medical aid schemes – the annual contribution paid by the company into a defined benefit fund on behalf of the members determined as a percentage of their base salary
- Long-term shares vested in December 2020

Prescribed officers/executive committee members (US Dollar)

Prescribed officers are members of the group executive committee.

The table below sets out the remuneration for prescribed officers for 2021:

	Short-term compensation (STC)				Subtotal STC	LTSIP (Value of shares vested this year)	Total
Prescribed officer	**Base salary**	**Annual cash award**	**Other allowances**	**Benefits & pension**	**A**	**B**	**A + B**
B Wiersum[1]	414,011	–	1,494	147,274	562,779	24,718	587,497
M Eikelenboom	274,953	–	1,494	62,905	412,039	7,806	419,845
M Haws	437,552	391,597	–	49,375	878,524	8,178	886,702
A Thiel	339,777	307,032	11,561	59,071	717,441	28,250	745,691
M van Hoven	179,317	148,830	5,537	48,522	382,206	21,931	404,137
G Bowles	265,605	234,379	8,726	54,275	562,985	23,417	586,402
F Marupen	190,682	157,173	5,790	47,591	401,236	18,957	420,193
M Mansoor	321,900	259,661	137,000	64,205	782,766	14,125	796,891
Total	2,423,797	1,498,672	171,602	533,218	4,627,289	147,382	4,774,671

[1] *Retired March 2021.*

LTSIP benefit: 2021 Allocation (will vest in 2025)

Prescribed officer	Number of shares	Share price at allocation* R	Total awarded benefit** US$
G Bowles	80,000	42	224,000
M van Hoven	80,000	42	224,000
F Marupen	68,000	42	190,400
A Thiel	100,000	42	280,000
M Eikelenboom	100,000	42	280,000
M Haws	100,000	42	280,000
M Mansoor	60,000	42	168,000

** Estimated share price.*
*** Assuming 100% vesting on both performance conditions.*

The table below sets out the remuneration for prescribed officers for 2020:

	Short-term compensation (STC)				Subtotal STC	LTSIP (Value of shares vested this year)[3]	Total
Prescribed officer	Base salary US$	Annual cash award US$	Other allowances** US$	Benefits & pension US$	A US$	B US$	A + B US$
B Wiersum	750,723	–	2,799	268,369	1,021,891	92,238	1,114,129
M Haws	401,458	–	–	43,891	445,349	26,647	471,996
A Thiel	304,729	–	9,830	54,040	368,599	92,238	460,837
M van Hoven	157,111	–	5,203	42,245	204,559	71,741	276,300
G Bowles	237,651	–	8,243	65,910	311,804	76,865	388,669
F Marupen	173,079	–	5,469	43,656	222,204	61,492	283,696
M Mansoor	294,155	–	142,860	86,582	523,597	15,475	539,072
Total	2,318,906	–	174,404	604,693	3,098,003	436,696	3,534,699

[3] Vesting of issue 42 on 09 December 2020: Vesting share price R33.26.
*** Other allowances include a significant salary sacrifice.*

Non-executive directors' fees

Directors are normally remunerated in the currency of the country in which they live or work from. Their remuneration is translated into US Dollar, the group's reporting currency, at the average exchange rate prevailing during the financial year. Directors' fees are established in local currencies to reflect market conditions in those countries.

Non-executive directors' fees reflect their services as directors and services on various sub-committees on which they serve. The quantum of committee fees depends on whether the director is an ordinary member or a chairman of the committee. Non-executive directors do not earn attendance fees, however, additional fees are paid for attendance at board meetings more than the five scheduled meetings per annum.

The Chairman of the Sappi Limited board receives a flat directors' fee and does not earn committee fees. Non-executive directors do not participate in any incentive schemes or plans of any kind.

In determining the fees for non-executive directors, due consideration is given to the fee practice of companies of similar size and complexity in the countries in which the directors are based. The extreme volatility of currencies, in particular the ZAR/US Dollar exchange rate in the past few years, caused distortions of the relative fees in US Dollar paid to individual directors.

Remuneration Report continued

This year Korn Ferry conducted a bespoke benchmarking exercise in relation to the non-executive directors' fees. Their conclusion was that the fees are at the appropriate levels when compared to the market. They have recommended Sappi adjust all non-executive directors' fees by the relevant Consumer Price Index in the respective directors' country of domicile for 2022. As for the Chairman's fee, no increase was recommended.

We will continue to review our non-executive directors' fees against the market and our comparator group to ensure that our fees are at the appropriate levels, taking into account the size and complexity of Sappi.

Non-executive directors' fees are proposed by the executive committee, agreed by the Human Resources and Compensation Committee, recommended by the board and approved at the AGM by the shareholders.

The non-executive directors' fees for 2021 financial year were approved by shareholders. The table below sets out the remuneration for non-executive directors for 2021:

Name	Board fees	Committee fees	Travel allowance	Total
ANR Rudd	GBP319,940	GBP0	GBP0	GBP319,940
MA Fallon	GBP46,670	GBP47,890	GBP0	GBP94,560
BR Beamish	GBP46,670	GBP39,460	GBP0	GBP86,130
NP Mageza	ZAR450,750	ZAR614,500	ZAR56,868	ZAR1,122,118
MV Moosa	ZAR674,450	ZAR427,850	ZAR56,868	ZAR1,159,168
B Mehlomakulu	ZAR450,750	ZAR380,480	ZAR56,868	ZAR888,098
Z Malinga	ZAR450,750	ZAR234,030	ZAR56,868	ZAR741,648
RJAM Renders	EUR62,290	EUR58,120	EUR0	EUR120,410
JM Lopez	US$70,540	US$25,500	US$3,800	US$99,840
JE Stipp	US$70,540	US$35,680	US$3,800	US$110,020

Fees are benchmarked and comparable to the market fees payable to the directors' residence.

	2020			
Name	Board fees	Committee fees	Travel allowance	Total
KR Osar[1]	US$17,635	US$8,920	US$7,600	US$34,155
JD McKenzie[1]	ZAR168,613	ZAR73,225	ZAR0	ZAR241,838
ANR Rudd	GBP311,942	GBP0	GBP8,971	GBP320,913
MA Fallon	GBP45,503	GBP47,718	GBP8,971	GBP102,192
BR Beamish	GBP45,503	GBP38,474	GBP8,971	GBP92,948
NP Mageza	ZAR439,481	ZAR599,138	ZAR0	ZAR1,038,619
MV Moosa	ZAR601,664	ZAR417,154	ZAR0	ZAR1,018,818
B Mehlomakulu	ZAR439,481	ZAR312,461	ZAR0	ZAR751,942
Z Malinga	ZAR439,481	ZAR228,179	ZAR0	ZAR667,661
RJAM Renders	EUR60,733	EUR56,667	EUR10,374	EUR127,774
JM Lopez	US$68,777	US$24,863	US$11,400	US$105,040
JE Stipp	US$68,777	US$34,788	US$11,400	US$114,965

[1] *Retired from the board in December 2019.*

Statement by the board regarding compliance with the remuneration policy

The board annually receives a report from the Human Resources and Compensation Committee on pay practices across the group, including salary levels and trends, collective bargaining outcomes and bonus participation.

The board endorses the Human Resources and Compensation Committee position that Sappi's remuneration policy is set taking appropriate account of remuneration and employment conditions of other employees in the group and external factors. It is the view of the board that this policy as detailed herein, drives business performance and value creation for all stakeholders.

Social, Ethics, Transformation and Sustainability Committee Report

MV Moosa
Chairman Social, Ethics, Transformation and Sustainability Committee

Introduction

The Social, Ethics, Transformation and Sustainability Committee Report (SETS) Committee presents its report for the financial year ended September 2021. This committee is a statutory committee with a majority of independent non-executive members, whose duties are delegated to them by the board of directors. The committee conducted its affairs in compliance with a board approved terms of reference and discharged all its responsibilities contained therein.

Multi-functional regional sustainability councils provide strategic and operational support to a group sustainability council which in turn provides support to the SETS Committee in dealing with key sustainability issues.

During the financial year the committee formally met three times at which meetings it deliberated on all aspects relating to its terms. A 100% attendance record was achieved by board committee members for 2021.

Objectives of the committee

The role of the SETS Committee is to assist the board with the oversight of the company and to provide guidance to management's work in respect of its duties in the fields of SETS. The committee relies on international best practice as well as the laws and regulations under which Sappi's businesses operate to ensure that the group not only complies with, but also fully implements all requirements. The committee addresses issues relating to corporate social investment, ethical conduct, diversity, transformation and empowerment initiatives and targets and ongoing sustainability practices to ensure that our business, our environment and our people can prosper on an ongoing basis. The responsibilities include monitoring the company's activities, having regard to any relevant legislation, other legal requirements and prevailing codes of best practice. The committee meets a minimum of three times each year.

Membership of the committee

The members of the SETS Committee during the 2021 financial year were:

- Mr MV Moosa (Chairman from 01 March 2016)
- Mr SR Binnie
- Dr B Mehlomakulu
- Mr BR Beamish
- Mr JM Lopez

Four members of the committee were independent non-executive directors and one the CEO. In addition, the Chairman of the board and the Chairman of the Audit Committee attends committee meetings ex officio. The regional CEO, the Group Head Strategy and Legal, the Group Head Technology, the Group Head Human Resources, the Group Head Corporate Affairs, the Executive Vice President Dissolving Wood Pulp and the Group Head Investor Relations and Sustainability attend meetings by invitation.

