Sappi Group
(Sappi Limited)
INTEGRATED REPORT FOR FISCAL YEAR 2022
FINANCIAL RESULTS
2 OCTOBER 2022

16 December 2022

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.

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.

sappi

2022 Annual Integrated Report

For the year ended September 2022

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

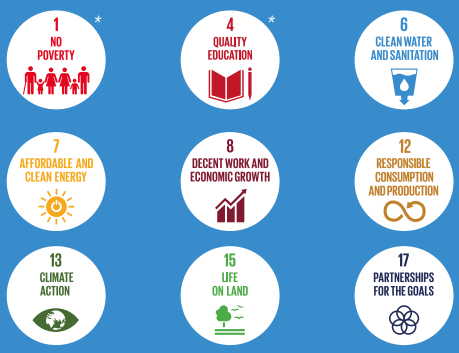
Thrive25 strategy

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

Our capitals

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

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



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

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

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About this report

Our **Annual Integrated Report** for the year ended September 2022 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 195), we have included supporting appendices (pages 196 to 222).

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 Framework (IIRC) six capitals model.

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.

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.

Natural capital

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

About this report continued

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 26 to 29.

SCOPE AND BOUNDARY

The scope of this report includes all our operations (refer to Where we operate on page 6 and 7). 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.

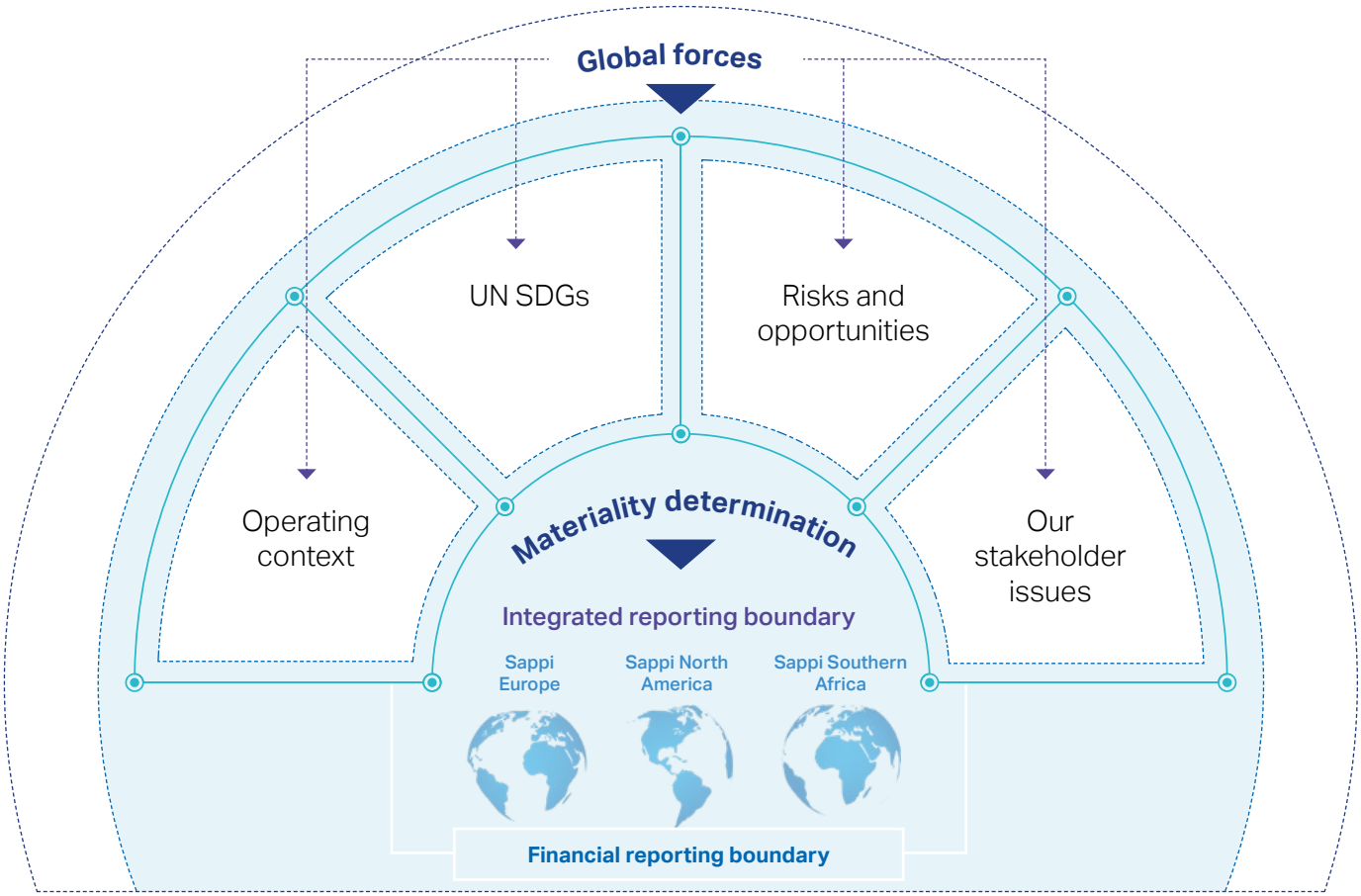
FORWARD-LOOKING STATEMENTS

For important information relating to forward-looking statements, refer to the inside back cover.

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

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 (refer to Integrating our key material issues on page 76 and 77).

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.



OUR REPORTING SUITE

2022 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].

2022 Sappi Group Annual Financial Statements

www.sappi.com/annual-reports

Frameworks

- International Financial Reporting Standards (IFRS)
- Companies Act
- JSE Listings Requirements
- King IV.

2022 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 2022 Sappi Group Sustainability Report. The independent practitioner's limited assurance report is included in the 2022 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 2022 Sappi Annual Integrated Report addresses all issues material to the group's ability to create and preserve value in the short, medium and long term, and fairly presents the group's integrated performance and outlook. The board believes that the Annual Integrated Report speaks to Sappi's use of and effect on the 3Ps (addressing value creation, preservation and erosion), aligned with the six capitals, and how the availability of these resources is shaping our business and impacting how we will create value in the future.

We believe that this report has been prepared in accordance with the Integrated Reporting Framework. The report has been prepared in line with best practice and the board approved the 2022 Sappi Annual Integrated Report on 9 December 2022.

Sir Nigel Rudd
Chairman

Steve Binnie
Chief Executive Officer (CEO)

Our 2022 reporting theme

In 2020, the Covid-19 pandemic precipitated a public-health crisis which quickly evolved into an economic, social and, in places, organisational crisis. It completely disrupted the way we all lived, worked and interacted. However, we continued to focus on a brighter future. Having launched our Thrive25 strategy at the beginning of 2020, we were well positioned to evolve and adapt within this context of constantly shifting global forces.

The following year, against the backdrop of the so-called 'new normal', we advanced our strategy by moving from the short-term need to secure our future to responding to a world economy which re-opened for business faster than expected.

In FY2022, we experienced the convergence of global risks and challenges, including the ongoing global pandemic, energy scarcity, rapid inflation, geopolitical tensions, extreme weather events and logistical bottlenecks. Realising that the 'new normal' presents both challenges and opportunities, we amplified our actions as a company providing renewable woodfibre resource solutions, protecting the interests of our communities and employees and continuing to help build a more sustainable, inclusive world. The actions we prioritised that delivered our record performance and moved us forward in delivering on our purpose and our Thrive25 strategy are detailed throughout this report.

The steps we have taken to amplify our positive impact on the world would not have been possible without close connection and collaboration with our stakeholders, particularly our people.

Together, we will continue to anticipate challenges, innovate, work towards a lighter footprint on the planet and live up to our social compact.

Together we will continue to amplify value – not just enterprise value – but value for all our stakeholders as we work to build a thriving world.

Adapt. Advance. Amplify.

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 production per year

5.5 million tons

Paper pulp production per year

2.6 million tons

Dissolving pulp production per year

1.5 million tons

Our raw material offerings (such as dissolving pulp, wood pulp and biomaterials) 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. Many of our operations are energy self-sufficient.

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

Globally we have

12,495 employees[1]

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

Owned and leased sustainably managed forests in South Africa

400,000 ha

Where we operate

Europe

Sales offices **15**
Production facilities **10**

Employees
5,571

North America

Sales offices **6**
Production facilities **4**

Employees
2,042

South Africa

Sales offices **6**
Production facilities **5**

Employees
4,631

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.

Sales offices

Bogotá	Sydney
Hong Kong	Nairobi
México City	Shanghai
Johannesburg	São Paulo

Sappi Europe

Mills	Products produced	Capacity[1] ('000 tons) 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 market pulp		140
	Coated woodfree paper and containerboard	280	
Gratkorn Mill	Bleached chemical pulp for own consumption		250
	Coated woodfree paper and label paper, containerboard	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 market pulp		145
	Coated woodfree paper and uncoated woodfree paper	220	
Total Sappi Europe		**3,455**	**1,120**
Total Sappi Europe excluding mills held for sale		**2,225**	**675**
Other operation	**Products produced**	**Capacity[1] (million m²)**	
Rockwell Solutions	Coated barrier film and paper		100

Sappi North America

Mills	Products produced	Capacity[1] ('000 tons) Paper	Pulp
Cloquet Mill	Dissolving pulp, bleached chemical pulp for own consumption and market pulp*		370
	Coated woodfree paper	340	
Matane Mill	High-yield hardwood pulp for own consumption and market pulp		285
Somerset Mill	Bleached chemical pulp for own consumption and market pulp		525
	Coated woodfree and packaging paper	970	
Westbrook Mill	Converting for speciality casting and release paper	23	
Total Sappi North America		**1,333**	**1,180**

Sappi Southern Africa

Plantations**	Products produced	Capacity ('000 tons) Hectares	Standing tons
KwaZulu-Natal	Plantations (pulpwood and sawlogs) (tons)***	165	10,666
Mpumalanga	Plantations (pulpwood and sawlogs) (tons)***	235	17,260
Total Sappi Forests (owned and leased supply)		**400**	**27,926**

Mills	Products produced	Capacity (m³) Timber	Capacity ('000 tons) Paper	Pulp
Lomati Sawmill	Sawn timber (m³)	99		
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			170
	Corrugating medium		200	
Sappi ReFibre****	Waste paper collection and recycling for own consumption			83
Total Sappi Paper and Paper Packaging			**690**	**633**
Ngodwana Mill	Dissolving pulp			255
Saiccor Mill	Dissolving pulp			890
Total dissolving pulp				**1,145**
Total Sappi Southern Africa		**99**	**690**	**1,778**

[1] *Capacity at maximum continuous run rate per annum.*
* *The stated capacity is for dissolving pulp, the capacity for kraft pulp is 17% higher.*
** *Mills held for sale.*
*** *Plantations include owned and leased areas.*
**** *Sappi ReFibre collects waste paper in the South African market, which is used to produce packaging paper.*

grow

As a company based on the power of renewable resources, we are well placed to take lessons from nature: When plants grow too quickly and are not properly rooted, they become top heavy and prone to toppling over. Similarly, if there is not enough light, even though tall, they can become spindly and not fit for purpose.

So, while growth is one of our strategic fundamentals, our approach to it is purposeful and phased. This means being responsive to our environment and the impacts of constant change on our stakeholders. It also means being rooted in our legacy of innovation and excellence and grounded by our Thrive25 strategy. Accordingly, we leverage our existing strengths and grow our people to progress in high-impact, high-value areas. We also partner to shape new marketing opportunities and industry standards that will stimulate growth.

Above all, we recognise that growth can only be sustainable insofar as it supports the health and repair of the natural environment on which we depend. And it is only inclusive when value is shared and society is positively impacted.

This is our focus as we work to build a thriving world.

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, packaging and speciality papers, and biomaterials with an optimised graphic paper business.

	What this means	How we performed in 2022
Grow our business	• Grow dissolving pulp (DP) capacity, matching market demand • Continue to expand and grow packaging and speciality papers in all regions. Commence commercialisation of biotech opportunities • Optimise Graphic paper segment.	• Packaging and speciality papers constitutes 25% of 2022 sales volumes • Packaging and speciality papers EBITDA increased 37% y-o-y and contributed 27% of group EBITDA • Increased packaging and speciality papers volumes y-o-y up 9% vs 2021 • Pulp sales increased 15% compared to the prior year • Successful commissioning of DP expansion project at Saiccor • Concluded the agreement to sell three European graphic paper mills to consolidate our graphic paper assets and focus on core graphic paper categories • Strong growth in lignin sales and favourable advancement of other biotech opportunities.
Sustain our financial health	• Target net debt at approximately US$1 billion and sustain net debt:EBITDA* at 1.5x through the cycle • Optimise capital management • Maximise return on capital employed (ROCE) • Review pricing strategies to secure optimal value • Continue to monitor bond market for opportunities.	• Reduced net debt to US$1,163 million • Generated > US$500 million cash • Focused capital expenditure (capex) on essential projects to effectively manage liquidity and cash flow • Average net sales price per ton up 28% y-o-y.
Drive operational excellence	• Drive our safety-first culture • Continuously improve our cost position • Continue to maximise the benefits of our global footprint • Best-in-class production efficiencies to secure increased volumes.	• Record safety performance • Group efficiency, procurement and continuous improvement savings > US$110 million • Volumes and pricing improved resulting in improved profitability • Maximised the benefits of OneSappi 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.	• Validated our decarbonisation targets with the Science Based Targets initiative (SBTi) • Actively supported local communities through community forums • Followed Task Force on Climate-related Financial Disclosures (TCFD) recommendations • Expanded Supplier Code of Conduct compliance and initiated EcoVadis partnership • Sustained Level 1 broad-based black economic empowerment (BBBEE) in South Africa.

** Earnings before interest, taxation, depreciation and amortisation (EBITDA).*

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.

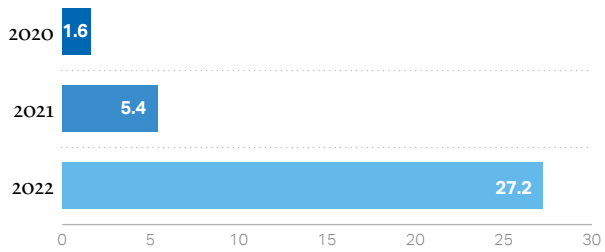
ROCE (%)

Self-assessment of 2022 performance ★★★

Link to Thrive25 strategic objectives

Link to 3Ps & SDGs

Our strategic performance indicators



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.

Δ Identified sustainability goal

Ⓡ Linked to executive remuneration

2023 objectives

- Maximise volumes in all segments and improve logistics constraints
- Further optimise the packaging and speciality papers volumes in all regions.

