2021 RISK REPORT

sappi

Risk factors

In addition to other information in our annual integrated report, you should carefully consider the following factors before deciding to invest in our ordinary shares. The following summary is dated 06 December 2021 and describes many of the risks that could affect Sappi Limited. However, the risks and uncertainties our company faces are not limited to those described below.

There may be additional risks that we do not know of or deem immaterial based on information available to us at the date of this summary that may also adversely affect our business. Our business, financial condition and results of operations could be materially adversely affected by any of these risks, resulting in a decline in the trading price of our ordinary shares.

Risks related to our industry

We operate in a cyclical industry, which has in the past resulted in substantial fluctuations in our results.

The markets for our pulp and paper products are commodity markets and are affected by changes in industry capacity and output levels as well as by cyclical changes in the world economy. As a result of periodic supply and demand imbalances in the pulp and paper industry, historically these markets have been highly cyclical, with volatile pulp and paper prices.

In recent years, turmoil in the capital and credit markets, coupled with uncertainty created by economic and geopolitical developments such as those resulting from the Covid-19 pandemic, Brexit and changing trade practices in the United States, have had a continued adverse effect on the world economy. These developments have consequently affected, and may continue to adversely affect, the markets for our products insofar as they cause decreases in demand for our products and/or decreases in achievable selling prices. The timing and magnitude of demand and price fluctuations in the pulp and paper market have generally varied by region and by type of pulp and paper. Prolonged or significant imbalances between supply of and demand for our core products may require us to impair operating assets and implement capacity reduction measures.

A significant increase in the prices for pulp or pulpwood could adversely affect our non-integrated and partially integrated operations should they be unable to raise paper prices sufficiently to offset the effects of increased input costs. Increases in other input costs including (but not limited to) those for energy and chemicals may affect our operations if we are unable to raise paper prices sufficiently.

Most of our dissolving pulp sales' contracts are multi-year contracts. The price terms under most of those contracts are reset on a quarterly basis. Because of the short-term duration of paper and dissolving pulp pricing arrangements, we are subject to cyclical decreases in market prices for these products. We have received in the past, and may in the future receive, customer requests to reduce contracted dissolving pulp volumes. These requests have adversely affected our profitability and could continue to do so in the future.

A downturn in paper or dissolving pulp prices or a prolonged period of depressed market prices for these products, including any repeated deterioration of current market prices for dissolving pulp, could have a material adverse effect on our business, results of operations and financial condition.

We face risks related to the Covid-19 pandemic, which may have material adverse effects on our business, financial position, results of operations and cash flows.

Beginning in December 2019, a new strain of the coronavirus (Covid-19) spread rapidly throughout the world. This pandemic and associated governmental responses have adversely affected workforces, consumer sentiment, economies and financial markets, and, together with decreased consumer spending, have led to an economic downturn in many of our markets, which may persist even after certain restrictions related to Covid-19 are eased.

The Covid-19 pandemic and actions taken by governments across the world to reduce the spread of the virus have created significant uncertainty in the markets in which we operate. The pandemic and such actions have had, and are likely to continue to have, negative impacts on our business, such as causing significant declines in demand for our products, changes in consumer behaviour and preferences, disruptions in our manufacturing and supply chain operations, lower capacity utilisation and/or unscheduled downtime or shutdowns at some or all of our facilities, disruptions to our capital expenditure initiatives, limitations on our employees' ability to work and travel, significant changes in the economic or political conditions in markets in which we operate and related currency and commodity volatility, restrictions on our access to sources of liquidity, reductions or withdrawals of credit insurance coverage, and unfavourable working

capital movements. The closure of many clothing retailers, print media and printing businesses and corporate and business offices due to lockdowns and social distancing directives implemented in various forms across the world, as well as reductions in marketing and advertising spending and print media circulation, have had a substantial impact on demand for textiles and print media, and consequently on dissolving pulp and graphic paper. Declines in demand for our dissolving pulp and graphic paper products have had, and may continue to have, an adverse impact on our business, results of operations and financial condition.

As shutdowns spread across different countries and industries, supply of key raw materials may be negatively impacted. In addition, our customers, service providers or suppliers may experience financial distress, file for bankruptcy protection or insolvency, go out of business, or suffer disruptions in their businesses due to the outbreak of Covid-19. In each case, these developments could have a negative impact on our business, results of operations and financial condition. Elevated inventory levels throughout our supply chain through to end markets as a result of the Covid-19 pandemic may also adversely affect our business and the businesses of our customers. These include delaying the impact of any recovery in economic conditions following any easing of lockdown and social distancing measures by governments in the markets in which we operate as existing inventories are sold off. Many of our customers have also been unable to take delivery of ordered products during the pandemic and have requested us to retain such products, which has placed additional demands on our warehousing capacity. An outbreak of Covid-19 within our workforce could result in disruptions in our operations and unscheduled downtime or shutdowns at some or all of our facilities. Due to the pandemic, certain of our capital expenditure projects have been disrupted. Although the duration of such disruptions is uncertain, such disruptions are likely to result in delays to the realisation of expected benefits from such projects and may result in increased costs to complete such projects.