Committee activities reviewed and actioned during the year

- Reviewed and revised the committee terms of reference and annual work plan
- Approved the corporate citizenship policy
- Reviewed and endorsed the public affairs and corporate citizenship programmes
- Reviewed the UN SGDs most relevant to Sappi

- Reviewed Sappi's standing in terms of:
  - The principles set out in the United Global Compact Principles
  - The OECD recommendations regarding corruption
  - The Employment Equity Act, and
  - The Broad-based Black Economic Empowerment (BBBEE) Act
- Reviewed the Code of Ethics, ethics programme and their effectiveness
- Obtained feedback from the ethics reporting hotlines
- Reviewed the South African skills audit as well as the training and development plan
- Reviewed the staff training progress
- Reviewed the company performance relative to the Employment Equity Act, BBBEE Act and the company's transformation strategies
- Reviewed the Sappi Southern Africa Transformation Charter
- Reviewed Sappi's policy and standing in terms of the International Labour Organization protocol on decent work and working conditions
- Reviewed the group safety programmes, safety performance and actions being taken to improve the safety performance of the group
- Reviewed the group unfair discrimination and equality policy
- Reviewed the group sustainability charter and environmental policy
- Reviewed the material indicators of the group's environmental performance
- Reviewed regional sustainability performance against goals for 2021
- Reviewed regional and global public policy matters affecting the group and its operations
- Reviewed the various production unit operating efficiencies, reliability and unscheduled downtime metrics for 2021
- In depth review and approval of 2030 Scope 1 and Scope 2 science-based decarbonisation target and associated capital plans prior to submission to SBTi for validation
- In-depth review of carbon intensity of Sappi business units and operations against peer group companies
- In depth review of global energy intensity profiles, fuel sources and associated carbon emissions
- Reviewed the SETS Committee report for the annual integrated report as well as sustainability information presented in the annual integrated report
- Reviewed the external verification update report on selected group sustainability metrics

At certain meetings, a topic is selected for an in-depth review, typically matters which in the view of the committee represent key risks or opportunities for the business. This year the focus area was on the company's response to climate change, more specifically decarbonisation. In 2020 we committed to set a well below 2 degrees science-based 2030 decarbonisation target. In May 2021 The Scope 1 and Scope 2 emission intensity target was approved by the SETS Committee and Sappi Limited board prior to submission to SBTi for validation. In addition, a dedicated decarbonisation capital plan was developed and presented which will be continually updated to ensure that the targets are met.

Conclusion

The committee confirms that the group gives its SETS responsibilities the necessary attention. Appropriate policies and programmes are in place to contribute to social and economic development, ethical behaviour of staff towards colleagues and other stakeholders, fair labour practices, environmental responsibility and good customer relations. In fulfilling their mandate, the committee has sought to ensure the needs of a wide set of stakeholders, including employees, local communities, customers and shareholders are considered and that key sustainability risks are identified and managed.

There were no substantive areas of non-compliance with legislation and regulation, nor non-adherence with codes of best practice applicable to the areas within the committee's mandate that were brought to the committee's attention. The committee has no reason to believe that any such non-compliance or non-adherence has occurred.

MV Moosa
Chairman
Social, Ethics, Transformation and Sustainability Committee

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In a continuous flow of energy and life, water always finds the lowest level in an incredibly efficient manner. It penetrates any crevice or path that will facilitate its downward flow, steadily meandering and descending in search of lower planes.

In a similar fashion, our focus is on amplifying value creation for all our stakeholders. The landscape around us is changing rapidly. Stakeholders' needs and expectations have shifted, in particular as regards the environment and social equity.

We are responding to natural resource constraints by seeking responsible alternatives to non-renewables and solutions that are truly sustainable from seed to final product. We strictly monitor and control our use of energy, water and other raw materials and are investing in reducing our reliance on fossil fuels.

We work to amplify value creation through innovation and R&D. Innovation is the way we operate that provides competitive advantages and ensures we grow, flourish and progress. R&D is focused on realising our ambitious but achievable strategy of extracting more value from each tree. Our strategy is supported by technology centres in each region which cover every section of the value chain. We deliver value by optimising our production processes, maximising existing capacity and work to constantly improve our best overall machine efficiency levels.

In the communities where we operate, we prioritise projects that support education, entrepreneurship and environment, as well as health and welfare, while working to break the cycle of poverty through stable, safe employment.

By amplifying value creation in this way, we accelerate and advance meaningful change.

Five year review

for the year ended September 2021

US$ million	2021	2020	2019	2018	2017
Income statement					
Sales	**5,265**	4,609	5,746	5,806	5,296
Variable manufacturing and delivery costs	**3,238**	2,838	3,530	3,521	3,147
Fixed costs	**1,777**	1,673	1,771	1,767	1,601
Sundry expenses (income)[1]	**47**	41	43	38	22
Operating profit excluding special items	**203**	57	402	480	526
Special items – (gains) losses	**57**	95	19	(9)	-
Operating profit (loss)	**146**	(38)	383	489	526
Net finance costs	**134**	88	85	68	80
Profit (loss) before taxation	**12**	(126)	298	421	446
Taxation charge	**(1)**	9	87	98	108
Profit (loss) for the year	**13**	(135)	211	323	338
EBITDA excluding special items	**532**	378	687	762	785
Balance sheet					
Total assets	**6,186**	5,455	5,623	5,670	5,247
Non-current assets	**4,255**	3,891	3,789	3,766	3,378
Current assets	**1,931**	1,564	1,834	1,904	1,869
Current liabilities	**1,309**	1,123	1,214	1,173	1,043
Shareholders' equity	**1,970**	1,632	1,948	1,947	1,747
Net debt	**1,946**	1,957	1,501	1,568	1,322
Gross interest-bearing debt	**2,312**	2,236	1,894	1,931	1,872
Cash	**(366)**	(279)	(393)	(363)	(550)
Capital employed	**3,916**	3,589	3,449	3,515	3,069
Cash flow					
Cash generated from operations	**472**	323	673	709	748
Decrease (increase) in working capital	**39**	65	(15)	(79)	(27)
Finance costs paid	**(110)**	(108)	(51)	(84)	(96)
Finance income received	**8**	6	9	18	15
Taxation paid	**(2)**	(26)	(51)	(73)	(100)
Dividends paid	**–**	–	(92)	(81)	(59)
Cash generated from operating activities	**407**	260	473	410	481
Net cash generated (utilised)	**29**	(257)	1	(254)	108
Cash effects of financing activities	**33**	138	56	68	(279)
Capital expenditure (gross)	**374**	351	471	541	357
To maintain operations	**176**	126	148	167	140
To expand operations	**198**	225	323	374	217
Exchange rates					
US$ per one Euro exchange rate – closing	**1,172**	1,163	1,094	1,161	1,181
US$ per one Euro exchange rate – average (financial year)	**1,196**	1,120	1,128	1,190	1,106
ZAR to one US$ exchange rate – closing	**14,966**	17,131	15,156	14,147	13,556
ZAR to one US$ exchange rate – average (financial year)	**14,851**	16,226	14,346	13,052	13,381

[1] *Sundry items include all income and costs not directly related to manufacturing operations such as debtor securitisation costs, commissions paid and received and results of equity-accounted investments.*

US$ million	2021	2020	2019	2018	2017
Statistics					
Number of ordinary shares (millions)[1]					
In issue at year end	**561.5**	546.1	542.8	539.3	535.0
Basic weighted average number of shares in issue during the year	**549.7**	545.5	542.0	538.1	533,9
Per share information (US cents)					
Basic earnings (loss)	**2**	(25)	39	60	63
Diluted earnings (loss)	**2**	(25)	39	59	62
Headline earnings (loss)	**5**	(19)	42	59	64
Diluted headline earnings (loss)	**5**	(19)	42	58	63
EPS excluding special items (US cents)	**15**	(5)	44	60	64
Net asset value	**351**	299	359	361	327
Profitability ratios (%)					
Operating profit (loss) to sales	**2.8**	(0.8)	6.7	8.4	9.9
Operating profit excluding special items to sales	**3.9**	1.2	7.0	8.3	9.9
EBITDA excluding special items to sales	**10.1**	8.2	12.0	13.1	14.8
Operating profit excluding special items to capital employed (ROCE)	**5.4**	1.6	11.0	14.6	18.0
Net debt to EBITDA excluding special items	**3.7**	5.2	2.2	2.1	1.7
Interest cover	**5.5**	4.7	9.3	11.0	9.1
Return on average equity (ROE)	**0.7**	(7.5)	10.0	17.5	21.6
Debt ratios (%)					
Net debt to total capitalisation	**49.7**	54.5	43.5	44.6	43.1
Efficiency ratios					
Asset turnover (times)	**0.9**	0.8	1.0	1.0	1.0
Inventory turnover ratio	**5.6**	6.3	7.0	6.7	7.0
Liquidity ratios					
Current asset ratio	**1.5**	1.4	1.5	1.6	1.8
Trade accounts receivable days outstanding (including receivables securitised)	**47**	44	46	45	45
Cash interest cover (times)	**4.5**	3.7	7.6	9.3	8.1
Other non-financial information[2]					
Sales volumes	**7,339**	6,788	7,622	7,591	7,410
Number of full-time equivalent employees	**12,492**	12,805	12,821	12,645	12,158
Lost time injury frequency rate (including contract employees)	**0.38**	0.35	0.54	0.43	0.44
Energy					
Energy intensity (GJ/adt)	**22.35**	23.70	22.12	22.56	22.82
Renewable energy to total energy(%)	**52.44**	53.06	51.65	50.33	52.33
Water					
Specific process water extracted (m^3/adt)	**34.86**	37.09	34.51	34.49	34.18
Waste					
Specific total landfill (tonne/adt)	**0.053**	0.061	0.066	0.064	0.079
Emissions					
Specific scope 1 emissions (ton CO_2 eq/adt)	**0.68**	0.71	0.66	0.69	0.68
Absolute Scope 1 (ton CO_2e)	**4,273,189**	4,082,708	4,425,323	4,451,642	4,327,137
Specific scope 2 emissions (ton CO_2 eq/adt)	**0.16**	0.20	0.22	0.23	0.24
Absolute Scope 2 (ton CO_2e)	**1,022,586**	1,152,771	1,482,328	1,483,552	1,545,343

Refer to share statistics section for other market and share-related information.