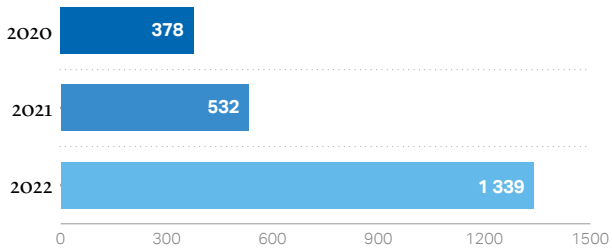
EBITDA (US$ million)

Self-assessment of 2022 performance ★★★

Link to Thrive25 strategic objectives

Link to 3Ps & SDGs

Our strategic performance indicators



Why is this important?

EBITDA measures how we performed operationally as a company.

Ⓡ Linked to executive remuneration

2023 objectives

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

Self-assessment

★★★ Outstanding

★★ Satisfactory

★ Progress to be made/ongoing

Strategic objective

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

3Ps

- Prosperity
- People
- Planet

SDGs

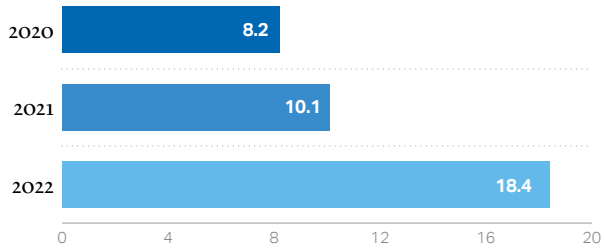
EBITDA margin (%)

Self-assessment of 2022 performance ★★★

Link to Thrive25 strategic objectives

Link to 3Ps & SDGs

Our strategic performance indicators



Why is this important?

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

2023 objectives

- Sustain margins in all business segments
- Focus on reducing fixed and variable costs
- Maintain high operating rates.

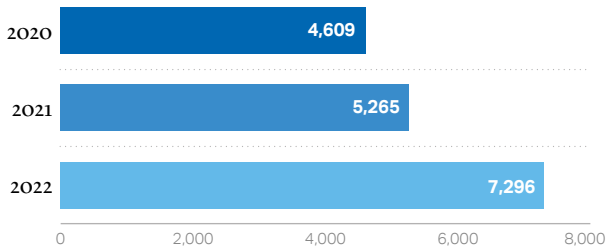
Sales (US$ million)

Self-assessment of 2022 performance ★★★

Link to Thrive25 strategic objectives

Link to 3Ps & SDGs

Our strategic performance indicators



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.

2023 objectives

- Continue to grow and optimise packaging and speciality papers and to fully operate our paper machine assets
- Maximise DP volumes to capacity with increased volumes from Saiccor Mill.

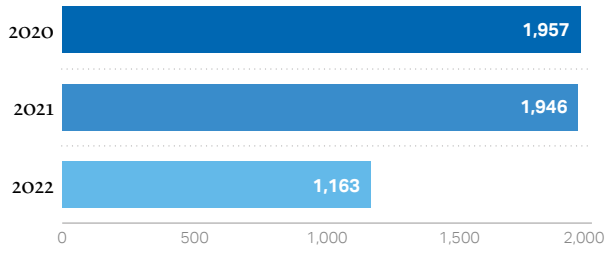
Net debt (US$ million)

Self-assessment of 2022 performance ★★

Link to Thrive25 strategic objectives

Link to 3Ps & SDGs

Our strategic performance indicators



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).

2023 objectives

- During 2023 our target is to reduce net debt to below US$1 billion.

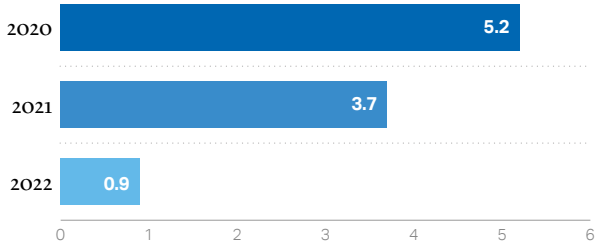
Net debt:EBITDA (ratio)

Self-assessment of 2022 performance ★★

Link to Thrive25 strategic objectives

Link to 3Ps & SDGs

Our strategic performance indicators



Why is this important?

The net debt to EBITDA ratio measures our ability to pay off our debt should net debt and EBITDA remain consistent. EBITDA 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

2023 objectives

- With significantly reduced net debt, we aim to sustain this ratio to less than 1.5x through the cycle.

Self-assessment

- ★★★ Outstanding
- ★★ Satisfactory
- ★ Progress to be made/ongoing

Strategic objective

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

3Ps

- Prosperity
- People
- Planet

SDGs

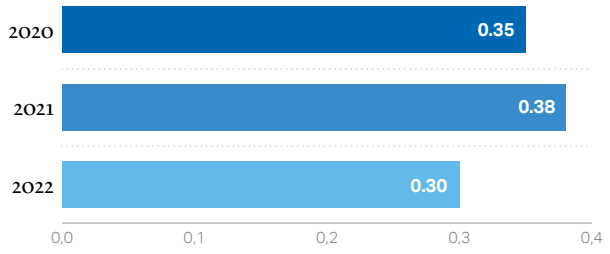
Lost-time injury frequency rate (LTIFR) (per million work hours)[1]

Self-assessment of 2022 performance ★

Link to Thrive25 strategic objectives

Link to 3Ps & SDGs

Our strategic performance indicators



Why is this important?

LTIFR is an important measure of our business's safety. We target zero harm in the workplace Injury Index and aim for at least 10% improvement year-on-year.

Ⓡ Linked to executive remuneration
Δ Identified sustainability goal[2]

2023 objectives

- Continue to reduce LTIFR and achieve zero fatalities.

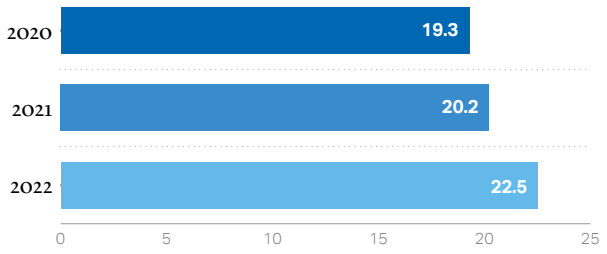
Gender diversity (%)

Self-assessment of 2022 performance ★★

Link to Thrive25 strategic objectives

Link to 3Ps & SDGs

Our strategic performance indicators



Why is this important?

We view diversity as a key driver that enhances our competitiveness and viability as a business and contributes to a thriving world. We aim to appoint more women in management roles.

Δ Identified sustainability goal

2023 objectives

- Stay on track to reach 23% of women in senior positions – HRL19 and upwards by 2025.

[1] *Combined employee and contractor LTIFR.*

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

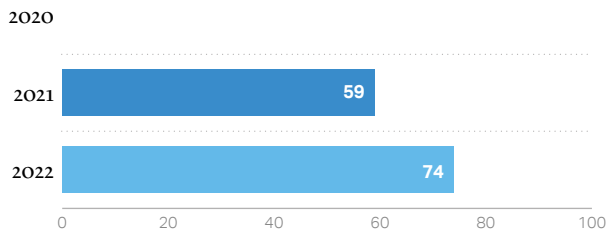
Supplier Code of Conduct (%)

Self-assessment of 2022 performance ★★

Link to Thrive25 strategic objectives

Link to 3Ps & SDGs

Our strategic performance indicators



Why is this important?

Research indicates that 85% of consumers are more likely to buy from a company with a reputation for sustainability. By working in partnership with suppliers, we can better identify risk, assess social and environmental performance, and encourage commitment to sustainable choices and the SDGs throughout our value chain.

Δ Identified sustainability goal

2023 objectives

- Stay on track to reach 80% procurement spend with declared compliance with Supplier Code of Conduct.

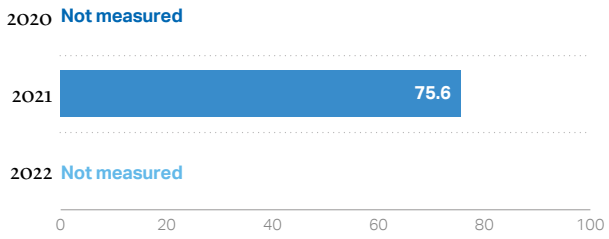
Sustainable engagement (%)

Self-assessment of 2022 performance ★★

Link to Thrive25 strategic objectives

Link to 3Ps & SDGs

Our strategic performance indicators



Why is this important?

We rely on a productive and engaged workforce. Employee engagement has been linked to higher safety performance, lower staff turnover, improved productivity and efficiency.

Δ Identified sustainability goal

2023 objectives

- Sustain and/or improve percentage of staff engaged with our business from our base of 75%.

DELIVERING SUSTAINED VALUE

Self-assessment

- ★★★ Outstanding
- ★★ Satisfactory
- ★ Progress to be made/ongoing

Strategic objective

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

3Ps

- Prosperity
- People
- Planet

SDGs

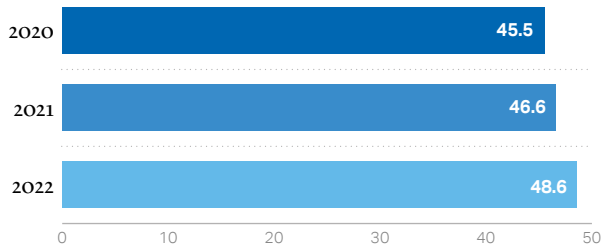
Specific process water usage in water stressed locations (m^3/adt)

Self-assessment of 2022 performance ★

Link to Thrive25 strategic objectives

Link to 3Ps & SDGs

Our strategic performance indicators



Why is this important?

Water has been identified as one of the most serious sustainability challenges facing the planet, partly due to the impacts of climate change. Forests and plantations, pulp and paper operations are highly dependent on the use and responsible management of water resources.

Δ Identified sustainability goal (for South Africa)

2023 objectives

- Stay on track to reduce specific process water in water-stressed locations by 23% by 2025 against base year 2019 (44.5 m^3/adt).

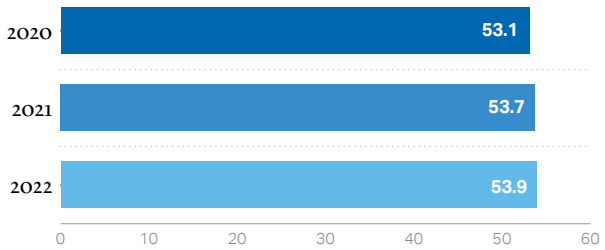
Share of renewable and clean energy (%)

Self-assessment of 2022 performance ★

Link to Thrive25 strategic objectives

Link to 3Ps & SDGs

Our strategic performance indicators



Why is this important?

This target supports our commitment to carbon emissions reduction and focused action to future-proof our business against the physical and transitional impacts of climate change and be part of the solution.

Δ Identified sustainability goal

2023 objectives

- Stay on track to increase share of renewable and clean energy by 8% pts by 2025 against base year 2019 (51.6%).

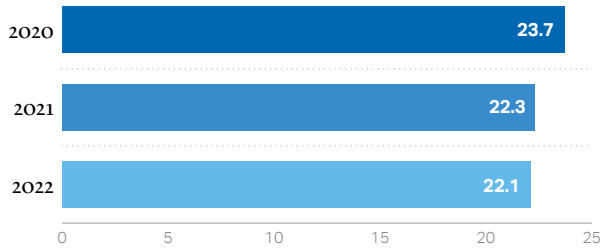
Energy intensity (GJ/adt)

Self-assessment of 2022 performance ★

Link to Thrive25 strategic objectives

Link to 3Ps & SDGs

Our strategic performance indicators



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 environmental impact.

Δ Identified sustainability goal[1]

2023 objectives

- Stay on track to reduce energy intensity by 5% by 2025 against base year 2019 (22.1 GJ/adt).

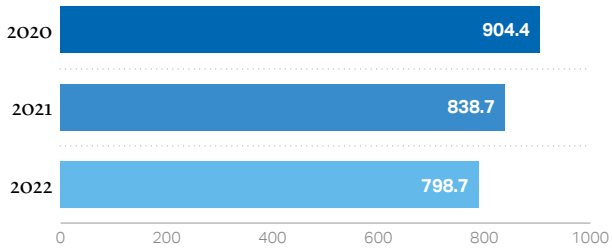
Specific GHG (Scope 1 + 2) emissions (kg CO_2e/adt)

Self-assessment of 2022 performance ★★

Link to Thrive25 strategic objectives

Link to 3Ps & SDGs

Our strategic performance indicators



Why is this important?

Since the UN Climate Change Conference (COP26) in Glasgow, Scotland in November 2021, climate impacts have worsened and carbon emissions have risen to record levels.

We align with the climate science by having our targets validated by the SBTi and are taking focused action to future-proof our business against the physical and transitional impacts of climate change and be part of the solution.

Δ Identified sustainability goal

2023 objectives

- Stay on track to decrease specific GHG emissions (Scope 1 + 2) by 18% by 2025 against base year 2019 (883.4 kg CO_2e/adt).

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

Self-assessment

- ★★★ Outstanding
- ★★ Satisfactory
- ★ Progress to be made/ongoing

Strategic objective

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

3Ps

- Prosperity
- People
- Planet

SDGs

Our strategy and performance continued

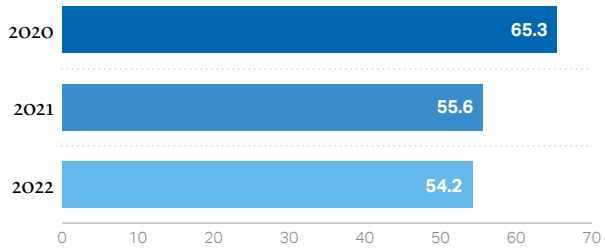
Solid waste to landfill (kg/adt)

Self-assessment of 2022 performance ★★

Link to Thrive25 strategic objectives

Link to 3Ps & SDGs

Our strategic performance indicators



Why is this important?

Our continued focus to reduce solid waste to landfill supports the move towards a circular economy. This approach aligns with our purpose of contributing to a thriving world, one with less waste, lower costs and reduced environmental impact.

Δ Identified sustainability goal

2023 objectives

- Stay on track to reduce solid waste to landfill by 14% by 2025 against base year 2019 (52.1 kg/adt).

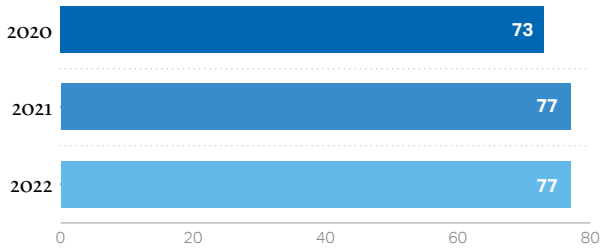
Certified fibre (%)

Self-assessment of 2022 performance ★★

Link to Thrive25 strategic objectives

Link to 3Ps & SDGs

Our strategic performance indicators



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]

2023 objectives

- Maintain or improve share of certified fibre above 75%.