The extent to which the Covid-19 pandemic will continue to impact our results depends on the scale, duration, severity and geographic reach of future developments, all of which are highly uncertain and cannot be predicted, including notably the possibility of a recurrence or 'multiple waves' of the outbreak or the emergence of new strains of the virus. The ultimate impact of the Covid-19 pandemic will also depend on any new information which may emerge concerning the severity of the Covid-19 pandemic, its impact on customers, end-users and suppliers, how quickly normal economic conditions, operations and demand for our products can resume, the efficacy and availability of vaccinations, the severity of the current recession, any permanent behavioural changes that the pandemic may cause and any additional actions to contain the spread or mitigate the impact of the outbreak, whether government-mandated or elected by us. The future impact of Covid-19 developments will be greater if the regions and markets that are most profitable for us are particularly affected. These disruptions could have a material adverse effect on our business, financial condition and results of operations.

The markets for pulp and paper products are highly competitive and some of our competitors have advantages that may adversely affect our ability to compete with them.

We compete against many pulp and paper producers located around the world. A trend towards consolidation in the pulp and paper industry has created larger, more focused pulp and paper companies. Some of these companies benefit from greater financial resources or operate mills that produce pulp and paper products at a lower cost than our mills, or benefit from government subsidies. Some of our competitors also have advantages over us, including lower raw material, energy and labour costs and fewer environmental and other governmental regulations with which to comply. As a result, we cannot assure you that each of our mills will remain competitive. Furthermore, we cannot assure you that we will be able to take advantage of consolidation opportunities which may arise, or that any failure to exploit opportunities for growth would not make us less competitive. Increased competition, including as a result of a decrease in import duties in accordance with the terms of free trade agreements or any potential revocation or non-renewal of the imposition of anti-dumping duties on Chinese and Indonesian coated paper imports into the United States by the US International Trade Commission, could cause us to lose market share, increase expenditures or reduce pricing, any of which could have a material adverse effect on the results of our operations. In addition, competition may result from our inability to increase the selling prices of our products sufficiently or in time to offset the effects of increased costs, which could lead to a loss in market share. In addition, aggressive pricing by competitors may force us to decrease prices in an attempt to maintain market share.

Developments in digitalisation, including media alternatives to newsprint and paper advertising, the declining use of graphic papers and related changes in consumer preferences may affect the demand for our products.

Consumer preferences may change as a result of the availability of alternative products or services, including less expensive product grades, or as a result of pressure from consumers for more environmentally friendly solutions. In addition, trends in advertising, electronic data transmission and storage, mobile devices and the internet could have adverse effects on traditional print media and other paper applications, including our products and those of our customers. Over the last 10 to 15 years, the pulp and paper industry has encountered a growing transformation in consumer preferences. During this time, readership and circulation of newspapers and magazines have been declining; meanwhile, accessibility to, and use of, the internet has increased and mobile devices have become commonplace. As a result, digital alternatives to many traditional paper applications are now readily available and have begun to adversely affect

demand for certain paper products. While the extent of these trends cannot be predicted with certainty, competition from electronic media, for example, has led and may continue to lead to weaker demand for certain of our products, including coated woodfree and mechanical paper historically used in print publishing and advertising. The trend of digitalisation may further accelerate in response to the Covid-19 pandemic, with significant proportions of the populations in our markets working remotely and consuming less print media for the duration of governmental lockdown and social distancing measures implemented in response to the pandemic, and any such trend may persist following the Covid-19 pandemic. In the face of such structurally declining demand for graphic papers, any failure to grow our packaging and speciality papers and dissolving pulp businesses could have a material adverse effect on our results of operations, prospects and financial condition.

Global economic conditions could adversely affect our business, results of operations and financial condition.

In the past, demand for our paper products declined and pulp prices and demand decreased during times of global economic recession. Economic recession, sovereign debt crises and other macro-economic events have in the past led, and may in future lead, to slower economic activity, inflation and deflation concerns, reduced corporate profits, reduced or cancelled capital spending, adverse business conditions and liquidity concerns resulting in significant recessionary pressures, increased unemployment and lower business and consumer confidence.

The outlook for the world economy is currently subject to significant uncertainty, particularly in light of the impact of the ongoing Covid-19 pandemic, which may lead to prolonged periods of economic uncertainty, downturn, recession or depression in many of the countries in which we and our customers operate. Renewed waves or the discovery of new strains of Covid-19 may adversely affect global growth. A significant risk remains that measures taken by governments and central banks may not prevent the global economy from further decline. Any such downturn, recession or depression could have a material adverse effect on our business, results of operations and financial condition. We cannot predict the timing, duration or effect of any other downturn in the economy that may occur in the future. These economic risks and others that we may not anticipate could adversely affect the group's business, results of operations, financial condition or prospects.

New technologies may affect our ability to compete successfully.

We believe that new technologies or novel processes may emerge and that existing technologies may be further developed in the fields in which we operate. These technologies or processes could have an impact on production methods or on product quality in these fields. Unexpected rapid changes in employed technologies or the development of novel processes that affect our operations and product range could render the technologies we utilise or the products we produce obsolete or less competitive in the future. Difficulties in assessing new technologies may impede us from implementing them and competitive pressures may force us to implement these new technologies at a substantial cost. Any such development could materially and adversely affect the results of our operations.

Innovation and the development of new products to meet customer expectations play an important role in our industry, in particular in growing segments such as packaging and speciality papers. Failure to invest in research and development or to proactively develop new products or processes may negatively affect our ability to compete successfully. In particular, the packaging and speciality papers business is characterised by a high level of customisation and specialisation to meet specific customer requirements. Further, our competitors may have greater financial or other resources that allow them to develop or otherwise access new products or processes before we do. In order to compete successfully, we must continually develop and introduce new products and services in a timely manner to keep pace with technological and regulatory developments and achieve customer acceptance. We may not be able to respond to these competitive pressures or acquire or develop new technologies in a timely basis or at an acceptable cost. In addition, the services and products that we provide to customers may not meet the needs or preferences of our customers. If we do not assess and respond to changing customer expectations, preferences and needs, in a timely manner, our financial condition, results of operations or cash flows could be adversely affected.