[1] *Net of treasury shares (refer to note 19 to the group financial statements).*
[2] *Certain energy, water, waste and emissions data for the comparative years have been restated using the latest reporting standards and measurement methodology.*

Note: Definitions for various terms and ratios used above are included in the glossary section.

Share statistics

as at September 2021

Shareholding

Ordinary shares in issue	Number of shareholders	%	Number of shares[1]	% of shares in issue
1 – 5,000	8,373	86.4	3,592,022	0.6
5,001 – 10,000	250	2.6	1,866,934	0.3
10,001 – 50,000	423	4.4	10,166,003	1.8
50,001 – 100,000	170	1.8	12,368,505	2.2
100,001 - 1,000,000	376	3.9	119,312,712	21.2
Over 1,000,000	83	0.9	414,216,140	73.9
	9,675	100.0	561,522,316	100.0

[1] *The number of shares excludes 5,457,921 treasury shares held by the group.*

Shareholder spread

Type of shareholder	% of shares in issue
Non-public	0.5
Sappi Limited directors and prescribed officers	0.5
Associates of group directors	–
Trustees of the company's share and retirement funding schemes	0.0
Shareowners who, by virtue of any agreement, have the right to nominate board members	–
Share owners interested in 10% or more of the issued shares	–
Public (the number of public shareholders as at September 2021 was 9,663)	99.5
	100.0

Sappi has a primary listing on the JSE Limited and a Level 1 ADR programme that trades in the over-the-counter market in the United States.

A large number of shares are held by nominee companies for beneficial shareholders. Pursuant to section 56(7) of the Companies Act 71 of 2008 of South Africa, the directors have investigated the beneficial ownership of shares in Sappi Limited, including those which are registered in the nominee holdings. These investigations revealed as of September 2021, the following are beneficial holders of more than 5% of the issued share capital of Sappi Limited:

Beneficial holder	Shares	%
Public Investment Corporation	90,846,857	16.2
Alexander Forbes Investments	34,224,444	6.1
Allan Gray Balanced Fund	30,787,959	5.5

Further, as a result of these investigations, the directors have ascertained that some of the shares registered in the names of the nominee holders are managed by various fund managers and that, as of September 2021, the following fund managers were responsible for managing 5% or more of the share capital of Sappi Limited:

Fund manager	Shares	%
Public Investment Corporation	78,821,182	14.0
Allan Gray Pty Limited	78,235,288	13.9
Prudential Investment Managers	67,240,327	12.0
Ninety One Plc	64,917,106	11.6
Old Mutual Limited	37,930,522	6.8

Share statistics		2021	2020	2019	2018	2017
Ordinary shares in issue (millions)[1]		**561.5**	546.1	542.8	539.3	535.0
Net asset value per share (US cents)		**351**	299	359	361	327
Number of shares traded (millions)						
JSE		**444.5**	736.3	537.1	557.4	630.7
New York		**0.7**	2.0	0.3	0.4	3.1
Value of shares traded						
JSE (ZAR million)		**17,073.0**	24,509.3	33,141.3	49,837.1	54,760.0
New York (US$ million)		**1.6**	4.0	1.5	2.9	20.3
Percentage of issued shares traded		**79.3**	135.2	99.0	103.4	118.5
Market price per share						
- year end	JSE (South African cents)	**3,861**	2,377	3,629	8,875	9,206
	New York (US cents)	**260**	151	251	639	681
- highest	JSE (South African cents)	**5,269**	4,799	9,059	10,579	10,438
	New York (US cents)	**359**	345	640	749	797
- lowest	JSE (South African cents)	**2,265**	1,720	3,542	7,180	6,953
	New York (US cents)	**135**	107	241	613	509
Earnings yield (%)[2]		**0.78**	negative	16.29	9.56	9.28
Price/earnings ratio (times)[2]		**128.99**	negative	6.14	10.46	10.78
Total market capitalisation (US$ million)[2]		**1,449**	758	1,300	3,383	3,633

[1] *The number of shares excludes 5,457,921 treasury shares held by the group.*
[2] *Based on financial year-end closing prices on the JSE Limited. Income statement amounts have been converted at average year-to-date exchange rates.*

Note: Definitions for various terms and ratios used above are included in the Glossary section.

Glossary

General definitions

AGM – Annual General Meeting.

AF&PA – American Forest and Paper Association.

air dry tons (ADT) – Meaning dry solids content of 90% and moisture content of 10%.

BCTMP – Bleached Chemi-Thermo Mechanical Pulp.

biochemicals – Enzymes, hormones, pheromones etc, which either occur naturally or are manufactured to be identical to naturally occurring substances. Biochemicals have many environment-friendly applications, such as natural pesticides that work in non-lethal ways as repellents or by disrupting the mating patterns of the pests.

biofuels – Organic material such as wood, waste and alcohol fuels, as well as gaseous and liquid fuels produced from these feedstocks.

biomaterials – New developments in wood processing supports the move to a biobased economy that utilises materials that are renewable and biodegradable and in the case of wood feedstocks do not compete with food sources.

black liquor – The spent cooking liquor from the pulping process which arises when pulpwood is cooked in a digester thereby removing lignin, and other extractives from the wood to free the cellulose fibres. The resulting black liquor is an aqueous solution of lignin residues 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.

bleached pulp – Pulp that has been bleached by means of chemical additives to make it suitable for higher brightness fine paper production.

casting and release paper – Embossed paper used to impart design in polyurethane or polyvinyl chloride plastic films for the production of synthetic leather and other solid textured surfaces.

CEPI – Confederation of European Paper Industries.

Cham Paper Group Holding AG (CPG) – Speciality paper business acquired by Sappi, which included CPG's Carmignano and Condino Mills (Italy) and its digital imaging business located in Cham (Switzerland) as well as all brands and know-how.

chemical oxygen demand (COD) – The amount of oxygen required to break down the organic compounds in effluent.

chemical pulp – A generic term for pulp made from woodfibre that has been produced in a chemical process.

CHP – Combined heat and power.

coated mechanical paper (CM) – Coated paper made from groundwood pulp which has been produced in a mechanical process, primarily used for magazines, catalogues and advertising material.

coated paper – Papers that contain 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 woodfree paper (CWF) – 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.

CSI and CSR – Corporate social investment and corporate social responsibility.

CSV – Corporate shared value involves developing profitable business strategies that deliver tangible social benefits.

dissolving pulp (DP) – Highly purified chemical pulp derived primarily from wood and in some instances 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.

DP market price - Market price for imported hardwood dissolving pulp into China issued daily by the CCF Group

EIA – Environmental impact assessment.

ESG – Environmental, social and corporate governance.

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.

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 – Paper usually produced from chemical pulp for printing and writing purposes and consisting of coated and uncoated paper.

FMCG – Fast-moving consumer goods. Examples include non-durable goods such as packaged foods, beverages, toiletries, over-the-counter medicines and many other consumables.

FSA – Forestry South Africa.

Forest Stewardship Council™ (FSC™) – A global, not-for-profit organisation dedicated to the promotion of responsible forest management world-wide. (https://ic.fsc.org/en).

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.

graphic papers – A generic term for a group of papers intended for commercial printing use such as coated woodfree, coated mechanical, uncoated woodfree and newsprint.

greenhouse gases (GHG) – The GHGs included in the Kyoto Protocol are carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.

hemicellulose sugars – The biorefinery process for second generation hemicellulose sugars involves recovering them from the prehydolysate liquor, and then separating them mostly from lignin.

high-yield pulp – Pulp that has a higher yield from wood logs than pure chemical pulps. High-yield pulp is processed either through mechanical processes or combined mechanical chemical processes such as Matane high-yield bleached chemi-thermo mechanical pulp (BCTMP).

ISO – The International Organization for Standardization.

JSE Limited – The main securities exchange in South Africa.

kraft paper – Packaging or other 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 GHG relative to levels emitted in 1990.

lignosulphonate – Lignosulphonate is a highly soluble lignin derivative and a product of the sulphite pulping process.

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.

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.

lost-time injury frequency rate (LTIFR) – Number of lost time injuries x 200,000 divided by man hours.

managed forest – Naturally occurring forests that are harvested and managed commercially.

mechanical pulp – Pulp produced by means of the mechanical grinding or refining of wood or woodchips.

nanocellulose – Cellulose is the main component of plant stems, leaves and roots. Traditionally, its main commercial use was in producing paper and textiles. Nanocellulose is derived from further processing cellulose to a smaller size fraction or nano scale. These engineered celluloses open up opportunities for advanced, planet-friendly solutions in place of environmentally harmful products.

natural/indigenous forest – Pristine areas not used commercially.