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

Self-assessment

- ★★★ Outstanding
- ★★ Satisfactory
- ★ Progress to be made/ongoing

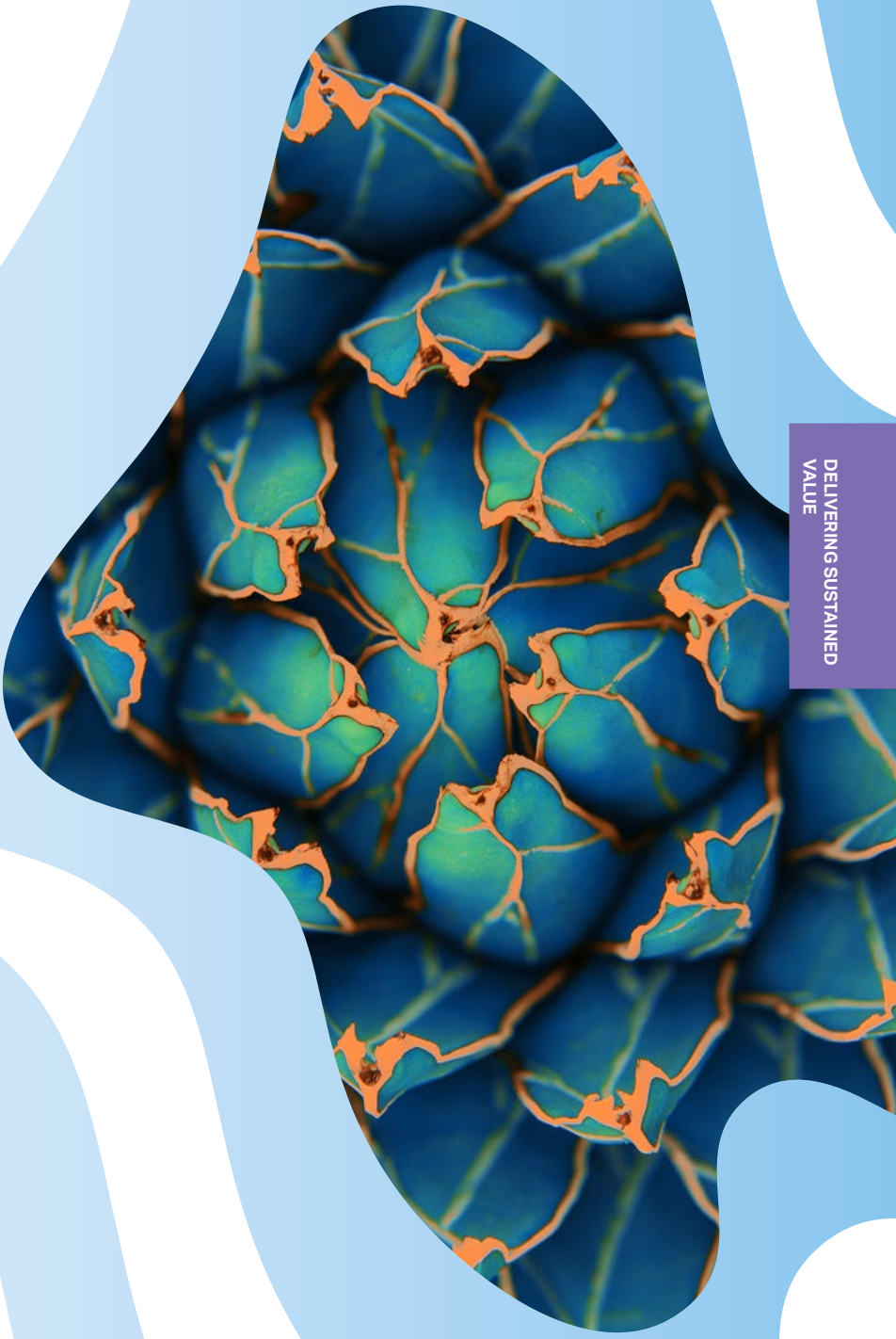
Strategic objective

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

3Ps

- Prosperity
- People
- Planet

SDGs



Sappi and the SDGs

"In fulfilling our commitment to the UN SDGs, we promote enterprise value while striving to make a positive impact on people and the planet"

– Tracy Wessels
Sappi Limited Group Head Investor Relations and Sustainability

Q&A WITH DR TRACY WESSELS, GROUP HEAD INVESTOR RELATIONS AND SUSTAINABILITY

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

Q1 You have been in your current role for nearly two years now. Are the SDGs gaining traction within Sappi?

Yes, they are. People are increasingly referring to our performance against our priority SDGs in both informal and formal meetings and discussions – not just at senior levels, but also at lower levels of the organisation. This is being driven partly by focused internal communication campaigns. SEU is highlighting awareness of the SDGS with a series of eye-catching posters communicating relevant mill specific initiatives. SNA's Ideas that Matter initiative now incorporates the SDGs (see page 95 of this report for further details). SSA is also driving awareness of the SDGs by structuring its annual corporate citizenship report around the SDGS, posters linked to the SDGs and a swap shop initiative linked to *SDG12: Responsible Consumption and Production*.

Q2 How do you measure progress against your SDG commitments?

Globally and in each region, we have established targets aligned with our priority SDGs. Performance against these targets is tracked and presented at our quarterly Regional Sustainability Council and Group Sustainable Development Council meetings. Ultimately, they are also reviewed by the Social, Ethics, Transformation and Sustainability (SETS) Committee. Our progress is published in our annual Group Sustainability Report and on the website.

Q3 How does your SDG performance over the last year live up to the theme of this year's report and what were the highlights of the past year?

We are very proud of the way in which our people have adapted and advanced, despite significant operating challenges. In line with 'amplify', the theme of this year's report, I would say our actions have been bolder than ever before.

Given that safety is one of our core values and that we strive to inculcate a 24/7 safety mindset within Sappi, under *SDG8: Decent Work and Economic Growth*, I have to mention the group's outstanding safety performance in FY2022.

Another example is our newly developed Sustainable Financing Framework under *SDG17: Partnerships for the Goals* which is linked to our international RCF of €515 million.

This, our first financing facility with sustainability-linked KPIs, matures in February 2027 and comprises a consortium of eight relationship banks. The newly adopted Sustainable Financing Framework will now guide any sustainability-linked characteristics of future financing solutions. The framework was verified by ISS ESG with a second-party opinion that defines material sustainability KPIs and provides a basis for future KPI-linked credit and capital market activities for Sappi group.

These KPIs include:

- Decreasing specific GHG (Scope 1 and 2) emissions by 18% in 2025
- Ensuring certified fibre supplied to Sappi mills is in excess of 75% every year
- Reducing solid waste to landfill waste disposal by 15%
- Securing zero workplace injuries LTIFR for own employees.

Another significant milestone was the validation by the SBTi of our 2030 decarbonisation targets (*SDG7: Renewable and Clean Energy* and *SDG13: Climate Action* (refer to page 38). We began the process in 2020 by committing to science-based targets but through an intensive collaboration process with the SBTi, we revised our targets to be more ambitious and have included a supplier engagement goal to include a Scope 3 component.

Since the Scope 3 target approved by the SBTi relates to our suppliers, it is also driving progress towards SDG17. Our suppliers play an essential role in our business, providing us with woodfibre and other materials and services with an indirect emissions impact.

Recognising that the more suppliers we can inspire to decarbonise their operations in the value chain, the faster the world can mitigate the effects of climate change. We are engaging vigorously with them to establish science-based targets of their own, striving towards our target that 44% o our suppliers by spend should have science-based targets by 2026.

In addition, our transparent reporting of our emissions can better enable our customers to reduce their own Scope 3 emissions and fulfil other climate-related commitments.

Q4 How has a challenging operating environment impacted Sappi's progress towards the SDGs?

In addition to energy, the Russia-Ukraine war has had a knock-on effect on food security and prices. With people all over the world having to spend more of their income on food, progress towards *SDG1: No Poverty*, is lagging. World Bank estimates warn that for each one percentage point increase in food prices, 10 million people are thrown into extreme poverty worldwide[1]. SDG1 is one of SSA's priority SDGs. Given that we are headquartered in South Africa and within the context of high levels of unemployment and poverty in the country, we have a particular responsibility to drive progress towards this goal.

We are doing so through a concerted focus on ESD, aimed at creating shared value and promoting systemic change (refer to page 64). Our most significant ESD initiative through which we strengthen participation in the forestry value chain is Sappi Khulisa. This encompasses individual and community tree farming. The total area managed currently is 37,028 hectares. In 2022, under this programme, 217,339 tons of timber worth some ZAR184 million was delivered to our operations. Since 1995, a total volume of 4,908.850 tons to the value of ZAR3.03 billion has been purchased from Khulisa growers. Currently, the value chain extends from 4,143 growers to approximately 871 small, medium and micro enterprises who are involved in silviculture, harvesting, loading and short and long-haul activities.

Sappi partners with community managed projects through Forestry Enterprise Development agreements, to ensure continuous productivity of timber farms and sustainable supply of timber from land reform beneficiaries. In 2022, new areas under timber production expanded by 2,874 hectares on both Forestry Enterprise Development and Khulisa agreements.

Initiatives in South Africa aimed at enhancing food security and generating income include an aquaponics project at Ngodwana Mill, beekeeping on our land, a peanut farming venture started by a group of women on our land and a pilot avocado farming project. These initiatives are described in more detail on page 96 and in our Group Sustainability Report, available at https://www.sappi.com/sustainability-and-impact

We also remunerate, at least in accordance with the minimum wage in South Africa, just over 9,300 contractor employees.

[1] *https://www.worldbank.org/en/news/statement/2022/04/13/joint-statement-the-heads-of-the-world-bank-group-imf-wfp-and-wto-call-for-urgent-coordinated-action-on-food-security*

Q5 As Sappi's business is based on woodfibre, *SDG15: Life on Land* is extremely important. Would you say it's the most important SDG for Sappi?

I don't think one can isolate one SDG as being more important than another. It depends on context, which is why we have prioritised the SDGs most relevant to Sappi. What is apparent is that the SDGs are all interlinked. Sappi's business is based on woodfibre sourced from healthy forests and plantations. When sustainably managed as these are, they provide robust ecosystem services which contribute towards *SDG1: No Poverty*, *SDG8: Decent Work and Economic Growth* and *SDG13: Climate Action.*

Q6 In a few months' time, the global spotlight will be even more intensively on *SDG7: Renewable and Clean Energy* and *SDG13: Climate Action* at COP27. How achievable is a lower-carbon global economy?

Global decarbonisation plans have been hampered by the Russia-Ukraine conflict, which has caused energy prices to spike as described in the operating context section. Nevertheless, while there might be setbacks in the short term, the world cannot afford to relax efforts in the medium term.

Financing will play a key role in helping to drive decarbonisation. At COP27, the developed nations of the world need to progress initiatives like the Just Energy Transition Partnership announced at COP26, in which five developed countries (France, Germany, the UK, the US and the EU) agreed to channel US$8.5 billon to support a just, equitable transition in South Africa. The initiative focuses on increasing renewable energy capacity and a faster exit from coal, while spurring innovation in electric vehicles and green hydrogen. Similarly, in the US, the landmark IRA includes US$369 billion in climate and energy related funding and incentives to ramp up carbon-capture facilities, drive green hydrogen production and boost US manufacturing of solar panels, wind turbines and next-generation batteries.

Shortly after our year end, the South African Presidency released a ZAR1.5 trillion investment plan for the next five years to assist the country's Just Transition to a greener economy. The bulk of the funding will go towards the electricity sector, which is the biggest contributor to GHG emissions in the country. More than 80% of Eskom's electricity is generated by coal and over the last three years, on average, approximately 35% of SSA's power was sourced from Eskom.

It's important that the transition is achieved in a just manner. The social implications of an exit from fossil fuels in countries like South Africa where unemployment is already at record highs are potentially catastrophic. Our hope is that significant progress will be made on developing concrete action plans and finance frameworks to deliver on the promise of a global just transition where no-one is left behind.

"Addressing climate change requires significant and unprecedented transformation across all sectors of the economy, with opportunities and challenges. Workers, communities, and poor people, whose lives and livelihoods are tied to high-emitting industries, may be particularly affected. It is for that reason that the Presidential Climate Change Commission developed the recommendations for the Just Transition in a manner that supports and empowers impacted groups."

– Valli Moosa
Deputy Chairperson of South Africa's Climate Change Commission and Chairman of Sappi's SETS Committee

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.

Timber

Our Forest Stewardship Council™ (FSC™ N003159) and Programme for the Endorsement of Forest Certification (PEFC/01-44-43) certified tree plantations in South Africa provide a high-quality woodfibre base and enhance our competitive advantage.

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.

Biomaterials

We are unlocking the chemistry of trees and aligning with the circular economy 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 at the core of our core business model.

Our leading-edge tree improvement programmes ensure this advantage is maintained and enhanced

In FY2022, of our 28 paper/packaging assets, 16 improved performance year-on-year

25% sales revenue growth in lignin

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 54

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 – the 3Ps – in order to thrive. We rely on certain inputs to create value.

See page 26

4. Our value streams

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 refer to page 27

Pulp

Our dissolving pulp brand, Verve, creates renewable alternatives for raw material feedstock to textiles, pharmaceuticals, foodstuffs, and more – products that meet the needs of people around the globe every day.

We have strengthened our competitive position in the DP market with the 110,000 tpa capacity expansion of Saiccor Mill

Packaging and speciality papers

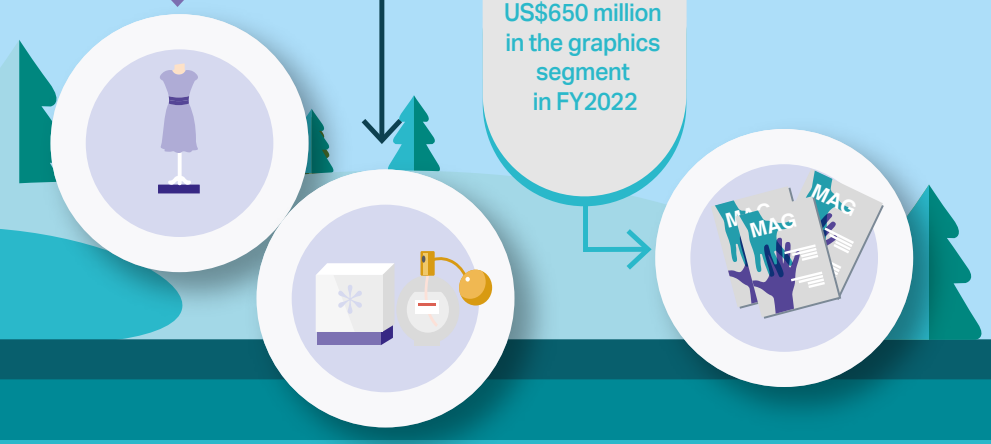
Our customers use our packaging and speciality papers to add value to niche markets, enable product differentiation and offer environmentally conscious consumers an alternative to fossil-fuel based packaging. Our focus on innovation helps our customers to meet and anticipate the challenges of changing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

Production capacity for high-barrier papers expanded at Alfeld Mill

Graphic papers

Our market-leading range of coated and uncoated graphic paper products is used in magazines, corporate reports and accounts, direct mail, high-quality brochures, catalogues, calendars and books.