In addition, we are exposed to risks that are inherent to innovation and new technologies, such as those related to customer acceptance of new products. Therefore, we may incur certain costs relating to developing and marketing new products and we cannot guarantee that the profitability of or demand for such products will meet our expectations.

The cost of complying with or addressing liabilities under environmental, health and safety laws may be significant.

Our operations are subject to a wide range of requirements, including conditions contained in our permits, arising from environmental, health and safety laws and regulations in the various jurisdictions in which we operate. Such laws and regulations govern, among other things, water supply and consumption, the use of renewable and other fuels, the control and reduction of air emissions (including greenhouse gases) and water discharges, the management, reduction and disposal of hazardous and solid wastes, the clean-up of contamination, the protection of fisheries and other natural resources (including biodiversity), the purchase and use of safety equipment, workplace safety training and the monitoring of workplace hazards.

Although we strive to ensure that our facilities comply with all applicable environmental requirements, including any permits required for our operations, we have in the past been, and may in the future be, subject to governmental enforcement actions or other claims or sanctions for failure to comply

with environmental requirements. In addition, impacts from historical or current operations, such as the land disposal of waste materials, including materials alleged to contain chemicals known as PFAS or PFOA, or unpermitted releases of hazardous materials, may require costly environmental investigation and clean-up. We could also become subject to liability claims alleging personal injury, property damage or natural resources damages, and could be required to incur material costs should we be determined to be responsible for such injuries or damages. Expenditures to comply with future environmental, health and safety requirements and the costs related to addressing any alleged or actual environmental, health and safety liabilities, sanctions and claims could have a material adverse effect on our business and financial condition.

We expect to continue to incur significant expenditures to maintain compliance with applicable environmental laws, to install or upgrade pollution control equipment at our mills and to meet any new regulatory requirements, including those related to mandatory waste reduction targets, potential stricter air emissions standards (including greenhouse gas reduction requirements) or carbon taxes or emissions allowances in the United States, Canada, Southern Africa and Europe. We may also face constraints or restrictions on our production, or our ability to expand production, as a result of these requirements.

In addition, we may not have identified or addressed all sources of environmental, health and safety risks, and there can be no assurances that we will not incur losses related to any such environmental, health and safety risks, that the capital and operating costs of compliance with existing and future environmental, health and safety laws and regulations will not continue to increase or that any such losses or costs incurred will not have a material adverse impact on our results of operations, financial condition or prospects.

The availability and cost of insurance cover can vary considerably from year to year as a result of events beyond our control, and this can result in us paying higher premiums and periodically being unable to maintain appropriate levels or types of insurance.

The insurance market remains cyclical and catastrophic events can change the state of the insurance market, leading to sudden and unexpected increases in premiums and deductibles and inadequacy or unavailability of coverage due to reasons unconnected with our business. In addition, the ongoing Covid-19 pandemic may result in changes in the structure and practices of the insurance market, result in an increasing frequency of disputes with insurers or otherwise result in an inability to recover from our insurance providers. Furthermore, volatility in the global financial markets can adversely affect the insurance market and could result in some of our insurers failing and being unable to pay their share of claims.

We have renewed our calendar 2021 asset and business interruption insurance cover. The maximum self-insured retention for any one property damage incident is US$24.0 million (€20.5 million), with an annual aggregate of US$38.7 million (€33.0 million). We are unable to predict whether past or future events will result in favourable terms for 2022. For property damage and business interruption insurance, cost effective cover is not generally available to full replacement value. As at September 2021, the annual limit for claims under our property damage and business interruption insurance policy was US$878.7 million (€750.0 million). If we were to experience property damage or business interruption losses in excess of any such policy limits, this could have a material adverse effect on our group's business, results of operations, financial condition or prospects. Since fiscal 2011, our property damage insurance policy has been Euro-denominated as most of our assets are based in Euro-denominated jurisdictions.

We place the insurance for our plantations on a standalone basis into international insurance markets. Fires had a significant adverse impact on our plantations in fiscal 2007 through 2010, and similarly significant adverse effects may occur in the future, which may not be covered by our insurance.

Furthermore, we may incur liabilities that are not covered by insurance. Given the diversity of our operations, we may not always be able to predict all risks to which we are exposed and as a result, we may not be covered by insurance in specific instances, including the ongoing Covid-19 pandemic. We are unable to assure you that actual losses will not exceed our insurance coverage or that such excess will not be material.

Risks related to our business

Our significant indebtedness may impair our financial and operating flexibility.

Our significant level of indebtedness and the terms of our indebtedness could negatively affect our business and liquidity. As of September 2021, our net interest-bearing debt is US$1,946 million. While reduction of our indebtedness is one of our priorities, opportunities to grow our businesses will continue to be evaluated, and the financing of any future acquisition or capital investment may include the incurrence of additional indebtedness.