NBHK – Northern Bleached Hardwood Kraft pulp. One of the varieties of market pulp, produced from hardwood trees (ie birch or aspen) in Scandinavia, Canada and northern United States of America.

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 United States of America. The price of NBSK is a benchmark widely used in the pulp and paper industry for comparative purposes.

newsprint – Paper produced for the printing of newspapers mainly from mechanical pulp and/or recycled waste paper.

NGO – Non-governmental organisation.

NPO – Non-profit organisation.

OHSAS – An international health and safety standard.

OTC – Over-the-counter trading of shares.

Packaging and speciality papers – A generic term for a group of papers intended for commercial and industrial use such as flexible packaging, label papers, functional papers, containerboard, paperboard, silicone base papers, casting and release papers, dye sublimation papers, inkjet papers and tissue paper.

packaging paper – Paper used for packaging purposes.

PAMSA – Paper Manufacturers' Association of South Africa.

Programme for the Endorsement of Forest Certification™ (PEFC) – An international non-profit, NGO dedicated to promoting sustainable forest management (SFM) through independent third-party certification. PEFC works by endorsing national forest certification systems and is represented in 49 countries through national organisations such as SFI® in North America (https://www.pefc.org).

plantation – Large scale planted forests, intensively managed, highly productive and grown primarily for wood and fibre production.

PM – Paper machine.

power – The rate at which energy is used or produced.

pulpwood – Wood suitable for producing pulp – usually not of sufficient standard for sawmilling.

raster – A rectangular pattern of parallel scanning lines followed by the electron beam on a television screen or computer monitor.

release paper – Based paper used in the production of making release liners, the backing paper for self-adhesive labels.

sackkraft – Kraft paper used to produce multi-wall paper sacks.

Sappi Biotech – The business unit within Sappi which drives innovation and commercialisation of biomaterials and biochemicals.

Sappi Europe (SEU) – The business unit within Sappi which oversees operations in the European region.

Sappi Dissolving Pulp (DP) – The business unit within Sappi which oversees the production and marketing of DP.

Sappi North America (SNA) – The business unit within Sappi which oversees operations in the North American region.

Glossary continued

Sappi Southern Africa (SSA) – The business unit within Sappi which oversees operations in the Southern Africa region.

SBTi - The Science Based Targets initiative (SBTi) is a partnership between Carbon Disclosure Project (CDP), the United Nations Global Compact (UNGC), World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). The objective of SBTi is to drive ambitious climate action in the private sector by enabling companies to set science-based GHG emissions reduction targets. SBTi provides technical assistance and expert resources to companies who set science-based targets in line with the latest climate science and provides companies with independent assessment and validation of decarbonisation targets.

Scope 1 and 2 GHG emissions – The Greenhouse Gas Protocol defines Scope 1 (direct) and Scope 2 (indirect) emissions as follows:

- Direct GHG emissions are emissions from sources that are owned or controlled by the reporting entity, and
- Indirect GHG emissions are emissions from purchased electricity, steam, heat or cooling.

SDGs – see UN SDGs.

SETS – Social, ethics, transformation and sustainability.

silviculture costs – Growing and tending costs of trees in forestry operations.

solid waste – Dry organic and inorganic waste materials.

specific – When data is expressed in specific form, this means that the actual quantity 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 purchased 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.

specific total energy (STE) – The energy intensity ratio defined by the total energy consumption in the context of the saleable production.

Sustainable Forestry Initiative® (SFI®) – A solutions-oriented sustainability organisation that collaborates on forest-based conservation and community initiatives. The SFI forest management standard is the largest forestry certification standard in the PEFC programme. (https://www.forests.org).

TCFD – Task Force on Climate-related Financial Disclosures.

thermo-mechanical pulp – Pulp produced by processing woodfibres using heat and mechanical grinding or refining wood or woodchips.

ton – Metric ton of 1,000 kg.

total suspended solids (TSS) – Refers to matter suspended or dissolved in effluent.

tons per annum (tpa) – Term used in this report to denote tons per annum (tons a year). Capacity figures in this report denote tons per annum at maximum continuous run rate.

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.

United Nations Global Compact (UNGC) – A principle-based framework for businesses, stating 10 principles in the areas of human rights, labour, environment and anticorruption.

UN SDGs – United Nations Sustainable Development Goals.

viscose staple fibre (VSF) – A natural fibre made from purified cellulose, primarily from DP 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.

General financial definitions

acquisition date – The date on which control in respect of subsidiaries, joint control in respect of joint arrangements and significant influence in associates commences.

associate – An entity over which the investor has significant influence.

basic earnings per share – Net profit for the year divided by the weighted average number of shares in issue during the year.

commissioning date – The date that an item of property, plant and equipment, whether acquired or constructed, is brought into use.

compound annual growth rate – Is the mean annual growth rate of an investment over a specified period of time longer than one year.

control – An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

diluted earnings per share – Is calculated by assuming conversion or exercise of all potentially dilutive shares, share options and share awards unless these are anti-dilutive.

discount rate – This is the pre-tax interest rate that reflects the current market assessment of the time value of money for the purposes of determining discounted cash flows. In determining the cash flows the risks specific to the asset or liability are taken into account in determining those cash flows and are not included in determining the discount rate.

disposal date – The date on which control in respect of subsidiaries, joint arrangements and significant influence in associates ceases.

fair value – The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

financial results – Comprise the financial position (assets, liabilities and equity), results of operations (revenue and expenses) and cash flows of an entity and of the group.

foreign operation – An entity whose activities are based or conducted in a country or currency other than that of the reporting entity.

functional currency – The currency of the primary economic environment in which the entity operates.

group – The group comprises Sappi Limited, its subsidiaries and its interest in joint ventures and associates.

joint arrangement – Is an arrangement of which two or more parties have joint control.

joint venture – Is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

operation – A component of the group:
- That represents a separate major line of business or geographical area of operation that is distinguished separately for financial and operating purposes.

operating profit – A profit from business operations before deduction of net finance costs and taxes.

presentation currency – The currency in which the financial results of an entity are presented.

qualifying asset – An asset that necessarily takes a substantial period (normally in excess of six months) to get ready for its intended use.

recoverable amount – The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs of disposal and its value in use. In determining the value in use, expected future cash flows are discounted to their net present values using the discount rate.

related party – Parties are considered to be related if one party directly or indirectly has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or is a member of the key management of Sappi Limited.

share-based payment – A transaction in which Sappi Limited issues shares or share options to group employees as compensation for services rendered.

significant influence – Is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control of those policies.

Non-GAAP financial definitions

The group believes that it is useful to report certain non-GAAP measures for the following reasons:
- These measures are used by the group for internal performance analysis
- The presentation by the group's reported business segments of these measures facilitates comparability with other companies in our industry, although the group's measures may not be comparable with similarly titled profit measurements reported by other companies, and
- It is useful in connection with discussion with the investment analyst community and debt rating agencies.

These non-GAAP measures should not be considered in isolation or construed as a substitute for GAAP measures in accordance with International Financial Reporting Standards (IFRS).

asset turnover (times) – Sales divided by total assets.

average – Averages are calculated as the sum of the opening and closing balances for the relevant period divided by two.

black economic empowerment (BEE) charge – Represents the IFRS 2 non-cash charge associated with the BEE transaction implemented in 2010 in terms of BEE legislation in South Africa.

capital employed – Shareholders' equity plus net debt.

cash interest cover – Cash generated by operations divided by finance costs less finance revenue.

current asset ratio – Current assets divided by current liabilities.

dividend yield – Dividends per share, which were declared after year end, in US cents divided by the financial year-end closing prices on the JSE Limited converted to US cents using the closing financial year-end exchange rate.

earnings yield – Earnings per share divided by the financial year-end closing prices on the JSE Limited converted to US cents using the closing financial year-end exchange rate.

EBITDA excluding special items – Earnings before interest (net finance costs), taxation, depreciation, amortisation and special items.

EPS excluding special items – Earnings per share excluding special items and certain once-off finance and tax items.

fellings – The amount charged against the income statement representing the standing value of the plantations harvested.

GAAP – Generally accepted accounting principles.

headline earnings – As defined in Circular 1/2019, issued by the South African Institute of Chartered Accountants in December 2019, which separates from earnings all separately identifiable remeasurements. It is not necessarily a measure of sustainable earnings. It is a Listings Requirement of the JSE Limited to disclose headline earnings per share.

inventory turnover (times) – Cost of sales divided by inventory on hand at balance sheet date.

Glossary continued

net assets – Total assets less total liabilities.

net asset value per share – Net assets divided by the number of shares in issue at balance sheet date.

net cash (utilised) generated – Cash flows from operating activities less cash flows from investing activities.

net debt – Current and non-current interest-bearing borrowings and lease liabilities, and bank overdraft (net of cash, cash equivalents and short-term deposits).

net debt to total capitalisation – Net debt divided by capital employed.

net operating assets – Total assets (excluding deferred taxation and cash and cash equivalents) less current liabilities (excluding interest-bearing borrowings, lease liabilities and overdraft).

ordinary dividend cover – Profit for the period divided by the ordinary dividend declared, multiplied by the actual number of shares in issue at year end.

ordinary shareholders' interest per share – Shareholders' equity divided by the actual number of shares in issue at year end.

price/earnings ratio – The financial year-end closing prices on the JSE Limited converted to US cents using the closing financial year-end exchange rate divided by earnings per share.

revolving credit facility (RCF) – A variable line of credit used by public and private businesses.