Record EBITDA of US$650 million in the graphics segment in FY2022



Our 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.

5. Our outputs

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 27

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 the 3Ps.

See page 27

7. Our global sustainability goals

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

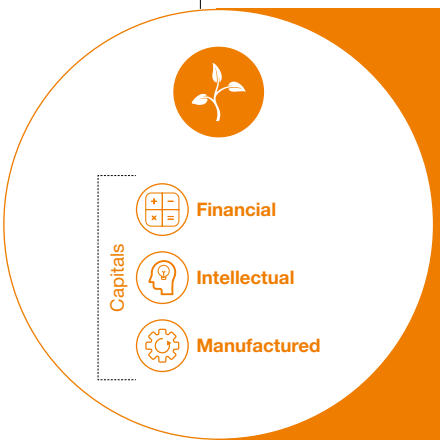
Monitoring and reporting transparently on our ambitious 3P targets aligns with our Thrive25 strategy of being a trusted partner to all our stakeholders.

See our 2022 Sappi Group Sustainability Report

Our business model

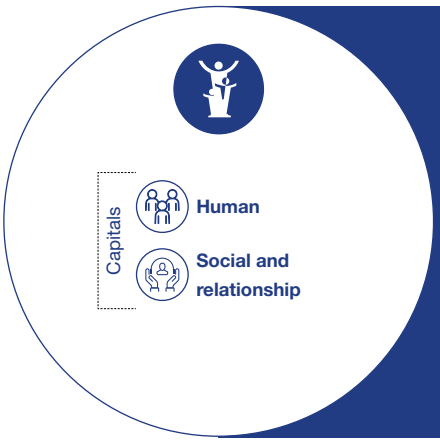
1 Inputs

The resources and relationships on which we rely



- 19 production facilities around the globe (see 7)
- Technology centres in Europe, USA and South Africa
- Debt: US$1,163 million
- Equity and liabilities: US$6,229 million
- Research and development (R&D) investment: US$47.6 million
- Investment in growth: US$1,194 million.

SDGs:



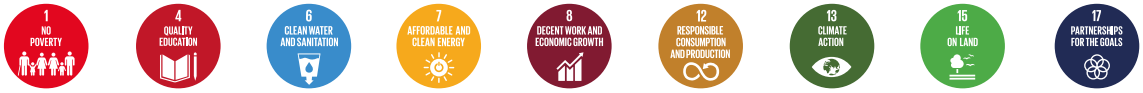
- Employees: 12,495
- South African contractor employees: approx. 9,350 contractor employees (average)
- Weighted average training spend per employee: US$602.42
- Ongoing stakeholder engagement
- Corporate social responsibility investment: SEU €100,00, SNA US$417,000, SSA ZAR54 million.

SDGs:

- Plantations:
  - 399,996 hectares (ha) owned and leased, of which 261,605 ha are planted
  - the remainder is managed to conserve the natural habitat and biodiversity found there
- Energy purchased: 2,661.7 MW
- Energy generated on site: 2,021.2 MW
- Renewable energy 53.9%, of which 66.5% own black liquor
- Water extracted: 300.82 million m^3 in absolute terms, 34.4 m^3/adt in specific terms
- Certified fibre used: 77%.

SDGs:

Our SDGs



Denoted in this table:

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:

- 6,657,941 tons of saleable production.

Waste:

- 1,494,161 tons of waste generated, of which 1,146,618 tons (76.74%) diverted from disposal.

Emissions:

- 4.1 million tCO_2e absolute direct (Scope 1) GHG, in specific terms: 0.61 tCO_2e/adt.

4 Outcomes

The broader impacts of our business activities

- Total assets: US$6,229 million
- EBITDA (excluding special items) US$1,339 million
- Net debt of US$1,163 million
- US$104 million paid to governments as taxation
- US$1,070 million paid to employees as salaries, wages and other benefits

- Zero fatalities
- Global training average (weighted) of 46.89 hours per employee
- Productivity 3.8 hours worked per ton of saleable production (FY2021: 4 hours)

- 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
- Lighter weight packaging products – lighter carbon footprint

Value created | Value preserved | Value eroded

5 Actions to enhance outcomes

Resumption of dividend payments

- US$108 million paid to lenders as interest
- Resumption of dividend payments
- 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
- Ongoing diversification of our product portfolio into higher margin segments
- Commercialisation of biomaterials gaining traction
- Significant actions in all regions to resolve logistical issues
- Sale of three mills in Europe will help to reduce debt.

Improved productivity levels

- Maintained our Level 1 BBBEE contributor status
- Globally, 74% of suppliers now in compliance with the Sappi Supplier Code of Conduct

- 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, 65% allocated to skills training and 35% allocated to compliance training
- Strong governance and ethical culture reinforced by the Code of Ethics (refreshed shortly after year end)
- Social impact strategy in SSA gaining traction.

77% certified fibre supplied to mills

- High levels of water withdrawal
- 77% certified fibre supplied to mills enhances competitive advantage
- Year-on-year decrease in specific Scope 1 and 2 emissions of 4.8%

- Progressed our science-based targets which have now been validated by the Science Based Targets Initiative (SBTi)
- Finalised our climate change strategy
- Continued to shape our response to the impact of climate change on our plantations.

EXAMPLES OF OUR TRADE-OFFS

The most difficult decisions made during the year

Although we have proven the technology to extract xylose sugars from our prehydrolysis kraft cooking processes, we have taken a step back as we identify potential market partners to develop commercial opportunities for bio-based products from this sustainable feedstock.

Risk	4	Supply chain disruption
Risk	7	Cyclical macro-economic factors
Risk	10	Liquidity

The sale of three mills in Europe could potentially impact employees.

Risk	9	Employee relations

The implementation of our science-based targets will require significant capital investment of approximately US$70 million per annum.

Risk	3	Sustainability expectations
Risk	5	Climate change
Risk	10	Liquidity

Letter to the stakeholders: Chairman and CEO

– **Steve Binnie**
CEO

– **Sir Nigel Rudd**
Chairman

OPERATING REVIEW

The group delivered record EBITDA excluding special items of US$1,339 million, which was well above the previous record set in FY2000. Strong demand and the implementation of higher sales prices to offset rising costs, combined with a focus on product and customer mix optimisation, supported margin expansion in all product segments.

The outstanding performance was particularly noteworthy within the context of a challenging macro-economic environment. Significant headwinds included extreme weather-related events, lingering Covid-19 pandemic effects in China, as well as extraordinary global inflation, which was triggered by geopolitical turmoil and ongoing global supply chain disruptions. Amid this volatility, we demonstrated resilience and remained committed to our Thrive25 strategy.

SAFETY

The Covid-19 pandemic has transformed how we think about health and safety in the workplace. The year began with the onset of the highly infectious Omicron sub-variant. Although extremely contagious, it soon became apparent that the Omicron variants cause less severe illness compared to previous strains of the virus. A focused vaccination/booster campaign allowed us to significantly scale back on our Covid-19 operating protocols and quarantine measures for direct contacts. By year end, all our operations were back to pre-Covid-19 operating conditions. Nevertheless, we remain vigilant and fully prepared to launch our Covid-19 protocols at a moment's notice if required.

We have worked very hard to create a culture that prioritises safety for our own employees and contractors at all times. Therefore, it was a particularly satisfying highlight for the year that we achieved a record safety performance. We do not accept that injuries and accidents are inevitable and our commitment to zero injuries underpins our value system. We comply with occupational health and safety legislation in all our operations.

We are very pleased to report that there were no work-related fatalities during the year and our performance with respect to safety improved in every region. In 2022 we reset our safety key performance indicator (KPIs) to include contractors, recognising that we have an obligation to keep every person who steps onto a Sappi site safe, regardless of whether they are an employee or not. The revised KPI of combined employee and contractor LTIFR replaced employee LTIFR in our management incentive schemes. A renewed focus on training, safety communication campaigns and reward and recognition programmes yielded results. Sappi Europe managed to reverse the previous year's disappointing performance with a positive turnaround and Sappi North America and Sappi South Africa continued with their steady improvement trajectory, reaching their best ever LTIFR levels. A number of noteworthy milestones were achieved during the year. Alfeld, Ehingen and Stockstadt Mills achieved 1 million zero lost-time man hours, Somerset Mill achieved 3 million zero lost-time man hours and Sappi Forests' Zululand Coastal business unit achieved a record-breaking safety milestone of working 6 million zero lost-time man hours. Our safety ambition remains zero injuries and we continue to implement enhanced procedures and focus on improved personal behaviour and leadership engagement.

MARKETS

In terms of our markets, the graphic papers segment generated record EBITDA of US$650 million. The remarkable turnaround from the lows of 2020 was driven by a number of factors, which led to an unprecedented global shortage of graphic paper. These included a surge in demand as economic activity normalised post-Covid-19 and a very tight market balance due to a combination of chronic global logistical challenges and reduced supply. Market capacity was impacted by permanent closures and a prolonged labour strike in Finland. The buoyant demand boosted sales volumes for the segment by 8% compared to the prior year. Furthermore, the favourable market conditions provided support for a series of selling price increases and energy/freight surcharges, which were necessary to compensate for substantial cost inflation and facilitated the material improvement in profitability for the segment.

The strategic priority to invest in packaging and speciality papers in recent years reaped rewards. The segment continued to grow and achieved record EBITDA of US$359 million compared to US$214 million in the prior year. Sales volumes increased by 9%, driven by robust global demand and renewed growth in Europe. However, sales were constrained by available capacity and low levels of inventory in South Africa and North America where demand exceeded supply. Successful selling price increases and mix improvement offset rising costs and lifted margins for the segment.

Sales volumes for the pulp segment increased by 15% compared to the prior year on the back of strong market demand and improved logistics as we secured regular breakbulk shipping alternatives for our South African exports. Demand for Verve[1] during the year was particularly strong and sales were constrained by available production. The hardwood DP market price[2] rallied during the first half of the year, peaking at US$1,220 per ton in July 2022. The rebound was primarily driven by positive momentum in global commodity markets, including viscose staple fibre, cotton and polyester combined with DP supply-side constraints including our own losses due to a flood in South Africa and a major fire at another large market player. DP pricing began to soften in late August as Covid-19 lockdowns in China constrained viscose staple fibre (VSF) operating rates and global recessionary fears began to dampen the outlook for textile markets.

STRATEGIC REVIEW

Heightened geopolitical tensions, extraordinary cost inflation, extreme weather events and global supply chain disruptions continued to challenge businesses in 2022. Within this extremely challenging context, we continued to make the tough decisions necessary to protect and enhance our business's resilience and sustainability; looking beyond our current situation to the thriving future we wish to create.

Fiscal 2022 was the second year of our Thrive25 strategic programme.

The five-year strategy leverages the power of OneSappi to drive real and sustained value creation. We recognise that society in general and our people in particular expect us to play a role beyond making and selling. Therefore, every action we take is aligned to our ambition to build a thriving world by unlocking the power of renewable resources to benefit people, communities and the planet.

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, 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

To achieve our ambition for a thriving world, we acknowledge the need to invest in a broader set of stakeholder considerations that impact our ability to attract capital, draw top talent, and future-proof our businesses. There are increasing expectations from investors and other stakeholders such as employees, our communities and consumers in our product value chains who want to be part of a sustainability narrative. Sustainability forms the foundation of our Thrive25 strategy as we strive to be a trusted, transparent, and innovative partner in building a bio-based circular economy.

We made significant progress against the first phase of the Thrive25 strategy to deleverage the business. The priority for 2022 was to strengthen the balance sheet by maximising cash generation and reducing debt.

Initiatives and actions undertaken in 2022 to support our strategic objectives are outlined below.

Grow our business

In 2022 we focused on commissioning of the 110,000 ton Saiccor Mill expansion project and, growing the sales volumes and optimising the product mix to higher margin categories from our packaging and speciality paper assets in Europe and North America.

The Saiccor Mill expansion project was successfully commissioned, and all new equipment operated as anticipated. However, production volumes were below expectations and were negatively impacted by a number of external factors such as unplanned stoppages due to the flood in KwaZulu-Natal, Eskom[3] power outages and raw material supply shortages, which severely disrupted operational stability at the mill. The mill operations stabilised in the fourth quarter and the ramp-up will be completed in the 2023 financial year.

[1] *Sappi Verve is the brand name for our DP products.*
[2] *Market price for imported hardwood DP into China is issued on a daily basis by the CCF Group.*
[3] *Eskom is the South African electricity public utility.*

The underlying demand for packaging and speciality paper grades remained resilient and in 2022 we continued to optimise margins by shifting into more high-end label and packaging markets while expanding on our base folding carton business. The segment achieved a record EBITDA and is gaining critical mass in terms of contribution to group profitability. Over the last five years, since 2017, the segment contribution to group EBITDA increased from 15% to 27% and sales volumes grew from 13% to 25% of group sales volumes. The EBITDA margin of 17% for the segment is the highest to date and was boosted by selling price increases, which offset rising costs.

In South Africa, the containerboard market continued to grow, driven by robust fruit exports and sales volumes were constrained by capacity. A critical quality upgrade and product range extension was completed at Ngodwana Mill to optimise our portfolio to better meet the needs of our customers. The tight supply situation was further exacerbated by very strong sales early in the year, which reduced inventories, and the extended shut for the upgrade. In Europe, market traction for our new range of label papers from Gratkorn Mill was better than anticipated and there is significant opportunity to grow this category further in 2023.

In North America, the focus in 2022 was on optimising product and customer mix to higher margins on Somerset paper machine (PM) 1. The demand was particularly robust and sales were constrained by capacity. A debottlenecking project on PM1 was initiated, which will deliver a further 30,000 tons of paperboard in 2023. This additional capacity will be absorbed by our existing customers who are actively seeking to increase their volumes with Sappi. Demand from the foodservice board sector is anticipated to increase significantly in the coming years as legislation banning the use of polystyrene foam packaging products in several US states catalyses the shift from plastic to paper packaging.

In November, the board has therefore approved a US$418 million investment at Somerset Mill to convert PM2 from coated woodfree graphic paper to solid bleached sulphate board (SBS). The machine capacity will also be increased during the conversion from 240,000 tons per annum (tpa) to 470,000 tpa. The project is expected to be completed in early 2025 and will be funded from free cash flow from operations. The capex will be phased over three years with the majority of the spend taking place in 2024 and 2025. This investment is fully aligned with our **Thrive25** strategic focus to reduce our exposure to graphic papers and transition our portfolio to packaging and speciality papers, pulp and biomaterials.