The level of our debt may have significant consequences for our business, including:

- Making it more difficult for us to satisfy our obligations
- Limiting our ability to obtain additional financing, which could restrict, among other things, our ability to exploit growth opportunities
- Diverting a substantial portion of our cash flow from operations to meet debt service obligations
- Exposing us to increases in interest rates because a portion of our debt bears interest at variable rates
- Placing us at a competitive disadvantage to certain of our competitors with lower levels of indebtedness

- Increasing our vulnerability to economic downturns and adverse changes in our business
- Limiting our ability to withstand competitive pressure, and
- Restricting the activities of certain group companies under the covenants and conditions contained in certain of our financing arrangements.

Our ability to refinance our debt or incur additional debt, the terms of our existing and additional debt and our liquidity could be affected by a number of adverse developments, including as a result of turmoil in debt and other financial markets, which could result in tight credit restrictions and credit being available at higher cost.

Since 2006, the group's credit ratings have been downgraded to sub-investment grade by Standard & Poor's (S&P) and Moody's Investor Service. Moody's Investor Service affirmed our credit rating in December 2020 as Ba2 but subsequently changed its outlook to negative. Adverse developments in our credit ratings or in financial markets, including as a result of the impacts of the ongoing Covid-19 pandemic or renewed turmoil in the European sovereign debt markets, any further downgrades in South African government bonds or deterioration of general economic conditions, may affect our credit ratings or negatively impact our ability to incur additional debt as well as the amount and terms of the debt we are able to issue.

Our liquidity will be adversely affected if we must repay all or a portion of our maturing debt from available cash or through use of our existing liquidity facilities. In addition, our results of operations will be adversely impacted to the extent the terms of the debt we are able to issue are less favourable than the terms of the debt being refinanced. We may also need to agree to stricter covenants that place additional restrictions on our business. In connection with the Covid-19 pandemic, we have agreed to comply with additional covenants for the duration of the suspension of testing of the financial maintenance covenants applicable to our Revolving Credit Facility, OeKB Term Loan Facilities and Trade Receivables Securitisation Programme, including restrictions on dividend payments, maximum capital expenditure spending limits, a minimum liquidity requirement, limitations on the incurrence of indebtedness, and restrictions on acquisitions. In addition, a portion of our debt bears interest at a variable rate. Fluctuations in the applicable rates may increase our overall interest expenses and have a material adverse effect on our ability to service our debt obligations.

We are subject to South African exchange controls, which may restrict the transfer of funds directly or indirectly between our subsidiaries or between the parent company and our subsidiaries and can restrict activities of our subsidiaries. We may also incur tax costs in connection with these transfers of funds. These exchange controls have affected the geographic distribution of our debt. As a result, acquisitions in North America and Europe have typically been financed with indebtedness incurred by our subsidiaries in those regions. As a consequence, our ability or the ability of any of our subsidiaries to make scheduled payments on debt will depend on financial and operating performance, which will depend on various factors beyond our control, such as prevailing economic and competitive conditions. If we, or any of our subsidiaries, are unable to achieve operating results or otherwise obtain access to funds sufficient to enable us to meet our debt service obligations, we could face substantial liquidity problems. As a result, we might need to delay investments or dispose of material assets or operations. The timing of and the proceeds to be realised from any such disposition would depend upon the circumstances at the time.

We require a significant amount of financing to fund our business and our ability to generate sufficient cash depends on many factors, some of which are beyond our control.

Our ability to fund our working capital, capital expenditure and research and development requirements, to engage in future acquisitions, to make payments on our debt, to fund post-retirement benefit programmes and to pay dividends depends upon our future operating performance. Our principal sources of liquidity are cash generated from operations and availability under our credit facilities and other debt arrangements. Our ability to generate cash depends, to some extent, on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond our control. 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.

Our business may not generate sufficient cash flow from operations and additional debt and equity financing may not be available to us in a sufficient amount to enable us to meet our liquidity needs. If our future cash flows from operations and other capital resources are insufficient to fund our liquidity needs, we may be required to obtain additional debt or equity financing, refinance our indebtedness or reduce or delay our capital expenditures and research and development investments. We may not be able to secure such alternative funding resources on a timely basis or on satisfactory terms. The failure to do so could have a material adverse effect on our business, results of operations and financial condition.

We may not be successful in implementing, or may not realise all the expected benefits from, our strategic initiatives.

As part of our overall business strategy, we are implementing strategic initiatives to improve profitability, including high-cost capacity reductions and other cost-saving projects, as well as measures to increase production capacity and enhance productivity and investment in our dissolving pulp business and higher margin packaging and speciality papers business.

For example, in fiscal 2020 we acquired the Matane hardwood pulp mill from Rayonier Advanced Materials Inc for US$160 million. Other strategic initiatives where we incurred significant capital expenditure in fiscal 2019 include the pending project to increase the capacity of our Saiccor Mill (in South Africa), the conversion of our PM8 paper machine at our Lanaken Mill (in Belgium) to enable it to make both coated mechanical and woodfree paper production, upgrading the Gratkorn Mill (in Austria) and investments at our Ehingen Mill to

enhance its packaging and speciality papers capacity. During fiscal 2018, we acquired the speciality paper business of Cham Paper Group for US$132 million; we also significantly increased capital expenditure related to various strategic initiatives, including conversions of our paper machines at our Somerset Mill (in Maine, United States) and our Maastricht Mill (in the Netherlands) and projects to optimise production processes at our dissolving pulp plants at our Saiccor and Ngodwana Mills (in South Africa).