ROCE – Return on average capital employed. Operating profit excluding special items divided by average capital employed.

ROE – Return on average equity. Profit for the period divided by average shareholders' equity.

RONOA – Return on average net operating assets. Operating profit excluding special items divided by average net operating assets.

SG&A – Selling, general and administrative expenses.

special items – Special items cover those items which management believe are material by nature or amount to the operating results and require separate disclosure. Such items would generally include profit or loss on disposal of property, investments and businesses, asset impairments, restructuring charges, non-recurring integration costs related to acquisitions, financial impacts of natural disasters, non-cash gains or losses on the price fair value adjustment of plantations and alternative fuel tax credits receivable in cash.

total market capitalisation – Ordinary number of shares in issue (excluding treasury shares held by the group) multiplied by the financial year-end closing prices on the JSE Limited converted to US cents using the closing financial year-end exchange rate.

trade receivables days outstanding (including securitised balances) – Gross trade receivables, including receivables securitised, divided by sales multiplied by the number of days in the year.

Notice to shareholders

Notice of Annual General Meeting

This document is important and requires your immediate attention.

If you are in any doubt as to what action you should take, please consult your stockbroker, banker, attorney, accountant or other professional adviser immediately.

Sappi Limited
(Registration number: 1936/008963/06)
JSE share code: SAP
ISIN: ZAE000006284
(Sappi or the Company)

Notice is hereby given to the shareholders of the Company (Shareholders) in terms of section 62(1) of the Companies Act, No. 71 of 2008 as amended (Companies Act) that the eighty fifth (85th) Annual General Meeting of the company will be held entirely through electronic communication on Wednesday, 09 February 2022 at 14:00 (South African Standard Time). This annual general meeting, and any resumption thereof pursuant to an adjournment or recommencement thereof pursuant to a postponement, is referred to hereinafter as the AGM.

Record dates

The record date on which shareholders must be recorded as such in the register maintained by Computershare Investor Services Proprietary Limited, the transfer secretaries of the company (transfer secretaries) in order to be entitled to receive this Notice of AGM is Friday, 03 December 2021. This Notice of AGM is sent to shareholders on Friday, 17 December 2021 and this will be announced on the Stock Exchange News Service (SENS), on the same date.

The last day to trade in order to be eligible to attend and vote at the AGM is **Tuesday, 01 February 2022**.

The record date to determine which shareholders are entitled to attend and vote at the AGM is Friday, 04 February 2022 (Attendance Record Date).

Order of business

A To present:
   i. the audited consolidated annual financial statements of the company for the financial year ended September 2021, including the reports of the auditors, the directors and the Audit and Risk Committee, such annual financial statements having been approved by the board of directors of the company (board) as required by section 30(3)(c) of the Companies Act, and
   ii. the report of the Social, Ethics, Transformation and Sustainability Committee in the annual integrated report (see page 174).

   The complete audited consolidated annual financial statements of the company for the financial year ended 2021 are available on the Sappi website: www.sappi.com.

B To present the annual integrated report, containing the disclosures required as per the JSE Listings Requirements. The annual integrated report is available on the Sappi website: www.sappi.com.

C To consider and, if deemed fit, pass (with or without modification) the ordinary and special resolutions set out below:

1. Ordinary resolution number 1: Re-election of the directors retiring by rotation in terms of the Sappi's memorandum of incorporation

Each of the board and the Nomination and Governance Committee has evaluated the performance of each of the following directors who are retiring by rotation and recommends and supports the re-election of each of them. For brief biographical details of these directors, refer to note 1 in **Notice to Shareholders** on page 194.

It is intended that all the directors who retire by rotation will, if possible, attend the AGM, by means of videoconferencing.

In order for these resolutions to be adopted, in each case the support of more than 50% of the voting rights exercised on the resolution by shareholders present or represented by representative or proxy at the AGM and entitled to exercise voting rights on the resolution is required:

Ordinary resolution number 1.1
"Resolved that Mr SR Binnie be and is hereby re-elected as a director of Sappi."

Notice to shareholders continued

Ordinary resolution number 1.2
"Resolved that Mr JM Lopez be and is hereby re-elected as a director of Sappi."

Ordinary resolution number 1.3
"Resolved that Mr BR Beamish be and is hereby re-elected as a director of Sappi."

Ms J E Stipp will retire effective 09 February 2022 and has notified the board that she will not offer herself for re-election. Sappi thanks Ms Stipp for her invaluable contribution to the board.

2. Ordinary resolution number 2: Election of Audit and Risk Committee members

Ordinary resolution number 2 is proposed to elect the members of the Audit and Risk Committee in accordance with section 94(2) of the Companies Act and the King IV Report on Corporate Governance for South Africa 2016 (King IV).

Section 94 of the Companies Act requires that, at each AGM, shareholders must elect an Audit and Risk Committee comprising at least three members.

The Nomination and Governance Committee has assessed the performance and independence of each of the directors proposed to be members of the Audit and Risk Committee, and recommends their election to the Audit and Risk Committee. The board considered and accepted the findings of the Nomination and Governance Committee. The board is satisfied that the proposed members meet the requirements of section 94(4) of the Companies Act, that they are independent according to King IV and that they possess the required qualifications and experience as prescribed in regulation 42 of the Companies Regulations, 2011, which requires that at least one-third of the members of a company's Audit Committee at any particular time must have academic qualifications or experience in economics, law, corporate governance, finance, accounting, commerce, industry, public affairs or human resource management.

Brief biographical details of each proposed member of the Audit and Risk Committee are included in the biographies of the directors contained under **Our Leadership** in the annual integrated report (see page 134).

Ordinary resolution number 2.1
"Resolved that Mr NP Mageza be and is hereby elected as a member (and chairperson) of the Audit and Risk Committee."

Ordinary resolution number 2.2
"Resolved that Ms ZN Malinga be and is hereby elected as a member of the Audit and Risk Committee."

Ordinary resolution number 2.3
"Resolved that Dr B Mehlomakulu be and is hereby elected as a member of the Audit and Risk Committee."

Ordinary resolution number 2.4
"Resolved that Mr RJAM Renders be and is hereby elected as a member of the Audit and Risk Committee."

Ms JE Stipp, member of the Audit and Risk Committee has notified the board that she will not offer herself for re-election to the board and as such, will not offer herself for re-election as a member of the Audit and Risk Committee. An announcement on her replacement will be made in due course.

In terms of the Companies Act, each proposed member of the Audit and Risk Committee will, if elected, hold office until the conclusion of the next AGM and perform the duties and responsibilities stipulated in section 94(7) of the Companies Act, in the JSE Listings Requirements and in King IV and such other duties and responsibilities as may from time to time be determined by the board.

In order for each of the resolutions in this paragraph 2 to be adopted, the support in each case of more than 50% of the voting rights exercised on the resolution by shareholders present or represented by representative or proxy at the AGM and entitled to exercise voting rights on the resolution is required.

3. Ordinary resolution number 3: Appointment of auditors

The board has evaluated the performance of KPMG Inc and recommends their re-appointment as auditors of Sappi.

"Resolved that KPMG Inc (with the designated registered auditor to be Mr Coenie Basson) be and is hereby re-appointed as the auditors of Sappi for the financial year ending 2022 and remain in office until the conclusion of the next Annual General Meeting."

In order for this ordinary resolution number 3 to be adopted, the support of more than 50% of the voting rights exercised on the resolution by shareholders present or represented by representative or proxy at the AGM and entitled to exercise voting rights on the resolution is required.

4. Ordinary resolution number 4: Remuneration policy

"Resolved that the company's remuneration policy as contained under **Remuneration Report** in the annual integrated report (see page 154), be and is hereby endorsed by way of a non-binding advisory vote."

This non-binding advisory vote is being proposed in accordance with the recommendations of King IV.

In order for this ordinary resolution number 4 to be adopted, the support of more than 50% of the voting rights exercised on the resolution by shareholders present or represented by representative or proxy at the AGM and entitled to exercise voting rights on the resolution is required.

The endorsement of each of the remuneration policy (in this ordinary resolution number 4) and the remuneration implementation report (in ordinary resolution number 5) is tabled as a non-binding advisory vote. However, the outcome of each vote will be acknowledged when considering the remuneration policy and the implementation thereof. If either the remuneration policy or the remuneration implementation report, or both, is/are voted against by 25% or more of the voting rights exercised, the board will, as recommended by King IV and required by the JSE Listings Requirements, in its voting results announcement invite the dissenting shareholders to engage with Sappi, and state the manner and timing of such engagement.

5. Ordinary resolution number 5: Remuneration implementation report

"Resolved that the company's remuneration implementation report under **Remuneration Report** in the annual integrated report (see page 154), be and is hereby endorsed by way of a non-binding advisory vote."

This non-binding advisory vote is being proposed in accordance with the recommendations of King IV.

In order for this ordinary resolution number 5 to be adopted, the support of more than 50% of the voting rights exercised on the resolution by shareholders present or represented by representative or proxy at the AGM and entitled to exercise voting rights on the resolution is required.