The graphic papers segment delivered excellent profits in 2022, generating an extraordinary EBITDA margin of 16%, which was well above historical margins. However, the favourable market conditions are anticipated to decline rapidly as recessionary fears soften demand in 2023. A key element of our **Thrive25** strategy is to reduce our exposure to declining graphic papers markets. Aligned to this objective, on 29 September 2022, Sappi signed an agreement with Aurelius Investment Lux One S.à.r.l. to divest the Maastricht Mill in the Netherlands, the Stockstadt Mill in Germany and the Kirkniemi Mill in Finland. The decision was taken following a detailed and thorough strategic review and will significantly reduce our exposure to graphic papers markets. The sale will be subject to various standard suspensive conditions and is anticipated to close in the second financial quarter of 2023. The enterprise value of the transaction amounts to approximately €272 million. The proceeds will be used to reduce debt further, which will provide a platform for future expansions in our identified growth market segments.

We are committed to exploring opportunities to utilise our graphic papers assets to produce packaging and speciality paper grades without significant capital investment, hence further reducing our exposure to graphic papers markets and improving the profitability of our assets. In mid-2021, we expanded the product portfolio at the Gratkorn Mill in Austria to produce non-wet-strength, wet-glue label papers. The product is ideal for many different applications, such as standard labels for bottles, tins and jars, as well as wrappers for various products. In January 2022, this was followed by the launch of a high-performance, semi-gloss face stock paper for self-adhesive labels for a wide range of applications – such as food, non-food, beverages and health and beauty care products. Today, these products are firmly established in the market and sales volumes in 2022 significantly exceeded expectations. In 2023, the production capabilities for label papers will be further extended at the Gratkorn Mill. The relatively modest investment in technological innovations, such as a new embossing calendar, will enable the mill to produce high-quality, wet-strength wet-glue label paper used in the beverage industry, for instance on returnable beer bottles. With this portfolio extension, Sappi will further strengthen its market leadership in label paper production.

In our quest to offer customers state-of-the-art, sustainable alternatives to traditional film and foil-based packaging material solutions, we expanded our capacity to produce barrier papers at the speciality paper mill Alfeld Mill in Germany. A cutting-edge coating machine was commissioned in September 2022. This in-house technology will not only increase coating capabilities, but also boost the development of innovative sustainable packaging solutions in collaboration with our customers.

Our commitment is to do more with less by making the most out of every tree used in our production processes. Therefore, our Sappi biotech business remains a long-term strategic focus as we develop new circular products for adjacent markets. We made pleasing progress in 2022 growing lignin and commercialising our Symbio fibre composite and Valida fibrillated cellulose product offerings. A positive development in 2022 was accelerated demand for lignin, with year-on-year sales revenue growth of approximately 25%. We are using Valida in our own paper production where its value lies in the strength it imparts to paper and its barrier functionality. It is also being assessed for use in adhesives, frost protection for fruit trees and industrial cleaning, to name a few. Furfural is a platform chemical for the production of numerous biochemicals. It is produced from C5 sugars in

hemicellulose through hydrolysis and dehydration. Furfural is used in a large range of products including adhesives, antacids, fertilisers, flavouring compounds, inks and plastics, to solvents for the refining of lubricating oils. It can also be used as a fungicide, nematicide and weed killer or converted to furfural alcohol for furan resins. C5 sugars are present in large quantities in our Saiccor Mill spent cooking liquor and therefore beneficiation of these hemicellulose sugars presents an interesting commercial opportunity. We have established a pilot plant to determine the feasibility for producing furfural at Saiccor Mill with the objective to taking a decision on a commercial plant in 2023.

Sustain our financial health

Our Thrive25 strategic objective to reset the balance sheet was largely achieved. Substantial cash generation and a positive translation impact of a weaker EUR/US Dollar exchange rate on the predominantly Euro-denominated debt facilitated a material reduction in our net debt which reached the lowest level in over 20 years at year end of US$1,163 million (FY2021: US$1,946 million). The covenant leverage ratio also reduced substantially from 3.7 at the end of the prior year to 0.9, the lowest level since global expansionary investments began in the early 1990s.

A healthy balance sheet is a prerequisite for phase two of our Thrive25 strategy, where we aim to grow the business by investing in higher margin and growing market segments. We also recognise that global macro-economic volatility and uncertainty remain significant risks to our business. We have therefore set a long-term strategic objective to target net debt of approximately US$1 billion and a net debt to EBITDA ratio of 1.5 times through the cycle. This materially lower debt level will provide more flexibility to withstand market downturns and, combined with strong anticipated future cash generation, should provide sufficient opportunity to fund growth in our targeted market segments.

With interest rates rising sharply over the past year, future debt financing is likely to become increasingly expensive. While there are no significant maturities due before 2026 and we remain comfortable with the maturity profile of our debt, the strong cash generation in 2022 and relatively weak bond market presented an opportunity to reduce absolute debt through the repurchase of a portion of the 2026 bonds which were trading below par. Shortly after year end on 12 October 2022, a tender offer to purchase for cash a portion of the outstanding 3.125% senior notes due 2026 was concluded. As a result, US$206 million of the aggregate principal amount of the 2026 bonds in the tender offer was repurchased at a purchase price of 92.41% (plus accrued and unpaid interest). The transaction not only yielded a capital gain of US$15 million but will also reduce gross annual interest payments by US$6 million per annum.

A further highlight was a decision by the board on 10 November to resume the payment of dividends, which have been suspended since 2018. The dividend decision was considered in light of a number of strategic priorities including paying down debt, converting graphic paper exposure to packaging and speciality paper, positioning the business for growth. Paying the dividend does not supersede nor put any of these priorities at risk given Sappi's robust cash generation and stabilised balance sheet.

Capex in FY2023 is estimated to be US$430 million and includes approximately US$70 million for the Somerset PM2 conversion project, US$60 million for sustainability projects and US$20 million capex spill-over from FY2022.

As a global leader in sustainable woodfibre products and solutions, sustainability and moving towards a circular economy underpin Sappi's business strategy. In 2022 we took an important step to create a bridge between Sappi's financing and sustainability strategies by establishing a sustainability-linked finance framework. This is an important strategic step for Sappi and supports our long-term vision to be a sustainable business with an ambitious sustainability strategy. The Sustainable Financing Framework will be used to guide any sustainability-linked characteristics of future financing solutions. The framework was verified by ISS ESG with a second party opinion that defines four material sustainability KPIs and provides a basis for future KPI-linked credit and capital market activities of the group. The KPIs focus on decreasing specific GHG (Scope 1 and 2) emissions, certified fibre supplied to Sappi mills, reducing solid waste to landfill and securing zero workplace injuries. The renewal of our international revolving credit facility (RCF) in August 2022 marked the first application of the framework. The new facility of €515 million matures in February 2027 and comprises a consortium of eight relationship banks. The RCF was structured with a margin adjustment mechanism, linked to progress in achieving the KPIs.

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. The surge in costs for many of our raw materials over the past year has put significant pressure on the business. We set ourselves a target of a US$41 million reduction in third party expenditure compared to 2021 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$110 million were realised, which helped offset the significant increase in purchased pulp, chemicals and energy costs. In 2023 we are targeting approximately US$45 million in variable cost savings.

We have committed to a capital allocation of approximately US$70 million per annum to achieve our sustainability goals. In 2022 we completed 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 Mill and Kirkniemi Mill from coal to biomass and an electric boiler at Maastricht Mill. In 2023 we will begin with phase two of the Gratkorn Mill boiler conversion, which is to install the biomass handling equipment which will enable us to switch completely from natural gas to biomass. The 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. The kraft liner board machine at Ngodwana Mill was upgraded to improve quality and efficiency which will 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. Over the next few years, we will allocate capital for several 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

Maintaining a sound ethical culture forms the foundation of Sappi's long-term value creation for our stakeholders. We live and work in a constantly changing environment and operate in many different countries and jurisdictions. As an ethical global corporate citizen, presenting a coherent and consistent culture of the highest integrity is a core value and integral to our Thrive25 strategy and purpose to build a thriving world.

The expected behaviour is encapsulated in our Code of Ethics, which guides our directors, employees, suppliers and customers in their day-to-day interactions and transactions. We continued to build on our commitment with an ongoing communication and training campaign. Shortly after year end, we launched our refreshed Code of Ethics to align more closely with our Thrive25 strategy. The Code, which has been translated into relevant languages, references several group policies, where heightened levels of awareness and compliance are required. In line with the refresh of the Code, global online training has been revamped with new scenarios and relevant examples. For our Code to be effective, we must live our core values of doing business safely, with integrity and courage, making smart decisions that we execute with speed.

Our Thrive25 strategy recognises that we need to be more proactive in our dealings with various stakeholder groups and that we must become a trusted partner to these groups and create shared value while minimising risk and pursuing growth opportunities in a complex operating environment. Our people strategy focuses on leadership and creating a culture that enhances OneSappi; builds capability for current and future requirements; and strengthens employee engagement. In 2022 we executed our action plans to address issues raised in the employee engagement survey conducted in 2021 and are confident that we will see the benefits of this work in the 2023 survey. We are actively working to increase gender equality, while finding ways to nurture emerging talent and creating inclusive growth opportunities.

Supporting the communities in which we operate is one of the ways in which we enhance trust. In South Africa where poverty and unemployment are key social imperatives, our community engagement agreements commit both ourselves and our communities to work together in driving shared value for mutual benefit. Integrated community forums (ICFs) are the key platforms which we use to build trust, gain advocacy and achieve shared value. Community participants range from traditional leaders and councillors to local business and environmental groups. The ICFs focus on three key areas: community skills development, asset-based community development (ABCD) and corporate social investment, as well as enterprise and supplier development (ESD). Through shared value, our overarching aim is to move our communities towards a sustainable future independent of Sappi.

In 2022 the Russia-Ukraine conflict in Europe and devastating floods in KwaZulu-Natal, South Africa were events that spurred Sappi to action to support urgent humanitarian relief on the ground. We made donations to the Ukraine Humanitarian Fund and Gift of the Givers, Robin Hood Foundation and The Angel Network and launched employee donation drives, which encouraged Sappi employees to make in-kind and monetary donations towards the relief efforts.

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 2022 we made further progress towards our supplier engagement target with 74% of suppliers in compliance. Thus we are well positioned to achieve our 2025 target of 80%. Our partnership with EcoVadis gained momentum and we have almost 200 of our most strategic suppliers onboarded to the platform. The EcoVadis methodology allows us to assess the sustainability performance of our suppliers and identify risk within our supply chain.

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 2022 our 2030 GHG emission reduction target was validated by the SBTi and our capital allocation plan approved by the board.

SUSTAINABILITY

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. Policy measures to enable the transition to low-carbon economies, with a general goal for net zero emissions of greenhouse gases (GHG) by 2050 are being rolled out

globally. The private sector has a key role to play in this just transition and in line with this obligation, we have set 2030 science-based decarbonisation targets which were validated by the SBTi in July 2022. As we navigate the challenges of decarbonising our value chain, we recognise that collaboration is a critical element of our journey. We became a full member of the World Business Council for Sustainable Development (WBCSD) and, together with our peers in the Forest Solutions Group (FSG), we are developing net zero and nature positive roadmaps that are appropriate for the forest sector.

We are making great progress towards our Thrive25 sustainability goals and are confident that a resilient and growing Sappi is well placed to lead as it adapts to an uncertain future.

LOOKING FORWARD

Looking ahead, our focus will be on the execution of our Thrive25 strategy, while ensuring that we remain ahead of emerging trends to deliver sustained value creation for our stakeholders.

In a fluid operating context, a forward-looking risk management capability is crucial for proactive risk management, with risk appetite and tolerance at the core of our decision making. This will ensure that management and the board have a balanced view of risks and opportunities to make informed strategic choices and deliver sustainable value for our stakeholders.

Macro-economic uncertainty has increased considerably in the past year. Ongoing lockdowns in China, the geopolitical turmoil in Europe and unprecedented inflation are increasing the likelihood of a global recession in 2023. This poses a risk to our business as weakening consumer sentiment and diminishing discretionary spend will likely weaken demand in our graphic papers and DP segments in upcoming quarters. Order activity in these segments has slowed and destocking is occurring across the value chain. The Covid-19 pandemic demonstrated that the underlying demand for packaging and speciality papers is more resilient in economic downturns, particularly for product categories in food, beverage and healthcare.

Furthermore, the shift from plastic to paper offers significant opportunity to grow this segment.

Rising input costs remain a risk in the year ahead although the prices for some raw materials, specifically natural gas and pulp, have started to decrease in the first quarter of FY2023. We remain focused on maximising our operational efficiency and will balance our production with demand to proactively manage our costs and preserve pricing.

In South Africa, a fire at a municipal electrical substation in KwaZulu-Natal impacted production at our three local mills for a few days in October 2022. In addition, a strike at Transnet has negatively impacted DP supply chains once again and we anticipate that severe congestion at the Durban port may impact sales volumes in the first quarter of FY2023. Sales volumes for the first quarter of FY2023 in North America will be impacted by the annual maintenance shut at Somerset Mill.

Deleveraging our balance sheet has been material and combined with substantial cash reserves, we are well positioned to navigate any market downturn. We remain encouraged by the increasing resilience of our business and opportunities for growth in our packaging and speciality papers segment.

Notwithstanding the inflationary cost pressures and weakening demand in some product segments, we anticipate that the EBITDA for the first quarter of FY2023 will be above that of equivalent quarter in FY2022.

APPRECIATION

No business operates in isolation from a wide and varied group of stakeholders who all contribute to our development and performance. We thank all our stakeholders for their ideas, constructive criticism and support, which guide our thinking and actions and contribute towards making Sappi a better corporate citizen.

To our customers in all our different markets and geographies, we extend our gratitude. We are committed to collaborating and will work together to provide relevant bio-based products and services, which provide sustainable value while impacting our natural capital as little as possible.

Our success depends on the wellbeing, skills, knowledge, expertise, productivity, motivation and behaviour of our employees. We aim to resource the company with a capable, engaged and productive workforce and are committed to ensuring no harm comes to any of those who work with us. We thank our employees for their unwavering dedication, resilience and agility which allowed us to meet every challenge head on, achieving a record level of 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. We welcomed to the board non-executive directors Mr Louis von Zeuner with effect from 1 September 2022 and Mr Nkululeko Sowazi and Ms Eleni Istavridis with effect from 3 October 2022.

Mr Peter Mageza, a longstanding member of the board and Chairman of the Audit and Risk Committee has indicated that he would like to retire. The board and Mr Peter Mageza have agreed that he should continue in his role until his retirement in 2024 to ensure a smooth transition to his successor.