Any future growth, cost savings or productivity enhancements that we realise from such efforts may differ materially from our estimates, or we may not be able to implement successfully part or all of our initiatives. The benefit of cost savings or productivity enhancements that we realize may be offset, in whole or in part, by reductions in pricing or volume, or through increases in other expenses, including raw material, energy or personnel, or the demand for our products may decline.

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 additional production will commence in the first quarter of the 2022 financial year. As we increase production capacity and enhance productivity and investment in the dissolving pulp product category, our exposure to the dissolving pulp market may grow.

There can be no assurance that any initiatives will be completed as anticipated or that the benefits we expect from any strategic initiative will be achieved on a timely basis or at all.

We carry out a number of capital expenditure projects, which, if delivered late, over budget or without achieving the projected quality improvements, capacity increases or cost reductions, could materially adversely affect our results of operations, competitiveness and financial position.

In executing our strategy, we carry out a number of capital expenditure projects. During fiscal 2021, capital expenditure amounted to US$374 million. There is a risk that capital expenditure projects may not be completed on time, may not deliver the expected quality improvements, capacity increases or cost reductions or may exceed the allocated capital budget. Such effects may result from factors such as supplier performance and skill levels, ineffective project management and controls or delays in achieving customer acceptance. Any such delays, cost overruns or failures to deliver expected performance could impact our projects' financial return metrics, hamper our normal operations, delay our products' path to market, cause us to lose market share or may adversely affect our results of operations, competitiveness and financial position.

Continued volatility in equity markets and continuing low yields or increased rates of default in the bond markets could adversely affect the funded status and funding needs of our post-employment defined benefit funds.

Several global economic factors (including the ongoing Covid-19 outbreak) currently make the general outlook for the forthcoming fiscal years uncertain. The equity and bond markets (including sovereign debt markets) have been volatile and may remain volatile and move in uncertain and unusual ways in the forthcoming fiscal years leading to significant swings in the value of the assets and liabilities of our funded and unfunded defined benefit schemes.

Generally, but not always, rising corporate bond yields reduce our net balance sheet liabilities, whereas falling bond yields increase our net balance sheet liabilities. Volatility in our net balance sheet liabilities resulting from the relative change in the value of assets and liabilities may be further enhanced by investment strategies, resulting in exposure to various classes of assets.

Existing and potential changes in statutory minimum requirements may also affect the amount and timing of funding to be paid by us. Most funding requirements consider yields on assets such as government bonds or interbank interest rate swap curves, depending on the basis. Although statutory easements in the pace of funding on these bases have provided some contribution relief to us, as long as yields on these asset classes remain low, we expect to have to pay additional contributions to meet onerous minimum funding targets, which could adversely affect our financial position and results of operations.

In addition, our pension and post-retirement funds hold various bonds as part of their fund assets, including sovereign bonds issued by several Eurozone countries, Switzerland, South Africa, the United Kingdom and the United States of America, corporate bonds and sub-investment grade bonds. Any significant decline in value or default of such securities, including in the context of a renewed local or regional sovereign debt crisis or as a result of the economic impacts of the Covid-19 pandemic and associated governmental responses, could negatively affect the funded status of our post-employment defined benefit arrangements.

Fluctuations in the value of currencies, particularly the Rand and the Euro in relation to the US Dollar, have in the past had, and could in the future have, a significant impact on our results of operations.

Exchange rate fluctuations have in the past, and may, in the future, affect the competitiveness of our products in relation to the products of pulp and paper companies based in other countries.

Fluctuations in the exchange rate between currencies, particularly the Rand and Euro and, to a lesser extent, the Chinese Renminbi, in relation to the US Dollar, have in the past had, and could in the future have, a significant impact on our earnings, the competitiveness of our exports, the prices of imported competitors' products and the costs of our raw materials. Weaker Euro/US Dollar exchange rates, place pressure on our European business and a stronger Rand/US Dollar exchange rate may place margins under pressure on our Southern Africa segment, as this lowers the effective Rand pricing for dissolving pulp (which is priced in US Dollars). A weaker Renminbi compared to the US Dollar has in the past had, and may in the future have, an adverse impact on US Dollar dissolving pulp prices due to the role of the Chinese textile industry as the major global purchaser of dissolving pulp.

There are risks relating to the countries in which we operate that could adversely affect our business, results of operations and financial condition.

We own manufacturing operations in Europe, the United States, Canada and in South Africa and own plantations in South Africa. We also sell our products to customers in various countries worldwide. As a result, our operations are subject to various economic, fiscal, monetary, regulatory, operational and political conditions. Our presence in these countries exposes us to risks such as material changes in laws and regulations, political, financial and social changes and instabilities, exchange controls, risks related to relationships with local partners and potential inconsistencies between commercial practices, regulations and business models in different countries. In addition, our business may be impacted by reputational risks relating to our local partners. The occurrence of such events could adversely affect our business, results of operations and financial condition.

In South Africa, where we own and lease significant amounts of land (396,976 ha) that supply our Sappi Forests operations, we are subject to claims for restitution of land under certain land reform initiatives, such as the Restitution of Land Rights Act, 1994. More recently, there has been a debate in South Africa surrounding proposals for expropriation of land without compensation, such as an amended draft Expropriation Bill. In addition to the Expropriation Bill, the governing party and several minority opposition parties are in favour of a Constitutional amendment relating to land reform, including expropriation without compensation in appropriate circumstances. Any change in such land reform policies or delays in processing land claims and approving settlements by the South African authorities may increase our costs and adversely affect our business, results of operations and financial condition.