6. Special resolution number 1: Non-executive directors' fees

"Resolved that, with effect from 01 October 2021 and until otherwise determined in general meeting, the remuneration of the non-executive directors for their services shall be as follows:

Fee structure

	From	To
1. Sappi Board fees[1]		
Chairperson		
If United Kingdom resident	£319,940	£319,940[2]
Lead Independent Director		
If South African resident	ZAR674,450	ZAR704,800
If United Kingdom resident	£70,070	£71,121
If United States of America resident	US$105,820	US$108,466
If European resident	€93,500	€94,435
Other directors		
If South African resident	ZAR450,750	ZAR471,034
If United Kingdom resident	£46,670	£47,370
If United States of America resident	US$70,540	US$72,304
If European resident	€62,290	€62,913
2. Audit and Risk Committee fees[1]		
Chairperson		
If South African resident	ZAR468,050	ZAR489,112
If United Kingdom resident	£47,390	£48,101
If United States of America resident	US$73,060	US$74,887
If European resident	€63,240	€63,872
Other directors		
If South African resident	ZAR234,030	ZAR244,561
If United Kingdom resident	£23,830	£24,187
If United States of America resident	US$35,680	US$36,572
If European resident	€31,790	€32,108

Notice to shareholders continued

	From	To
3. Fees of Human Resources and Compensation Committee, Nomination and Governance Committee, Social, Ethics, Sustainability and Transformation Committee and any other committee (ad hoc or otherwise)[1]		
Chairperson		
If South African resident	ZAR281,400	ZAR294,063
If United Kingdom resident	£28,160	£28,582
If United States of America resident	US$41,750	US$42,794
If European resident	€37,570	€37,946
Other directors		
If South African resident	ZAR146,450	ZAR153,040
If United Kingdom resident	£19,730	£20,026
If United States of America resident	US$25,500	US$26,138
If European resident	€26,330	€26,593
4. Additional meeting fees for board meetings in excess of five meetings per financial year whether attended in person or by teleconference/ videoconference		
If South African resident	ZAR45,190 per meeting	ZAR47,224 per meeting
If United Kingdom resident	£4,630 per meeting	£4,699 per meeting
If United States of America resident	US$7,050 per meeting	US$7,226 per meeting
If European resident	€6,170 per meeting	€6,232 per meeting
5. Travel compensation (applicable to long-haul flights with a duration of at least 10 hours)		
If South African resident	US$3,800 per meeting	US$3,800 per meeting
If United Kingdom resident	US$3,800 per meeting	US$3,800 per meeting
If United States of America resident	US$3,800 per meeting	US$3,800 per meeting
If European resident	US$3,800 per meeting	US$3,800 per meeting

[1] *Fees per financial year excluding VAT and taxes unless otherwise indicated.*

[2] *Inclusive of all board committee fees. If a future Chairperson is not a United Kingdom resident, appropriate benchmark information in relation to his/her domicile will be used to determine fees payable.*

Sappi's practice, as advised previously, is to review directors' fees annually. Special resolution number 1 increases the remuneration currently paid to non-executive directors and board committee members by between approximately 1.0% and 4.6% per annum depending generally on the domicile of the directors and the currency in which they are paid, with effect from 01 October 2021. A bespoke benchmarking exercise in relation to the fees was carried out this year. The conclusion was that the fees are at the appropriate and market-related levels. The recommendation is that Sappi adjust all fees by the relevant consumer price index in the respective directors' country of domicile for the 2022 financial year. As for the Chairperson's fee, no adjustment is proposed.

The review also takes into account that the responsibility of non-executive directors continues to increase substantially flowing from legislative, regulatory and corporate governance developments and requirements in South Africa and elsewhere.

Non-executive directors' fees are paid quarterly (in March, June, September, and December each year) and the proposed increase, if approved, will be applicable to payments to be made in December 2021 onwards. Initially the December 2021 payment will be made on the basis of the existing fee structure, and following shareholder approval of the proposed increases, the shortfall in the December 2021 payment will be made up in the March 2022 payment.

The practice has been and will continue to be that directors' fees and board committee fees are paid to non-executive directors only.

In order for this special resolution number 1 to be adopted, the support of at least 75% of the voting rights exercised on the resolution by shareholders present or represented by representative or proxy at the AGM and entitled to exercise voting rights on the resolution is required.

7. Special resolution number 2: Loans or other financial assistance to related or inter-related companies

The Companies Act provides that the board of directors of a company may authorise that company to provide direct or indirect financial assistance (which includes, without limitation, lending money, guaranteeing a loan or other obligation and securing any debt or obligation) to a related or inter-related company, provided that such authorisation shall be made pursuant to a special resolution of the shareholders adopted within the previous two years, which approved such assistance either for the specific recipient or generally for a category of potential recipients and the specific recipient falls within that category. The board of directors of a company can only approve financial assistance if it is satisfied that: (i) immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test contained in the Companies Act, and (ii) the terms under which the financial assistance is proposed to be given are fair and reasonable to the company.

"Resolved that the board be and is hereby authorised, in accordance with the Companies Act, to authorise the company to provide direct or indirect financial assistance which the board may deem fit to any company (wheresoever incorporated or registered) which is from time to time related or inter-related to the company, on such terms and conditions and in such amounts as the board may determine."

In order for this special resolution number 2 to be adopted, the support of at least 75% of the voting rights exercised on the resolution by shareholders present or represented by representative or proxy at the AGM and entitled to exercise voting rights on the resolution is required.

8. Ordinary resolution number 6: Signature of documents

"Resolved that any director and Group Company Secretary of Sappi (each being entitled to act individually) is authorised to sign all such documents and do all such things as may be necessary or reasonably desirable for or incidental to the implementation of the resolutions passed at this AGM."

In order for this ordinary resolution number 6 to be adopted, the support of more than 50% of the voting rights exercised on the resolution by shareholders present or represented by representative or proxy at the AGM and entitled to exercise voting rights on the resolution is required.

Notice to shareholders continued

D. Other matters:

To transact such other business as may be transacted at an AGM.

Identification

In terms of section 63(1) of the Companies Act, before any person may participate in the AGM, that person must present reasonable satisfactory identification to the chairperson of the meeting, who must be reasonably satisfied that such person has the right to listen in to, participate in, and vote in, the meeting, either as a shareholder or as a representative or proxy for a shareholder. Acceptable forms of identification include a valid identity document, passport or driver's license.

Certificated shareholders and own-name dematerialised shareholders

Shareholders who are recorded as such in the register maintained by the transfer secretaries on the attendance record date (qualifying shareholders) and who:

- hold Sappi shares in certificated form, or
- have dematerialised their shares (ie have replaced the paper share certificates with electronic records of ownership under JSE's electronic settlement system) and are recorded in the sub-register in own name dematerialised form (ie shareholders who have specifically instructed their Central Securities Depositary Participant (CSDP) or broker to hold their shares in their own name on Sappi's sub-register), are entitled to:
  - participate in, speak at, and/or vote at, the AGM, or
  - appoint one or more proxies to participate in, speak at, and/or vote at, the AGM in their stead. A proxy need not be a shareholder. The form of proxy is enclosed.

It is requested, for administrative reasons, that forms of proxy be emailed, posted or delivered to the transfer secretaries at the following addresses to be received by no later than **14:00 (South African Standard Time) on Monday, 07 February 2022**.

Hand deliveries to:
Computershare Investor Services Proprietary Limited
Rosebank Towers, 15 Biermann Avenue, Rosebank
Johannesburg, 2196
South Africa

Postal deliveries to:
Computershare Investor Services Proprietary Limited
Private Bag X9000, Saxonwold, Johannesburg, 2132, South Africa

Email deliveries to:
proxy@computershare.co.za

If a certificated shareholder or own-name dematerialised shareholder does not email, post or deliver forms of proxy to the transfer secretaries so as to be received by that time, such shareholder will nevertheless be entitled to email the form of proxy to the transfer secretaries at proxy@computershare.co.za to be received prior to the commencement of the AGM.

Beneficial owners of dematerialised shares

Beneficial owners of Sappi shares who have dematerialised their Sappi shares and who are not registered as own name dematerialised shareholders and who:

- wish to participate in, speak at, and/or vote at, or wish their representatives to participate in, speak at, and/or vote at, the AGM (electronically) must instruct their CSDPs or brokers to provide them or their representatives with a letter of representation to enable them or their representatives to participate in, speak at, and/or vote at, such meeting or
- do not wish to participate in, speak at, and vote at, the AGM, should provide their CSDPs or brokers with their voting instructions in terms of the relevant custody agreement between them and their CSDPs or brokers.

Such a beneficial owner must not complete the attached form of proxy.

Electronic participation in the AGM

The company intends to make provision for shareholders, or their representatives or proxies, to participate in, speak at, and/or vote at, the AGM by way of electronic communication as provided for in terms of Sappi's Memorandum of Incorporation and section 63(2) of the Companies Act. In this regard, qualifying shareholders or their representatives or proxies may participate in, speak at, and/or vote at, the AGM by way of an interactive electronic platform and, if they wish to do so, should note the following:

- the company will offer a qualifying shareholder (or its representative or proxy) reasonable access through electronic facilities and a virtual meeting platform to participate in the AGM
- a qualifying shareholder (or its representative or proxy) will, if (and only if) the qualifying shareholder requests that access be granted to it (or its representative or proxy) to do so, be able to:
  - participate in the AGM through electronic facilities
  - vote during the AGM through a virtual meeting platform.
- a qualifying shareholder (or its representative or proxy) is invited to request such access by:
  - sending an email (a participation request) to the transfer secretaries at proxy@computershare.co.za or
  - registering at www.smartagm.co.za.

Following receipt of a participation request, the transfer secretaries will email the relevant contact link and logon details to the qualifying shareholder concerned (or its representative or proxy) to enable it (or its representative or proxy) to participate in, speak at, and/or vote at, the AGM (a connection details notice).