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 Annual General Meeting (AGM) on 8 February 2023.

Personal note from the Chairman, Sir Nigel Rudd. My current term as Chairman of the board ends in February 2024. I would like to inform shareholders that I will not be seeking re-election in 2024. In line with governance best practice, the board has established a committee led by Mr Valli Moosa, the Lead Independent Director, who will be responsible for making a recommendation to the board for my successor.

Q&A with the CEO

"The strong cash generation and substantial debt reduction in FY2022 has fundamentally repositioned the business and created a more resilient balance sheet that can withstand any potential headwinds in our markets and provides a flexible platform for future growth."

– Steve Binnie
CEO

Q1 The substantial cash generation in 2022 has facilitated a significant debt reduction. Can you outline Sappi's capital allocation priorities over the next few years?

The strong cash generation and substantial debt reduction in FY2022 has fundamentally repositioned the business and created a more resilient balance sheet that can withstand any potential headwinds in our markets and provides a flexible platform for future growth. We recognise that a disciplined approach to capital allocation is a necessity in times of macro-economic uncertainty and our net debt target of approximately US$1 billion and maintaining the net debt to EBITDA ratio of 1.5 times through the cycle are our guiding principles for all discretionary capital allocation.

Our first priority for capital is to maintain our licence to operate as we must comply with all legislation in the regions in which we operate. This periodically requires us to allocate capital for certain environmental and regulatory compliance initiatives. We also recognise that climate change, water scarcity, waste/pollution and biodiversity loss represent both physical and transitional risks to our business. We have a duty of care to minimise our impact on the environment and stakeholder expectations in this regard continue to mount. To this end, we have recently committed to science-based decarbonisation, which we anticipate will require a capital outlay of approximately US$70 million per annum to achieve our 2030 targets. Maintaining our existing operations is also a high-level priority and we consider our annual maintenance capex as a strategic investment in our existing assets to ensure future safe and efficient operations. We estimate that this first level capital priority to sustain our operations will require in the region of US$350 million per annum.

Our second tier of capital allocation priorities is to improve the profitability of the business. There are a number of opportunities to improve profitably through smaller investments in efficiency enhancements, which improve our cost position and give us quick returns on our investment. We are also continuously striving to reduce our exposure to graphic paper markets and have an ongoing strategic programme to identify modest investment opportunities to modify and optimise our graphic paper assets to shift production to higher-margin packaging and speciality paper products. Our next priority for capital allocation is to return value to our shareholders. Our healthier balance sheet and large cash reserves means that we are now in a position to resume sustainable dividends. However, we acknowledge that there are significant uncertainties that lie ahead in 2023 and are thus taking a conservative approach with our dividend ratio and aim to increase dividends over the next few years to a cover of three times.

Our stronger balance sheet now enables us to move into phase two of our Thrive25 strategy to focus on further growth in our higher-margin segments. We are excited about these opportunities and recently announced an investment to convert and expand the Somerset PM2 from coated paper to SBS paperboard. The project will be funded through free cash flow from operations, thus maintaining our net debt target. Following its completion, this expansion will increase our packaging and speciality paper capacity and is anticipated to boost our ROCE.

Overall, we expect de-gearing and debt reduction to continue in FY2023 as we receive the proceeds from the sale of three of our European mills. We will continue to look for opportunities to deliver the growth and returns envisaged in our Thrive25 strategy and entrench our leading position in our selected markets.

Q2 One of the key Thrive25 strategic objectives is to reduce exposure to declining graphic paper markets. What progress has been made in 2022?

Our graphic papers segment delivered a record EBITDA in 2022. The extremely tight market conditions that led to this extraordinary achievement were driven primarily by significant capacity closures in the last three years. Combined with a stronger than anticipated rebound in economic activity post-Covid-19 and constrained global logistics, we experienced strong demand from our customers and were able to implement multiple price increases over the course of the year, which boosted margins substantially. We do not believe that these conditions are sustainable and the underlying demand for graphic paper continues to decline at a rate of approximately 5% to 6% per annum. Nevertheless, 2022 has demonstrated that the graphic papers segment has the potential to be profitable and generate substantial cash if supply and demand are in balance.

A key element of our Thrive25 strategy is to reduce our exposure to declining graphic paper markets and we made great progress against this objective with the sale of three of our European graphic paper assets (Kirkniemi, Stockstadt and Maastricht Mills). For the most part, the product categories served by these assets (coated mechanical and uncoated woodfree paper) are not a core focus for Sappi and this divestment allows us to consolidate our portfolio and concentrate on commercial print where we are a leader and have competitive advantage. The sale removes approximately 1.2 million tons of lower-margin graphic paper capacity from our portfolio. The remaining graphic paper assets in our portfolio are competitive and can generate favourable returns in a balanced marketplace. The conversion and expansion of Somerset PM2 will remove another 240,000 tons of graphic paper capacity and increase our packaging capacity by 470,000 tpa. In addition, the modest investments at Gratkorn Mill to produce label paper will over the next few years swing a further 200,000 tpa from coated woodfree to speciality paper. We will continue to optimise our graphic papers business to contain costs and improve productivity and are confident that we will be able to reduce graphic papers to less than a third of our sales volumes in the next five years while growing our packaging and speciality papers portfolio.

We continue to evaluate our graphic paper machines globally for potential conversion opportunities to packaging and speciality paper grades. Our aim is to create the flexibility to allocate capacity between graphic paper, where volume is declining, to packaging and speciality paper grades, where demand is growing and margins are higher. This helps to maintain our graphic paper operating rates, maximise cash generation and establish Sappi as a premium global supplier of packaging and speciality papers, while maintaining a strong position in graphic papers.

Q3 In 2022 we saw unprecedented global inflation. How is Sappi mitigating rising cost impacts and what is the outlook for the year ahead?

The strong economic recovery post-Covid-19 has created havoc with global supply chains over the last two years. Severe port congestion and resultant berthing delays essentially locked up inventories on vessels outside ports creating an artificial shortage of goods, which set in motion a wave of inflation across the globe. Geopolitical turmoil in Europe in 2022 further exacerbated the already uncertain macro-economic environment and inflation escalated to unprecedented highs. Our variable manufacturing and delivery costs at a group level increased 35% y-o-y with every input category rising substantially. On the back of constrained raw materials availability, security of supply and aggressive cost mitigation became strategic imperatives. The arduous environment demanded agility and flexibility from our procurement, operations and sales teams as customer pressure mounted and our orderbooks reached record highs. Innovation springs from adversity and our teams stepped up to the challenge. We qualified alternate raw material suppliers, modified product recipes, optimised delivery modes and implemented product surcharges where appropriate to offset rising costs. The intensified level of global co-operation truly embodied our 'OneSappi' ethos and core values of doing business safely, with integrity and courage, making smart decisions that we execute with speed.

Globally, our variable costs are still at very high levels and some categories continue to rise. However, with supply chains easing and demand for commodities softening, we expect that costs will begin to turn in 2023. Pulp prices have started reducing in China and we anticipate that North America and Europe pricing will follow shortly. Energy/gas costs in Europe also started to decline in the first quarter of FY2023, which will benefit our European business.

Q4 You have recently announced a US$418 million capital investment project at Somerset Mill. Can you explain the rationale behind the investment decision and timing of the project?

In 2018, we successfully converted PM1 at the Somerset Mill. The investment decision perfectly positioned Sappi to meet the sharp increase in demand for high-quality folding carton and food service paperboard products in North America. The mill generated record sales volumes and EBITDA in FY2021 while achieving the full run rate on PM1 and repeated the performance in FY2022 with another record performance. The PM1 hybrid machine has the flexibility to produce 350,000 tpa of SBS paperboard and coated graphic paper products. End-use markets for the packaging grades include folding carton for luxury beverages, cosmetics and perfumes, health and beauty care and consumer electronics, as well as foodservice board for disposable cups, plates and fast-food packaging.

The demand for Sappi's foodservice board grades is particularly robust as the industry responds to customer requests for more sustainable and environmentally friendly packaging solutions. Furthermore, demand is expected to accelerate in the next few years as legislation banning the use of polystyrene foam packaging took effect in several US states in 2022 and will likely extend to additional states in future. Our customers are actively seeking to grow their volumes with Sappi as their preferred independent supplier. We have therefore made the decision to convert and expand the PM2 machine at Somerset Mill to 470,000 tpa of SBS. The PM2 conversion project will take three years and start-up is expected to take place in early calendar 2025.

Although the graphic paper assets in North America are currently running full, the market is expected to continue to decline. The 2025 timeline of the conversion is aligned with the graphic paper market decline trajectory. In addition, the hybrid capability of PM1 is a considerable strategic advantage as we will be able to optimise our graphic paper and paperboard mix across the three Somerset Mill paper machines to ensure that our operating rates are maximised during the ramp up of PM2. The technical risk associated with the project is relatively low as the new equipment that will be installed is similar to that on PM1 and the know-how already exists to operate and produce high-quality SBS from this type of machine. We will work closely with our customers to secure sales volumes and expedite product qualifications.

The project is aligned with our Thrive25 strategy to reduce exposure to graphic paper markets and is more than just a conversion, as the capacity of the machine will be doubled. This is therefore a significant growth project for our packaging and speciality papers segment and returns on the investment are expected to exceed a 20% internal rate of return (IRR).

Q5 Sappi's 2030 science-based decarbonisation targets were validated by the SBTi in July FY2022. What does this mean for the business?

The physical impacts of climate change are already having a direct impact on our business. Changing weather patterns and more extreme weather events are occurring in every region in which we operate. In the past few years, we have experienced disruptions to our operations and supply chains as a result of drought, wildfires, acute cold events and flooding. In 2022 the catastrophic flooding that devastated the KwaZulu-Natal region of South Africa interrupted operations at our three mills in the region. Although the damage to our assets was fortunately relatively minor, the impact on our communities and employees was significant. Critical infrastructure surrounding our operations including road, rail and port assets were severely impacted and we were forced to close our mills for several days and a large quantity of inventory was damaged at a port warehouse. In total we lost 24,000 tons of production and 32,000 tons of inventory. After insurance proceeds, the event cost the business US$18 million.

We consider climate change to be one of the most urgent risks facing society and our operations today. Decarbonisation is thus both a moral and strategic obligation for our business. Sappi has a long track record of investing in our operations to reduce our GHG emissions and the board's support of our science-based decarbonisation targets reinforces our ongoing commitment to climate action. The SBTi has confirmed that our well below 2° targets are in accordance with the Paris Agreement. Validation of our targets is a concrete demonstration to our increasingly sustainability conscious stakeholders that we are committed to doing our fair share to reduce global warming and contributing to a thriving world.

Achieving our science-based decarbonisation trajectory will be a key enabler for future-proofing our business as we focus our growth strategy on circular, nature based solutions for a low-carbon economy. In the long-term, we anticipate that decarbonisation investments will reduce costs, spur innovation, provide resilience against regulation and boost investor confidence. We have developed a clear roadmap and capital allocation strategy to achieve our 2030 targets and we have also committed to using our influence to encourage our major suppliers to set their own science-based targets.

We acknowledge that decarbonisation of our South African assets will be more challenging. Our mills in this region are still reliant on coal-based power for a significant proportion of their energy requirements. The South African energy landscape is heavily dependent on coal, which is an abundant resource in the country. While Sappi has a relatively high level of renewable energy integration within the context of the region due to our black liquor and biomass fuel sources, we are not fully self-reliant. We thus need to purchase energy from the national utility provider, Eskom, which is predominantly based on coal. There is currently very little renewable energy available for purchase within the country and therefore our decarbonisation roadmap for the region assumes that we will have to invest in our own renewable energy assets. We are actively investigating opportunities for investment in solar, wind and biomass power assets and will furthermore collaborate and explore opportunities for purchasing renewable energy from any new independent power producers that are established. Within the context of the national dependency on coal and high levels of unemployment and social inequality, we recognise that a just transition is critical for South Africa. We will therefore use our influence to collaborate with other business leaders, communities and government stakeholders to advocate for a just transition where no-one is left behind.

illume

Sky lanterns – traditionally called *Khoom Fay* in China – can be traced back thousands of years to one of the early Chinese dynasties. They were used not only as decorative light sources but also as military signals that could communicate messages across long distances. Today, it is said they are released at traditional festivals to emphasise the unity of family coming together to celebrate the lunar new year. This is represented by the lanterns collecting in the sky and expressing the wholeness of family

Sappi is situated in many different regions across many different cultures and countries. But we come together as one whole, OneSappi, united by our purpose which is our guiding light: *Sappi exists to build a thriving world by unlocking the power of renewable resources to benefit people, communities and the planet.*

Passion and excellence are the sparks that ignite thriving. And they're what keep our commitment to create a thriving future for the world and our business burning so brightly. They're also what will continue to illuminate our way forward – today and tomorrow.

Our operating context

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

The Russia-Ukraine war

Context

Russia's invasion of Ukraine in February this year caused a global inflation, energy, food and supply chain crisis. In addition, many customers were concerned about the use of woodfibre from conflict zones.

The ongoing conflict was exacerbated by Covid-19 lockdowns in China. These developments exerted renewed pressure on global supply chains and energy prices, resulting in further broad-based inflation. Y-o-y variable manufacturing and delivery costs rose by 35% and fixed costs were 4% higher y-o-y due to escalating personnel and maintenance costs.

Our response

Several European countries have scaled back on their climate goals in the short term by reverting to coal. For example, Germany is still committed to phasing out coal-fired power plants by 2030. We intended to decommission the coal boiler at Stockstadt Mill by September 2022 but have had to delay this. However, the situation is temporary and we remain committed to a sustainable, low-carbon future – as envisaged by the Paris Agreement and the European Green Deal.

Despite spiralling energy, raw materials and transportation costs, there was strong global demand for paper, particularly packaging, which remained resilient during the Covid-19 pandemic. Strong demand created an equally strong pricing momentum, which we leveraged by increasing pricing of our products. Other risk mitigation strategies included temporarily reducing capacity at Carmignano Mill in Italy, due to the continuing, sharp escalation of energy costs.

The FSC and PEFC (including SFI) withdrew their certifications for Russia and Belarus, excluding wood originating from Russia and Belarus, from their certification systems. We supported stance of both certification bodies and immediately halted our wood procurement from the region. In FY2021, of total woodfibre sourced, less than 0.1% was sourced from Russia.

See issues related to supply chain and food security are discussed on pages 83 to 84 and 64 respectively of this report.

Rising levels of cyber crime

Context

Digital transformation, the ongoing evolution of malware and the transition to working from home have meant that today, data is at greater risk for a breach. Cyber crime is escalating, causing immense, sometimes invisible damage to businesses and societies. Earlier this year, Sappi was the victim of a cyber attack when a hacker accessed a subset of our internal systems. Our global team identified the anomalous behaviour on one of our file servers and immediately initiated containment protocols.