Uncertainties relating to international trade policies, new tariffs and other trade measures may adversely affect our business, results of operations and financial condition.

A substantial proportion of the products we manufacture in our European, North American and Southern African operations are destined for export to other countries worldwide, in particular in Asia. As a result, our business may be impacted by uncertainties related to international trade policies, such as the tariffs dispute between the United States and China. For example, in 2018, the US government imposed tariffs on a broad range of products imported into the United States from China and the European Union. In response to the tariffs imposed by the United States, the European Union and China announced tariffs on US goods and services. China has increased tariffs on the casting release paper made at our Westbrook Mill in the United States. As a result, our customers in China must pay such tariffs. Similarly, the products our customers make with our casting release paper are subject to tariffs upon entry into the United States. Any escalation of the trade dispute between the United States and China or the European Union and any corresponding tariffs, additional tariffs or other trade restrictions may adversely affect the price competitiveness of either our or our customers' products, increase costs or lead to reduced activity and investment levels in our or our customers' industries in general, which could adversely affect our business, results of operations and financial condition.

On 23 June 2016, a majority of voters in the United Kingdom opted to withdraw from the European Union in a national referendum and on 31 January 2020, the United Kingdom withdrew from the European Union (Brexit). On 24 December 2020, it was announced that a draft trade and cooperation agreement had been agreed between the United Kingdom government and the European Commission. This agreement had provisional application as of 1 January 2021, was ratified on 30 December 2020 by the UK Parliament and has been approved by the European Parliament. Economic instability caused by Brexit could adversely affect our business, results of operations and financial condition. In addition, while barriers to trade between the United Kingdom and the European Union have increased as a result of Brexit, the United Kingdom may negotiate trade agreements with other countries, which could result in improved market access for our non-EU competitors and adversely affect our market share in the United Kingdom.

The inability to recover increasing input costs through increased prices of our products has had, and may continue to have, an adverse impact on our profitability.

The selling prices of the majority of the products we manufacture and the purchase prices of many of the raw materials we use generally fluctuate in correlation with global commodity cycles. We have in the past experienced, and may in the future experience, increasing costs of a number of raw materials due to global trends beyond our control.

In some countries, electricity generation companies are competing for the same raw materials, namely wood and wood chips, in the same markets as us, driving prices upwards, especially during winter in the Northern hemisphere. Although oil prices have significantly decreased from the historical highs of 2008, they could return to high levels in the future because of, among other things, political instability in the oil-producing regions of the world. This impacts the oil-based commodities required by our business in the areas of energy (including electricity), transport and chemicals.

As has occurred in previous years, a major potential consequence of the increase in the price of input commodities is our inability to counter this effect through increased selling prices, resulting in reduced operating profit and negatively affecting business planning.

While we continue to implement procedures to reduce our cost of commodity inputs, the hedging techniques we apply on our raw materials and products are on a small scale and short-term in nature, other than our maintenance of a high level of economic pulp integration. Moreover, in the event of significant increases in the prices of pulp, our non-integrated and partially integrated operations could be adversely affected if they are unable to raise paper prices by amounts sufficient to maintain margins, or if they are only able to implement such price increases with a certain lag time relative to input cost increases.

If we are unable to obtain energy or raw materials at reasonable prices, or at all, it could adversely affect our operations.

We require substantial amounts of oil-based chemicals, fuels, water and other raw materials for our production activities and transportation of our timber and other products. We rely partly upon third parties for our supply of the energy resources and, to a certain extent, timber and pulp, which are consumed in our operations. In addition, our operations are dependent on access to electricity generated by local utilities and power plants, which can at times be unpredictable. Eskom, the state-owned electricity company in South Africa, has in recent years struggled to meet demand and, in some cases, has requested that we reduce our demand, leading to temporary shutdowns of certain of our South African production facilities. The prices for and availability of these energy supplies, water and raw materials may be subject to change or curtailment, respectively, due to, among other things, new laws or regulations, imposition of new taxes or tariffs, interruptions in production by suppliers, worldwide price levels, drought or other severe weather and market conditions.

Environmental litigation aimed at protecting forests and species habitats as well as regulatory restrictions on cutting or harvesting may cause significant reductions in the amount of timber available for commercial harvest in the future. In addition, future legal challenges and regulations concerning the promotion of forest health and the response to and prevention of wildfires could affect timber supplies in the jurisdictions in which we operate. For example, in Canada, affected Indigenous communities and other stakeholders are required to be consulted, and potentially accommodated, in connection with the grant of timber rights in public forests. The availability of harvested timber may further be limited by factors such as fire, insect infestation, disease, ice and wind storms, droughts, floods and other natural and man-made causes, thereby reducing supply and increasing prices.

The prices of various sources of energy supplies and raw materials have significantly increased in the past and may further increase significantly from current levels in the future. An increase in energy and raw material prices could materially adversely affect our results of operations, plantation valuation and financial condition.

A limited number of customers account for a significant amount of our revenues.

We sell a significant portion of our products to several significant customers, including Antalis, Birla, Igepa, INAPA, Lenzing, Lindenmeyr and Veritiv. As a significant portion of our sales revenue is generated through sales to a limited number of customers, any adverse development affecting our significant customers or our relationships with such customers could have an adverse effect on our credit risk profile, our business and results of operations. In addition, we rely globally on credit insurance for our arrangements with certain customers. Our credit insurer had reduced cover on certain of our customers following the outbreak of Covid-19. The withdrawal or unavailability of such credit insurance may impact our ability to engage with such customers.