- the participation request must specify:
  - the name of the qualifying shareholder (and, if applicable, of the representative or proxy)
  - an email address at which the qualifying shareholder (and, if applicable, the representative or proxy) can be contacted.
- reasonably satisfactory identification (and a letter of representation or a duly completed form of proxy, if applicable) must be attached to a participation request.

It is requested, for administrative reasons, that a participation request, complying with the above requirements, be emailed to the transfer secretaries at proxy@computershare.co.za, to be received by no later than **14:00 (South African Standard Time) on Monday, 07 February 2022**. If a qualifying shareholder does not email a participation request complying with the above requirement to reach the transfer secretaries by that time, that qualifying shareholder (or its representative or proxy) will nevertheless be entitled to email a participation request complying with the above requirements to the transfer secretaries at proxy@computershare.co.za, to be received prior to the commencement of the AGM. Qualifying shareholders (and their representatives or proxies) should nevertheless be aware that if they send a participation request near to the time of commencement of the AGM, there is a risk, and they accept the risk, that: (i) the participation request will not reach the transfer secretaries prior to the commencement of the AGM; (ii) the transfer secretaries will not have sufficient time to send the connection details notice prior to the commencement of the AGM; or (iii) the connection details notice will not reach the qualifying shareholder (or representative or proxy) prior to the commencement of the AGM.

In relation to a participation request complying with the above requirements received by the transfer secretaries from a qualifying shareholder (or its representative or proxy):

- by **14:00 (South African Standard Time) on Monday, 07 February 2022**, the transfer secretaries will use reasonable endeavours to email the connection details notice by no later than **17:00 (South African Standard Time) on Tuesday, 08 February 2022** or
- after **14:00 (South African Standard Time) on Monday, 07 February 2022** but prior to the commencement of the AGM, the transfer secretaries will use reasonable endeavours to email the connection details notice as soon as reasonably practicable after receipt of the participation request.

For information purposes only, a guide for electronic shareholders meetings will be available on the company's website (www.sappi.com) and can also be obtained from the transfer secretaries. Should you have any further questions on electronic participation, please send an email to proxy@computershare.co.za.

Sappi will make the electronic facilities and platform available at no cost to the user. However, any third-party costs relating to the use of, or access to, the electronic facilities and platform will be for the user's account.

Notice to shareholders continued

Sappi does not accept responsibility, and will not be held liable, under any applicable law or otherwise, for:
- **any action of, or omission by, the transfer secretaries or**
- **any loss arising in any way from the use of the electronic facilities or platform including, without limitation, any malfunctioning or other failure of the facilities or platform, or any failure of any email to reach, or delay in any email reaching, its intended destination.**

Questions

The board encourages shareholders to participate and to ask questions at the AGM. In order to facilitate efficient responses to questions at the meeting, shareholders can ask questions in advance by submitting their questions in writing to the Group Company Secretary so as to be received by **17:00 (South African Standard Time) on Friday, 28 January 2022** at:

108 Oxford Road
Houghton Estate
Johannesburg, 2198
South Africa
or
PO Box 52264
Saxonwold, 2132
South Africa
or
By email to ami.mahendranath@sappi.com

By order of the board
Secretaries: per A Mahendranath
Group Company Secretary
Sappi Southern Africa Limited
108 Oxford Road
Houghton Estate
Johannesburg, 2198
South Africa

17 December 2021

Notes

1. Directors retiring by rotation who are seeking re-election

Stephen Robert Binnie (Steve) (54)
(Chief Executive Officer (CEO))

Qualifications: BCom, BAcc, CA(SA), MBA
Nationality: British
Appointed: September 2012

Sappi board committee memberships
- Social, Ethics, Transformation and Sustainability Committee
- Attends meetings of all other board committees by invitation

Skills, expertise and experience
Mr Binnie was appointed CEO of Sappi in July 2014. He joined Sappi in July 2012 as CFO designate and was appointed CFO and Executive Director from 01 September 2012. Before joining Sappi, he held various senior finance roles and was previously CFO of Edcon for 10 years after having been in a senior finance role at Investec Bank Limited for four years.

James Michael Lopez (Jim) (62)
(Independent)

Qualifications: BA (Economics)
Nationality: American
Appointed: March 2019

Sappi board committee memberships
Social, Ethics, Transformation and Sustainability Committee

Skills, expertise and experience
Mr Lopez is the former President and CEO of Tembec Inc (2006 to 2017) having progressed through management, senior management and executive positions in Tembec since 1989. In 2017, Mr Lopez successfully negotiated the sale of Tembec Inc, a manufacturer of lumber, pulp, paper/paperboard and speciality cellulose and a global leader in sustainable forest management practices. Mr Lopez previously served as Co-Chairperson of the Bi-National Softwood Lumber Council. Previous Chairmanships included the Softwood Lumber Board, Forest products Innovation, Ontario Forest Products Association and Forest Products Association of Canada.

Brian Richard Beamish (Brian) (64)
(Independent)

Qualifications: BSc (Mech Eng): HBS PMD
Nationality: British and South African
Appointed: March 2019

Sappi board committee memberships
- Social, Ethics, Transformation and Sustainability Committee
- Human Resources and Compensation Committee

Other board and organisation memberships
- Nordgold (Member of the Audit and Risk Committee and Remuneration Committee, as well as Chairperson of the Safety and Sustainable Development Committee)

Skills, expertise and experience:
Mr Beamish is a qualified mechanical engineer with over 40 years of relevant management, business and leadership experience in capital-intensive industries. He was appointed to the Lonmin board in 2013 and served as Chairperson from May 2014 until June 2019 when the corporate action with Sibanye Stillwater concluded. He also served as Chair of the Nomination Committee and as a member of the Remuneration and Safety, Health and Environment Committees. His senior executive career was spent within Anglo American, where his final role until retirement was Group Director Mining and Technology, before which he was the CEO of the Base Metals division.

Shareholders' diary

Annual General Meeting	09 February 2022
First quarter results released	February 2022
Second quarter and half-year results released	May 2022
Third quarter results released	August 2022
Financial year end	September 2022
Preliminary fourth quarter and year results	November 2022
Annual integrated report posted to shareholders and posted on website	December 2022

Proxy form

for the Annual General Meeting

Sappi Limited

(Registration number: 1936/008963/06)
JSE share code: SAP
ISIN: ZAE000006284
(Sappi or the Company)

For use **only** by shareholders who:

- hold shares in certificated form, or
- hold dematerialised shares (ie where the paper share certificates have been replaced with electronic records of ownership under the JSE's electronic settlement system and are recorded in Sappi's sub register with own name registration (ie shareholders who have specifically instructed their Central Securities Depository Participant (CSDP) or broker to record the holding of their shares in their own name in Sappi's sub register).

If you are unable to attend the eighty-fifth (85th) annual general meeting of the Company to be held at **14:00 (South African Standard Time). on Wednesday, 09 February 2022** through electronic communication, you should complete and return this form of proxy. The Annual General Meeting, and any resumption thereof pursuant to an adjournment or recommencement thereof pursuant to a postponement, is referred to hereinafter as the AGM. It is requested, for administrative reasons, that this form of proxy be sent to Computershare Investor Services Proprietary Limited, the transfer secretaries of the company (transfer secretaries) by email, post or physical delivery, to the addresses set out later on in the form of proxy, to be received by no later than **14:00 (South African Standard Time) on Monday, 07 February 2022**. If a certificated shareholder or own-name dematerialised shareholder does not email, post or deliver forms of proxy to the transfer secretaries to be received by that time, such shareholder will nevertheless be entitled to email, post or deliver the form of proxy to the transfer secretaries to be received prior to the commencement of the AGM.

Beneficial owners of Sappi shares who have dematerialised their Sappi shares and who are not registered as own name dematerialised shareholders and who wish to:

- attend the AGM (electronically) must instruct their CSDPs or brokers to provide them with a letter of representation to enable them to attend such meeting, or
- vote at, but not to attend, the AGM, must provide their CSDPs or brokers with their voting instructions in terms of the relevant custody agreement between them and their CSDPs or brokers.

Such beneficial owners must not complete this form of proxy.

I/We (please print names in full) _____

of (address) _____

Telephone/Cellphone number: _____

Email address: _____

being a shareholder(s) of Sappi holding _____ Sappi shares and entitled to vote at the AGM, hereby appoint

or failing him/her _____

or failing him/her _____

or failing him/her, the chairperson of the meeting as my/our proxy to attend, speak and vote for me/us on the resolutions to be proposed (with or without modification) at the AGM, as follows:

	Number of shares		
	For	Against	Abstain
Ordinary resolution number 1 – Re election of the directors retiring by rotation in terms of Sappi's Memorandum of Incorporation			
Ordinary resolution number 1.1 – Re-election of Mr SR Binnie as a director of Sappi			
Ordinary resolution number 1.2 – Re-election of Mr JM Lopez as a director of Sappi			
Ordinary resolution number 1.3 – Re-election of Mr BR Beamish as a director of Sappi			
Ordinary resolution number 2 – Election of Audit and Risk Committee members			
Ordinary resolution number 2.1 – Election of Mr NP Mageza as member and chairperson of the Audit and Risk Committee			
Ordinary resolution number 2.2 – Election of Ms ZN Malinga as a member of the Audit and Risk Committee			
Ordinary resolution number 2.3 – Election of Dr B Mehlomakulu as a member of the Audit and Risk Committee			
Ordinary resolution number 2.4 – Election of Mr RJAM Renders as a member of the Audit and Risk Committee			

Proxy form continued

	Number of shares		
	For	Against	Abstain
Ordinary resolution number 3 – Re-appointment of KPMG Inc as auditors of Sappi for the year ending 2022 and until the conclusion of the next Annual General Meeting of Sappi			
Ordinary resolution number 4 – Non-binding endorsement of remuneration policy			
Ordinary resolution number 5 – Non-binding endorsement of remuneration implementation report			
Special resolution number 1 – Non-executive directors' fees			
Special resolution number 2 – Loans or other financial assistance to related or inter-related companies			
Ordinary resolution number 6 – Authority for directors and Group Company Secretary to sign all documents and do all such things necessary to or reasonably desirable for or incidental to the implementation of the above resolutions			

Insert X in the appropriate block if you wish to vote all your shares in the same manner. If not, insert the number of votes in the appropriate block. If no indication is given, the proxy will vote as he/she thinks fit.