Our response

Due to the rapid response from our teams and existing controls, there was no downtime experienced in any of our operations. In addition, there were no financial losses nor impact to any business systems. Limited, non-business critical information was exfiltrated. There was no access to core business systems nor to any live customer or partner data. The incident affirmed that our recent emphasis on cyber crime risk mitigation is highly justified, as our ability to both detect and contain the infiltration enabled us to avoid a potentially material business interruption.

All files exfiltrated were reviewed and the following proactive measures were applied:

- Limited non-essential and regional internet traffic
- Partnered with multiple industry-leading incident response and forensic partners to capitalise on diverse experience and skill depth
- Ensured all regulatory processes were adhered to through our internal and external legal counsel
- Deployed advanced security detection and response technology at a global scale
- Initiated mandatory training on cyber security for all our employees.

Extreme weather events

Context

The world saw significant weather events in 2022, including record-breaking heat in Europe, wildfires in the US and Algeria, extreme heat and flooding in Pakistan, the melting of Greenland's huge ice sheet, as well as drought in Africa and China.

In South Africa, floods in KwaZulu-Natal province damaged roads, warehouses, railway lines and homes and resulted in the loss of 24,000 tons of production and 32,000 tons of damaged inventory at our Durban port warehouse.

Our response

We halted production at our three mills in the KwaZulu-Natal province, Saiccor, Stanger, and Tugela, to ensure the safety of our employees. The mills operated on a skeleton crew as a precautionary measure until it was safe to return to work. Fortunately, there was no material damage to our assets, and we were covered by insurance for property and inventory losses. We provided support to affected communities (described on pages 63 and 64 of this report).

While we expect extreme weather events to continue, our global decarbonisation plans and response to the impact of climate change on woodfibre should help to maintain and enhance enterprise value going forward.

Shifting climate regulation

Context

Governments around the world are focusing on mitigating Scope 1, 2 and 3 carbon emissions through various programmes ranging from carbon trading and taxes – already in place in some regions in which we operate (South Africa and Europe) – to actual mandates eliminating the use of coal, for example.

Our response

SEU: The EU Green Deal is aimed at making Europe the first climate neutral continent by 2050. The first step is to reduce emissions by at least 55% by 2030, compared to 1990 levels. The EU Green Deal continues to proceed through the European policy process. We are engaging with policy development processes to support outcomes that are ambitious but also feasible to implement.

SNA: In the US, the IRA which was signed into law August 2022, promotes the reduction of carbon emissions by roughly 40% by 2030. SNA is currently assessing the implications of the IRA, particularly opportunities for funding that might support our SBTi-related plans for decarbonisation in the form of tax breaks and other financial benefits. In December 2020, the Canadian federal government released *A Healthy Environment and a Healthy Economy (Climate Plan)*, a climate plan to exceed Canada's 2030 emission reduction targets and achieve net zero GHG emissions by 2050. The federal government has also released an updated nationally determined contribution plan to match its commitments in the Climate Plan. The province of Quebec, in which our Matane Mill is situated, has its own emissions reduction commitment. While we monitor emerging regulation here, we do not see it as a significant risk, given that Matane Mill uses nearly 100% renewable energy and that electricity in the province is mainly derived from hydropower. However, we also monitor emerging regulation related to Scope 3 emissions.

SSA: Developments in this region are discussed on page 50 of this report.

Social unrest

Context

Levels of social disaffection in South Africa are high, fuelled by high unemployment rates of 34% for the general population and over 60% for youth. The situation is exacerbated by slow economic recovery from Covid-19, decaying infrastructure, high levels of crime and corruption, as well as escalating food and fuel prices. Globally, the country has one of the highest social inequality rates with almost half of all South Africans now relying on some financial support from the government. What this means is that living conditions are poor and social mobility is limited. Against this backdrop, Sappi is faced with increased militancy from unemployed youth and business forums. We are also expected to play a bigger role than just business given communities' high expectations for us to facilitate and resolve social ills.

Our response

We recognise that we need to ensure the stability of our operations within the context described above. Accordingly, we adopt an approach beyond 'business as usual' in order to maintain our licence to operate and thrive. We do so by investing in the rural economy by generating employment, creating shared value and leveraging our ICFs. Initiated in 2018, ICFs aim to build trust, gain advocacy and achieve shared value.

Sappi participants include management, HR, communication, procurement, engineering and project teams. Community participants range from traditional leaders and councillors to local business and environmental groups and the Abashintshi (young community members, meaning 'changers' in isiZulu). Integral to this structure is forestry managers' participation in social impact programmes (speaking at schools, integrated fire awareness and training) and participating in social engagements (sports days etc.). The ICF focuses on three key areas: community skills development, ABCD and corporate social investment, as well as ESD.

Our community engagement structure

Our engagement approach is both short and long term. In the short term we focus on disaster relief efforts, donations – often in the form of paper, sports and recreation, as well as access to potable water and road and infrastructure support. In the longer term we focus on systemic change and helping to build social capital. This incorporates support throughout the education value chain – from support for ECD, to the Sappi Skills Centres at Ngodwana and Saiccor mills, which are focused on technical training. It also extends to environmental projects such as our partnership with WWF-SA (described on page 104) that both mitigate harm and create environmental benefit. Self-empowering ABCD projects like the Abashintshi help to drive community self-reliance. So too, do our collaborations with other organisations aimed at shared value which include:

- Offering non-monetary developmental support for SMEs through a memorandum of understanding with the Small Enterprise Development Agency (SEDA)
- Funding the membership of 10 of our incumbent SMEs for the Durban Chamber of Commerce and Industry which offers training, development support, networking and market expansion opportunities to these SMEs
- Establishing memoranda of understanding with Ithala Bank and the Industrial Development Corporation for the provision of funding to SMEs within our value chain
- Contributing ZAR694,000 to the National Business Initiative for the establishment of a business hub in Mandeni aimed at developing technical skills among identified SMEs and job-creation opportunities for local youth – the other funders are the German and Swiss governments
- Partnering with a major South African logistics company to run a five-year incubation programme for the delivery of finished product between Saiccor Mill and our Durban warehouse.

Through shared value, our overarching aim, is to move our communities towards a sustainable future independent of Sappi.

Biodiversity loss

Context

Earth's wildlife populations have plunged by an average of 69% in just under 50 years, according to the WWF and Zoological Society of London's Living Planet Report[1], as humans continue to clear forests, consume beyond the limits of the planet and pollute on an industrial scale. The report highlights that land use change is still the most important driver of biodiversity loss across the planet.

Our response

As our business depends on healthy ecosystem function, we have a particular interest in participating in initiatives to arrest biodiversity loss. We do so in the following ways:

- High levels of certification to independently verified system
- Membership of the Circular Bioeconomy Alliance aims to accelerate the transition to a circular bio-economy that is climate neutral, inclusive and prospers in harmony with nature
- Business for Nature's #MakeitMandatory campaign, which calls on all large businesses and financial institutions to assess and disclose their impacts and dependencies on biodiversity
- Communicating our support for COP15
- Utilise third-party forest certification systems to advance responsible forest management, identify and manage risk, continuously improve Sappi's operations and those of our suppliers
- Implement detailed procedures and systems to trace and document the origin of wood and the species used in our products
- Conduct annual supply-chain risk assessments coupled with rigorous supplier qualification processes.

See our Woodfibre Procurement Policy at https://www.sappi.com/groupwoodprocurementpolicy

See other initiatives and programmes are described on pages 106 to 107 of this report.

[1] *Available at https://wwwflpr.panda.org/*

Risk management

OUR RISK MANAGEMENT PHILOSOPHY

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 TCFD.

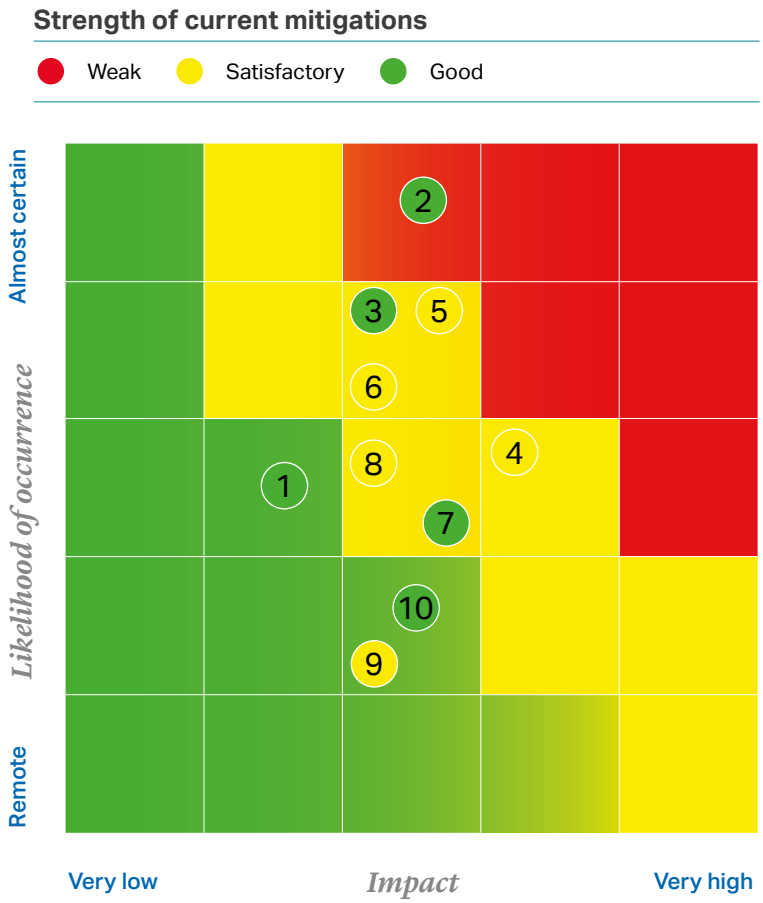
For an analysis of the principal financial risks we are exposed to, refer to note 32 of the **Group Annual Financial Statements** at www.sappi.com/annual-reports

Our 2022 **Risk Management Report** provides a detailed discussion of the group's risk factors, and can be accessed at www.sappi.com/annual-reports

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, eg, return on investment.



Top 10 risks

RESIDUAL RISK RANKING

1/ Safety

2/ Cyber security

3/ Sustainability expectations

4/ Supply chain disruption

5/ Climate change

6/ Evolving technologies and consumer preferences

7/ Cyclical macro-economic factors

8/ Uncertain and evolving regulatory landscape

9/ Employee relations

10/ Liquidity

1/ Safety

(2021: 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.

Thrive25 strategy objectives impacted

3Ps impacted

Capitals impacted

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
- Supporting sound labour relations
- Attracting, developing and retaining Sappi talent.

2/ Cyber security

(2021: 6)

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. Such stored content could be vulnerable to cyber attacks if not properly classified and protected by functional owners.

Thrive25 strategy objectives impacted

3Ps impacted

Capitals impacted

Mitigating actions

- Mitigate against cyber-attacks and information security breaches through our multi-layered IT 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 issues

- Maintaining ethical behaviour and compliance
- Attracting, developing and retaining Sappi talent.

3/ Sustainability expectations

(2021: 4)

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.

Thrive25 strategy objectives impacted

3Ps impacted

Capitals impacted

Mitigating actions

- Provide product information to customers
- Enhanced health and safety specifications
- Promote recyclability
- Drive product innovation (including research and development (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 forest certification
- Communicate our social and environmental credentials through all media channels
- Implement ESG-related covenants.

Related material issues

- Procuring responsibly
- Providing sustainable solutions for a circular bio-economy
- Responding to evolving customer needs through innovation and collaboration
- Sourcing sustainable woodfibre
- Prioritising clean and renewable energy and responding to climate change
- Focusing on water stewardship and circularity
- Safeguarding and restoring biodiversity.

4/ Supply chain disruption

(2021: 3)

Root cause

We depend on a reliable and efficient supply chain to procure raw materials from suppliers and 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. 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. 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 status.

Thrive25 strategy objectives impacted

3Ps impacted

Capitals impacted

Mitigating actions

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

Related material issues

- Procuring responsibly
- Maintaining and strengthening our competitive position through agility, innovation and operational efficiency
- Prioritising clean and renewable energy and responding to climate change.

5/ Climate change

(2021: 5)

Root cause

Climate change is having an unavoidable effect on our business in the form of transitional, reputational and physical impacts. The latter includes 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.

Thrive25 strategy objectives impacted

3Ps impacted

Capitals impacted

Mitigating actions

- Source pulp and woodfibre from a variety of sources and regions
- Invest in fire, pest 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
- Following engagement with the South African Department of Forestry, Fisheries and Environment (DFFE), we anticipate our carbon tax liability to be zero, as in FY2021
- Group-wide decarbonisation initiatives.

Related material issues

- Providing sustainable solutions for a circular bio-economy
- Sourcing sustainable woodfibre
- Prioritising clean and renewable energy and responding to climate change
- Focusing on water stewardship and circularity
- Safeguarding and restoring biodiversity.

6/ Evolving technologies and consumer preferences

(2021: 2)

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.

Thrive25 strategy objectives impacted

3Ps impacted

Capitals impacted

Mitigating actions

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

Related material issues

- Procuring responsibly
- Providing sustainable solutions for a circular bio-economy
- Maintaining and strengthening our competitive position through agility, innovation and operational efficiency
- Sourcing sustainable woodfibre
- Prioritising clean and renewable energy and responding to climate change
- Responding to evolving customer needs through innovation and collaboration.

7/

Cyclical macro-economic factors

(2021: 7)

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 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.

Thrive25 strategy objectives impacted

3Ps impacted

Capitals impacted

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

- Maintaining and strengthening our competitive position through agility, innovation and operational efficiency
- Providing sustainable solutions for a circular bio-economy
- Responding to evolving customer needs through innovation and collaboration.

8/

Uncertain and evolving regulatory landscape

(2021: 8)

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.

Thrive25 strategy objectives impacted

3Ps impacted

Capitals impacted

Mitigating actions

- Remain up to date on changes to applicable legislation
- Group-wide legal compliance programmes
- 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 GHG emission requirements, and take action accordingly
- Co-operate across regions to apply best practices in sustainability.

Related material issues

- Maintaining ethical behaviour and compliance
- Procuring responsibly
- Ensuring the safety of our employees and contractors.

9/ Employee relations

(2021: 10)

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.

Thrive25 strategy objectives impacted

3Ps impacted

Capitals impacted

Mitigating actions

- Interact and engage with union representatives and organised labour regularly
- Build constructive work relationships.

Related material issues

- Ensuring the safety of our employees and contractors
- Supporting sound labour relations
- Attracting, developing and retaining Sappi talent
- Creating a positive social impact in our communities.

10/ Liquidity

(2021: 9)

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 world-wide economic conditions, which could result in a decline in global demand for our products.