Adverse changes to economic or market conditions could have a negative impact on our significant customers, which in turn could materially adversely affect our results of operations and financial position.

Adverse changes in economic conditions have had, and may continue to have, a negative impact on our significant customers. Such changes cannot be predicted and their impacts may be severe, including such customers experiencing financial distress, filing for bankruptcy protection or insolvency, going out of business, or otherwise suffering disruptions in their businesses, which could in turn have a negative impact on our business. A disruption in the ability of our significant customers to access sources of liquidity could also cause serious disruptions or an overall deterioration of their businesses, which could lead to a significant reduction in their future orders of our products and the inability or failure on their part to meet their payment obligations to us, any of which could have a material adverse effect on our results of operations and financial position. Similarly, sustained adverse changes in market conditions for our significant customers' products, such as lower demand, lower prices or increased competition, could also reduce future orders of our products and have a material adverse effect on our results of operations and financial position. Our customers may experience financial distress, file for bankruptcy protection or insolvency, go out of business, or suffer disruptions in their businesses due to the outbreak of Covid-19 and associated government responses, and we expect an increase in our allowance for credit losses, which in each case could have a negative impact on our business,

results of operations and financial condition. If low prices and weak margins prevail in the market for viscose staple fibre, or if prices for competing fibres in the textile industry such as cotton and polyester were to decrease significantly, our dissolving pulp business could be adversely affected.

Such adverse changes could also lead to consolidation in the industries in which our significant customers participate, as evidenced by the current trend towards consolidation in the North American print, publishing and distribution industries. Such consolidation could increase our dependence on a few key customers, which could lead to less favourable terms and lower sales prices for our products.

Because of the nature of our business and workforce, we may face challenges in the retention of staff and the employment of skilled people that could adversely affect our business.

We are facing an ageing demographic work profile among our staff due to the mature nature of our industry and the rural and often remote location of our mills, together with the generally long tenure of employees at the mills. As a result, we are likely to experience groups of employees leaving the company within a relatively short space of time of one another and may have difficulty attracting qualified replacements. The potential risks we face are a loss of institutional memory, skills, experience and management capabilities. We may be unable to attract and retain sufficient qualified replacements when and where necessary to avoid an adverse impact on our business. In certain regions, low unemployment rates also make it more difficult to find local resources and skills.

A large percentage of our employees are unionised and wage increases or work stoppages by our unionised employees may have a material adverse effect on our business.

A large percentage of our employees are represented by labour unions under collective bargaining agreements, which need to be renewed from time to time. In addition, we have in the past sought and may in the future seek, or be obligated to seek, agreements with our employees regarding workforce reductions, closures and other restructurings. We may not be able to negotiate acceptable new collective bargaining agreements or future restructuring agreements, which could result in labour disputes. Also, we may become subject to material cost increases or additional work rules imposed by agreements with labour unions. This could increase expenses in absolute terms and/or as a percentage of sales.

Although we believe we have good relations with our employees, work stoppages or other labour disturbances have occurred in the past, and may occur in the future, which could adversely impact our business. Any strike actions or other labour disruptions, or any related negotiations that result in onerous terms for us, may have an adverse effect on our business and profitability.

The prevalence of HIV/AIDS, specifically in Africa, exposes us to certain risks, which may have an adverse effect on our Southern African operations.

The Southern African region has one of the highest infection rates of HIV/AIDS in the world. Although we initiated a comprehensive HIV/AIDS management programme in the early 1990s to address the effects of the disease and its impact on our employees and our business, our operations, and in particular our Southern African operations, continue to be exposed to certain risks related to the HIV/AIDS pandemic. We incur and will continue to incur costs related to the prevention, detection and treatment of the disease. However, we cannot guarantee that any current or future management programme will be successful in preventing or reducing the infection rate among our employees and any potential effect thereof on the mortality rate. We may be exposed to lost workers' time associated with the disease and a potential loss of skill, which may adversely affect our operations.

Abnormal or severe events affecting our plantations, such as fires and droughts, may adversely impact our ability to supply our Southern African mills with timber from the region.

The Southern African landscape is prone to, and ecologically adapted to, frequent fires. The risk of uncontrolled fires entering and burning significant areas of plantation is high. Abnormal weather conditions might be more frequent in the future as the result of climate change. In addition, because the transformation of land ownership and management in Southern Africa has been moving ownership and management of plantations to independent growers, we have less ability to manage directly fire risk, as well as risks of other abnormal or severe events, such as pathogen and pest infestations. As a consequence, the risk of plantation fires or other abnormal or severe events remains high and may be increasing.

The availability of harvested timber may also be limited by other abnormal weather conditions, such as droughts. Continued or increased losses of our wood sources from drought conditions or fire could jeopardise our ability to supply our mills with timber from the region.

Concerns about the effects of climate change may have an impact on our plantations, operations or our business.

We face transitional (policy and legal actions, technology changes, market responses and reputational considerations) and physical (acute and chronic) risks associated with climate change in all three geographic regions where we operate. In terms of transitional risks, regulatory and other efforts to reduce fossil fuel-related greenhouse gas emissions, as well as legal and financial incentives favouring, and in some jurisdictions requirements mandating use of alternative fuels, are leading to the increased use of sustainable, non-fossil fuel sources for electricity generation. We may incur additional costs for electricity supplies

and/or to purchase emissions allowances or pay carbon taxes applicable to our operations in certain jurisdictions, including Europe and South Africa.