Signed at _____ this _____ day of _____

Signature _____

Assisted by me, where applicable (name and signature) _____

Please read the notes and instructions on the following pages.

Notes to the form of proxy

1. This form of proxy is only to be completed by certificated shareholders and own-name dematerialised shareholders.

2. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space provided, provided that, in the case of concurrent proxies, this form of proxy clearly states the order in which the concurrent proxies votes are to take precedence in the event that both or all of the concurrent proxies are present, and vote, at the AGM. If such order is not set out and the chairperson is permitted to, and does, waive such non-compliance, then the person whose name stands first on this form of proxy and who is present at the AGM will be entitled to act to the exclusion of those whose names follow.

3. A shareholder may appoint more than one proxy to exercise voting rights attached to different shares held by the shareholder.

4. On a show of hands, every shareholder present or represented by proxy or by representative shall have only one vote irrespective of the number of shares such shareholder holds. On a poll, every shareholder present or represented by proxy or by representative shall be entitled to cast one vote per share held.

5. A shareholder's instructions to the proxy must be indicated by inserting the relevant numbers of votes exercisable by the proxy in the appropriate box or by inserting X should the shareholder wish to vote all shares held by it. Failure to comply will be deemed to authorise the proxy to vote or to abstain from voting, as the case may be, in respect of all the shareholder's votes, in such manner as the proxy decides. A shareholder or the proxy is not obliged to exercise all the votes exercisable by the shareholder or by the proxy, but the total of votes cast and in respect of which abstention is recorded may not exceed the total of votes exercisable by the shareholder or by the proxy.

6. Forms of proxy must be dated and signed by the shareholder appointing a proxy.

7. It is requested, for administrative reasons, that this form of proxy be sent to the transfer secretaries, in accordance with the details provided below, so as to reach the transfer secretaries by no later than **14:00 (South African Standard Time) on Monday, 07 February 2022:**

   Hand deliveries to:
   Computershare Investor Services Proprietary Limited
   Rosebank Towers, 15 Biermann Avenue, Rosebank
   Johannesburg, 2196
   South Africa

   Postal deliveries to:
   Computershare Investor Services Proprietary Limited
   Private Bag X9000, Saxonwold, Johannesburg, 2132, South Africa

   Email deliveries to: proxy@computershare.co.za

   If a certificated shareholder or own-name dematerialised shareholder does not email, post or deliver forms of proxy to the transfer secretaries to be received by that time, such shareholder will nevertheless be entitled to email, post or deliver the form of proxy to the transfer secretaries to be received prior to the commencement of the AGM.

8. Completing and lodging this form of proxy will not preclude the relevant shareholder from attending the AGM and speaking and voting in person to the exclusion of any proxy appointed in terms hereof.

9. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity or other legal capacity must be attached to this form of proxy, unless previously recorded by the transfer secretaries or waived by the chairperson of the AGM.

10. The completion of blank spaces need not be initialled. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.

11. If any shares are jointly held, all joint shareholders must sign this form of proxy. If more than one of those shareholders is present at the AGM either in person or by proxy, the person whose name appears first in the securities register will be entitled to vote to the exclusion of the others.

Notes to the form of proxy continued

12. Despite the aforegoing, the chairperson of the AGM may waive any formalities that would otherwise be a prerequisite for a valid form of proxy.

Transfer secretaries' offices

South Africa

Computershare Investor Services Proprietary Limited
(Registration number: 2004/003647/07)
Rosebank Towers, 15 Biermann Avenue, Rosebank
Johannesburg, 2196, South Africa
(Private Bag X9000, Saxonwold, 2132, South Africa)
Tel: +27 11 370 5000
Email: proxy@computershare.co.za

Summary of terms of section 58(8)(b)(i) of the South African Companies Act, 2008, as amended

Section 58(8)(b)(i) provides that the form of proxy supplied by a company for the purpose of appointing a proxy must bear a reasonably prominent summary of the rights established by section 58 of the Companies Act, 2008, as amended, which summary is set out below:

- A shareholder of a company may, at any time, appoint any individual, including an individual who is not a shareholder of that company, as a proxy to, among other things, participate in, and speak and vote at, a shareholders meeting on behalf of the shareholder.
- A shareholder may appoint two or more persons concurrently as proxies; provided that Sappi's Memorandum of Incorporation requires that the instrument appointing the concurrent proxies clearly states the order in which the concurrent proxies votes are to take precedence in the event that both or all of the concurrent proxies are present, and vote, at the relevant meeting.
- A shareholder may appoint more than one proxy to exercise voting rights attached to different securities held by the shareholder.
- A proxy may delegate the proxy's authority to act on behalf of the shareholder to another person. Note however that Sappi's Memorandum of Incorporation prohibits such delegation.
- A proxy appointment must be in writing, and dated and signed by the shareholder, and remains valid only until the meeting (including any resumption thereof pursuant to an adjournment or recommencement thereof pursuant to a postponement) ends, unless the proxy appointment is revoked, in which case the proxy appointment will be cancelled with effect from such revocation.
- A shareholder may revoke a proxy appointment in writing.
- A proxy appointment is suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder.
- A proxy is entitled to exercise, or abstain from exercising, any voting right of the shareholder without direction, except to the extent the form of proxy provides otherwise.

Administration

Sappi Limited
Registration number: 1936/008963/06
JSE code: SAP
ISIN code: ZAE 000006284

Group Company Secretary
Ami Mahendranath

Secretaries
Sappi Southern Africa Limited
108 Oxford Road
Houghton Estate
Johannesburg, 2198
South Africa

PO Box 52264
Saxonwold, 2132
South Africa

Tel +27 (0)11 407 8464
Ami.Mahendranath@sappi.com
www.sappi.com

Transfer secretaries
Computershare Investor Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank, 2196
South Africa

Private Bag X9000
Saxonwold, 2132
South Africa

Tel +27 (0)11 370 5000
Fax +27 (0)11 688 5238
proxy@computershare.co.za
www.computershare.com

Corporate affairs
André Oberholzer
Group Head Corporate Affairs
Tel +27 (0)11 407 8044
Andre.Oberholzer@sappi.com

Investor relations
Tracy Wessels
Group Head Investor Relations and Sustainability
Tel +27 (0)11 407 8391
Tracy.Wessels@sappi.com

JSE Sponsor
UBS South Africa Proprietary Limited
144 Oxford Road
8th Floor South Wing
Melrose
Johannesburg
2196

PO Box 522194
Saxonwold
Rosebank
2196

Tel +27 (0)11 322 7000
Fax +27 (0)11 784 8280

United States ADR depositary
BNY Mellon Shareowner Services
PO Box 505000
Louisville, KY 40233-5000
United States of America

462 South 4th Street
Suite 1600
Louisville, KY 40202
United States of America

shrrelations@cpushareownerservices.com
www.mybnymdr.com

Forward-looking statements

Certain statements in this release that are neither reported financial results nor other historical information are forward-looking statements, including but not limited to statements that are predictions of or indicate future earnings, savings, synergies, events, trends, plans or objectives. The words "believe", "anticipate", "expect", "intend", "estimate", "plan", "assume", "positioned", "will", "may", "should", "risk" and other similar expressions, which are predictions of or indicate future events and future trends and which do not relate to historical matters, may be used to identify forward-looking statements. You should not rely on forward-looking statements because they involve known and unknown risks, uncertainties and other factors which are in some cases beyond our control and may cause our actual results, performance or achievements to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements (and from past results, performance or achievements). Certain factors that may cause such differences include but are not limited to:

- the highly cyclical nature of the pulp and paper industry (and the factors that contribute to such cyclicality, such as levels of demand, production capacity, production, input costs including raw material, energy and employee costs, and pricing);
- the Covid-19 pandemic
- the impact on our business of adverse changes in global economic conditions
- unanticipated production disruptions (including as a result of planned or unexpected power outages)
- changes in environmental, tax and other laws and regulations
- adverse changes in the markets for our products
- the emergence of new technologies and changes in consumer trends including increased preferences for digital media
- consequences of our leverage, including as a result of adverse changes in credit markets that affect our ability to raise capital when needed
- adverse changes in the political situation and economy in the countries in which we operate or the effect of governmental efforts to address present or future economic or social problems
- the impact of restructurings, investments, acquisitions, dispositions and other strategic initiatives (including related financing), any delays, unexpected costs or other problems experienced in connection with dispositions or with integrating acquisitions or implementing restructuring and other strategic initiatives and achieving expected savings and synergies, and
- currency fluctuations.

We undertake no obligation to publicly update or revise any of these forward-looking statements, whether to reflect new information or future events or circumstances or otherwise.

www.sappi.com
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