In terms of physical risk, climate change leading to different weather patterns, such as higher rainfall, drought and increased temperatures, could cause the spread of disease and pestilence into our plantations and fibre sources far beyond their traditional geographic spreads, increasing the risk that wood supply necessary to our operations may be negatively impacted.

The effects of climate change may also impact our business to the extent they result in reduced availability of woodfibre or demand for our products. Wildfires in Europe and North America over the past few years have been among the most destructive and expensive on record, and the risks of plantations fires in South Africa is increasing. Should our strategy to mitigate the related risks, including of raw materials shortages, not be successful, our business may be adversely impacted.

Additionally, our operations are highly dependent on adequate supplies of water. The increased emphasis on water footprint in Southern Africa is causing increased scrutiny on the location of forestry plantations, which could affect the quality and quantity of ground water, the use of water by our operational units, the quality of water released back into natural water systems and the control of effluent discharges. The cost, availability and use of our water supply also have a direct impact on our input costs and operating profit.

Our manufacturing and forestry operations are inherently dangerous, and we may be subject to risks related to the health and safety of our employees.

We operate a number of manufacturing facilities and conduct various forestry operations, each of which is inherently dangerous. Although we employ safety procedures in the design and operation of our manufacturing facilities and forestry operations, accidents resulting in injury or death have occurred at our facilities in the past and could occur in the future. Any such accidents or incidents could also result in environmental impacts, equipment damage and/or production delays, which could harm our business and our results of operations. The potential liability resulting from any such incident, to the extent not covered by insurance, and any negative publicity associated therewith could harm our business, reputation, financial condition or results of operations. Whether or not a claim against us succeeds, its defence may be costly, and the existence of any claim may adversely impact our reputation, financial condition or results of operations.

Unforeseen shutdowns, disruptions or malfunctions at our production facilities or affecting our information technology systems or supply chain may adversely impact our business.

Our pulp and paper mills and our production facilities are central to our business and are subject to operational risks. These risks include, but are not limited to, fire or explosions, accidents, severe weather and natural disasters, mechanical, operational or structural failures, unplanned production or power disruptions, political turmoil, pandemics and related governmental responses (including Covid-19) or social unrest (the frequency of which has been increasing recently in South Africa). Shutdowns, outages or deficiencies resulting from such events could have a material adverse effect on our business and financial condition if such shutdowns, outages or deficiencies were to continue for an extended period of time or if we were unable to restart or remedy production in a timely manner.

We also use information technologies to securely manage our operations and various business functions. We rely on various technologies to process, store and report on our business and interact with customers, vendors and employees. Despite our security design and controls, and those of our third-party providers, we or our third-party providers have in the past been, and in the future could become, subject to cyberattacks, which could result in operational disruptions or the misappropriation of sensitive data. There can be no assurance that such disruptions or misappropriations and the resulting repercussions will not adversely impact our reputation, financial condition or results of operations.

We depend on a reliable and efficient supply chain to deliver products to our customers within a timeframe 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, including inclement weather, natural disasters, transportation interruptions or inefficiencies, port or traffic congestion, labour shortages or disruptions, oil price increases, unrest or pandemics (including Covid-19) 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. Supply chain disruptions could have a material adverse effect on our business, financial condition or results of operations, particularly if the disruptions continued for an extended period of time.

Risks related to our indebtedness

To service our indebtedness, we will require a significant amount of cash. Our ability to generate cash will depend on many factors beyond our control.

Our ability to make payments on our indebtedness, refinance our indebtedness, and fund planned capital expenditures and working capital requirements will partly depend on our ability to generate cash in the future. Our ability to generate cash is, to a certain extent, subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

We cannot assure you that we will generate sufficient cash flow from operations, that we will realise operating improvements on schedule or that future borrowings will be available to us in an amount sufficient to enable us to service and repay our indebtedness or to fund our other liquidity needs. If we are unable to satisfy our debt obligations, we may have to undertake alternative financing plans, such as refinancing or restructuring our indebtedness, selling assets, reducing or delaying capital investments or seeking to raise additional capital. We cannot assure you that any refinancing or debt restructuring would be possible, that any assets could be sold or that, if sold, the timing of the sales and the amount of proceeds realised from those sales, or that additional financing could be obtained on acceptable terms.

If we default under any of our debt financing arrangements, we may not be able to meet our payment obligations.

Some of our credit facilities contain covenants that restrict some of our corporate activities, including our ability to:

- Make acquisitions or investments
- Make loans or otherwise extend credit to others
- Incur indebtedness or issue guarantees
- Create security
- Sell, lease, transfer or dispose of assets
- Merge or consolidate with other companies
- Make a substantial change to the general nature of our business

In addition, certain of our credit facilities require us to comply with certain affirmative covenants and specified financial covenants and ratios. Our ability to comply with these covenants and restrictions may be affected by events beyond our control, including prevailing economic, financial and industry conditions. If we breach any of these covenants or restrictions, we could be in default under the credit facilities and other indebtedness. This would permit the lending banks under our credit facilities or our bondholders to take certain actions, including declaring all amounts that we have borrowed under the credit facilities and other indebtedness to be due and payable, together with accrued and unpaid interest and other fees, if any. The lending banks could also refuse to extend further credit under their facilities. Borrowings under debt instruments that contain cross-acceleration or cross-default provisions may also be accelerated and become due and payable.

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