Thrive25 strategy objectives impacted

3Ps impacted

Capitals impacted

Mitigating actions

- Cost-saving initiatives
- Re-prioritising various strategic initiatives
- Commercial downtime taken to match supply to demand
- Deferral of non-critical capex projects.

Related material issues

- Maintaining and strengthening our competitive position through agility, innovation and operational efficiency.

Our key relationships

Our overarching aim is to partner proactively with our stakeholders as we unlock the power of trees and their limitless potential to offer sustainable nature-based solutions that benefit people and the planet, thereby realising our vision of a thriving world. Doing so requires bold, decisive action.

Highlights in FY2022

- **Signed up for the United Nations Global Compact (UNGC)** Early Adopter Programme.
- **Worked with a consortium of banks to develop the Sustainable Financing Framework**, our first financing facility with sustainability linked KPIs.
- **Became a member of the WBCSD.**
- **Higher levels of involvement in thought initiatives** such as the World Resources Institute's GHG Protocol Carbon Removals and Land Sector Initiative Project, which benefit the forestry industry as a whole.
- **Opening of the Saiccor Mill capacity expansion and environmental upgrade project** by South African President Cyril Ramaphosa, marking the fulfilment of Sappi's commitment made at the first South Africa Investment Conference in 2018.

Together with our stakeholders, we're 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 challenge the status quo and be responsive to an evolving stakeholder landscape. In addition to responsiveness, our approach to engagement is based on the principles of inclusivity, materiality, relevance and completeness.

In determining those issues most material to our stakeholders, we assess not just enterprise value, but also the impact of our activities on people and the planet. (Please see page 76 for further details.)

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 Greenlight Movement community surveys in South Africa.

Our stakeholder work is aligned to the governance framework of King IV, namely performance and value creation, adequate and effective controls and trust, as well as reputation, legitimacy and ethics.

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

Our stakeholder engagement is also guided by our membership of and commitment to the United Nations Global Compact (UNGC) as well as our work on the UN SDGs, in particular, the SDGs which we have prioritised.

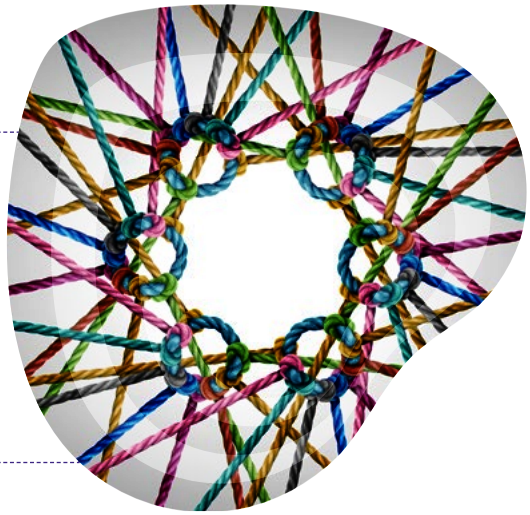
See **Maintaining ethical behaviour and compliance** on page 80.

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

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

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 regarding Covid-19

Our response

We implemented a staggered return to our sites as restrictions eased. Covid-19 information hubs continued to support our staff, customers and their families, focusing specifically on infection prevention and vaccination-related topics.

Shared priorities: Involvement in safety

Our response

- Our commitment to safety is entrenched in our company value statement
- For the third year running, the theme for Global Safety Awareness week was 'I Value Life'. The key messages were:
  - I value life
  - I am aware of my environment and potential hazards in it (situational awareness)
  - understanding hazards and risks
- 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 **Sappi Europe (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 **Sappi North America (SNA)**, all unions can participate in joint management-worker safety committees
  - in **Sappi Southern Africa (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.

See **Ensuring the safety of our employees and contractors** on page 90.

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: Effective recognition programmes

Our response

Our recognition programmes include:

Sappi Limited
- Technical Innovation Awards
- CEO Thrive Award.

SEU
- Long-service awards
- Annual *Coryphaena Award.*

SNA
- TOUTS Recognition Awards – a peer-to-peer recognition programme whereby employees can recognise each other for achievements
- Periodic regional President's Awards
- Long-service recognition.

SSA
- Excellence in Achievement Awards (EAA)
- Annual safety awards
- CEO Award
- Long-service awards.

Sappi Trading
- SMART Awards.

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

Our response

- Group and regional CEOs engage with staff regarding company performance at the end of each quarter
- Targeted communication programmes are launched for any major development supporting the strategic goals (project launches, mergers and acquisitions (M&A) activities etc)
- In **SEU** regular videos from the CEO are shared with staff
- Quarterly staff updates are undertaken by the **SNA** leadership team
- In **SSA** the Ask Alex initiative continues whereby employees can pose questions to the CEO
- We conduct engagement surveys every second year, with the most recent one in 2021. Results are communicated to staff and workshopped with individual teams. A central action tracker facilitates updates on action items identified in each region in the last survey. A summary of themes and progress is provided to senior leadership at least twice annually.

See **Engaging more closely with our employees** on page 56.

Shared priorities: Understanding Sappi's commitment to sustainability which underpins our strategy

Our response

Globally, targeted internal publications and social media campaigns linked to days like Global Ethics Day, World Environment Day[1] and the International Day of Biodiversity[2] enhance understanding of the sustainability landscape and our role in promoting responsible biodiversity initiatives.

SEU's Blue Couch series features a series of interviews with speakers from the paper industry who provide insights about new products, innovations and sustainability.

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

All regions undertake internal sustainability communication campaigns linked to our priority SDGs.

[1] *https://www.linkedin.com/company/sappi/videos/native/urn:li:ugcPost:6939487203391602688/*
[2] *https://www.linkedin.com/company/sappi/videos/native/urn:li:ugcPost:6934024075312783362/*

Shared priorities: Training and development that benefits Sappi and our employees

Our response

Globally, on average, each employee benefited from 46.89 hours of training (FY2021: 48.3 hours).

- 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
- We have relaunched our learning, talent and performance tools under the Sappi Advance brand name with a comprehensive communication campaign reminding employees of the options for personal development that we offer. Already available in English, a fully translated version is being prepared by SEU for FY2023. SNA ensures that the programme is also available in French Canadian for our Matane Mill employees.

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 support 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.

SSA

- Sappi Lead^{x} prepares future leaders
- Apprenticeships, engineers in training and foresters in training programmes build our human capital for the future
- The Lean & Me programme, which involves basic leadership practices, primarily targeted at supervisors and foremen in the manufacturing business, continues to gain traction across all mill sites
- The National Employment Equity and Learning Committee ensures that we meet our legislative obligation to consult and attempt to reach agreement, as placed on us by the Employment Equity Act and Skills Development Act. The committee, which meets at least twice a year, has been reconfigured to include representation from the semi-skilled and unskilled categories of employees
- We offer bursaries in a variety of fields related to our business
- We offer a number of internships each year to support key business functions including IT, communications, human resources (HR) and manufacturing operations.

In light of an ageing workforce within our industry, particularly in North America, our employees in each region have been visiting schools and becoming involved in initiatives that promote career paths within forestry and the pulp and paper industry.

EMPLOYEES continued

Shared priorities

Encourage employee volunteerism through initiatives

Our response

In FY2022, in addition to a corporate donation of US$100,000 to support humanitarian relief in Ukraine including through UN Crisis Relief, Sappi matched employee donations to the value of US$25,000 made to organisations including the International Committee of the Red Cross, Save The Children and Doctors without Borders.

SEU

- SEU supported various local education, cultural and environmental projects based on annual requests and identified needs
- Additionally, SEU focused their efforts on Poland where hundreds of thousands of Ukrainians have found sanctuary. From collecting essential goods and supplies to making healthy meals, Sappi people in the Krakow Shared Service Centre are doing their part to provide relief and support.

SNA

- Through the Employee Ideas that Matter initiative, we provide grants to employees to benefit the non-profit organisations about which they are most passionate. The winners share US$25,000 in corporate giving to support their selected causes. In 2022 the amount was increased to US$50,000.

SSA

- Employee Wellbeing Committees at each mill support local community projects and Mandela Day volunteering initiatives
- Following extensive floods in KwaZulu-Natal province earlier this year, we launched an employee donation drive, collecting over ZAR125,000 each for the Angel Network and Robin Hood Foundation. In addition, Sappi donated ZAR1 million to the Gift of the Givers organisation.

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 living up to our purpose, we become a more attractive employer, particularly to Millennials and Gen Zers
- 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.

Unions

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

Why we engage

In 2022, globally, 55% of our workforce was unionised, with 71% 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 **UNGC and Universal Declaration of Human Rights**. At a minimum, we conform to and often exceed labour legislation requirements in the countries in which we operate. Protecting the right to freedom of association and collective bargaining is fundamental to the way 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 established several 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, right to seek guidance and assistance from a member of the HR department or their representative at any time and the right to appeal to a higher authority, without prejudice.

See **Supporting sound labour relations** page 92.

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

Shared priorities

Resolving grievances, engaging on strategy

Our response

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

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.

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

Opportunities for value creation

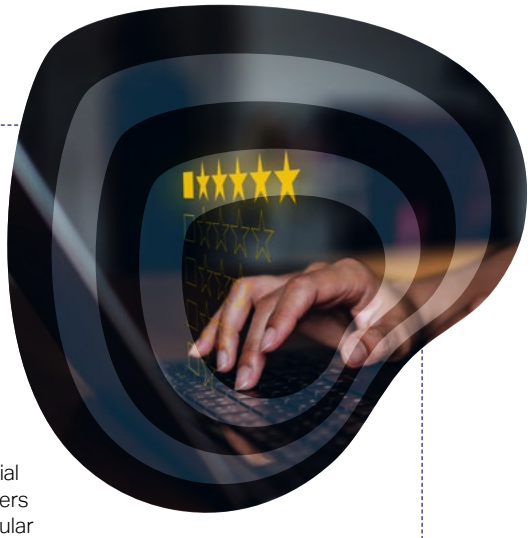
- Good employee-management relations enable us to resolve new and difficult labour issues as they develop
- When employees understand strategic direction and operating context, they are more likely to be more committed to Sappi, leading to a more stable labour force and higher levels of productivity.

Challenges for value creation

- Multi-union landscapes, particularly in North America and South Africa, add to complexities in the labour environment
- There are unrealistic expectations about wage increases.

Customers and partners

Self-assessment of quality of relationship: 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 and 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 packaging and speciality paper solutions, 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 embracing the circular economy using sustainable materials based on certified wood and replacing fossil-based chemistry and 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.

Traceable and transparent supply chains are key to providing brand owners and consumers with the assurance and confidence that the woodfibre used for the wood-based products they buy originates from verified, responsibly managed forests, is delivered through supply chains that do not cause deforestation, where biodiversity is enhanced and the customary, traditional and civil rights of people are upheld. Against this backdrop, we are working across various forums to share our experience and knowledge on sustainable, transparent supply chains with our customers.

Shared priorities

New or enhanced products that meet rapidly changing market demand

Our response

Consumers have become increasingly aware of social and environmental issues and our customers are looking to us for help in this regard. Against this backdrop, our innovation and sustainability departments enable 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 collaborate with partners and/or conduct R&D and develop products to suit customers' specific needs.

See **Responding to evolving customer needs through innovation and collaboration on** page 88.

Shared priorities

Information and initiatives to encourage the use of our paper and packaging solutions and promote Verve's environmental credentials

Our response

- We participated in the Challenge the Fabric summit in Paris, held by the Ekman Group and the Swedish Fashion Council
- We also participated in several tradeshows including:
  - AWA Global Release Liner Industry Conference & Exhibition 2022, where we had a small stand and gave a presentation
  - FachPack in Germany, where we displayed samples of packaging for food products and non-food applications; new products in label papers, flexible packaging papers, containerboard and paperboard and new packaging solutions made with our barrier papers
  - LuxePack in Monaco, where we showcased our high-quality paperboard product Algro Design and our new Fusion Nature Plus virgin fibre liner
  - PCD Paris, which showcases perfume, cosmetics and premium drinks packaging
- Shortly after year end we participated in LuxePack Monaco and PRINTING United in Las Vegas
- In July 2022, we hosted Textile Exchange (TE) executives, with retail representatives and conservation consultants on a learning journey to our operations in KwaZulu-Natal in South Africa. TE's 700 international members, who represent leading brands, retailers and suppliers, provide a collective driving force for urgent climate action by benchmarking the industry and providing actionable tools for improvement. Their goal is to guide the textile industry to achieve a 45% reduction in GHG emissions within fibre and raw material production. After visiting the Sappi WWF uMkhomazi Water Stewardship project, delegates spent time at the Sappi Forests Shaw Research Centre, seeing how the optimal woodfibre is developed for the production of DP that goes into textiles like viscose and lyocell and learning about the forestry value chain.

Comments on the TE learning visit

"So enlightening and eye opening! I felt a powerful sense of connectivity... to how we can all better partner and understand the constraints and opportunities to make progress on our shared goals. What a lovely group of people and talent your organisation has attracted and retained. Truly impressive."

TE executive

"It gave a wonderful insight into the production process of dissolving pulp and the complex context in which you operate. It was great to see everybody's expertise and passion for their work."

Biodiversity Consultant

"Wish I had had this insight years ago. So excited to share with our buying teams. The Sappi family were so welcoming and it is obvious how passionate they are about what they do – the level of experience is inspiring."

Retail Sustainability Manager

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 publish paper profiles and information sheets for our papers. We also respond to many questionnaires from our customers that collect data 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 emissions associated with a customer order and how those emissions compare against the industry average
- At the request of our customers, we participate in EcoVadis and hold a platinum rating for all three regions
- We also publish frequently asked questions (FAQs) covering topics like climate change, as well as forests, energy and certification.

Shared priorities

Technical information

Our response

Globally, a series of technical brochures is available on our website www.sappi.com

SEU

- The Sappi &You online knowledge platform for graphic papers
- The packaging and speciality papers site provides targeted information on packaging and speciality papers.

SNA

- The POP site is aimed at marketers, creatives, designers and printers looking to innovate in their categories. As an example, our booklet published on the site, 'True or False?' puts the same project side by side on coated paper and uncoated paper to make it easier for our customers to make a decision
- Sappi etc. is an educational platform for designers and printers offering information on a wide range of topics including paper basics, advanced print and design techniques and special effects.

SSA

- Our paper and paper pulp product offerings are supported by strong technical teams at each mill and the technology centre in Pretoria. External testing services offered include water and wastewater testing; wood, pulp and liquors testing; microscopy; and together with paper and box testing which can be used to conduct a wide range of ISO and TAPPI paper and paperboard tests. Specialised services applicable to the pulp, paper and related industries can be tailored around customer requirements.

CUSTOMERS AND PARTNERS continued

The Sappi stand at FachPack 2022

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
- Provide transparent information in line with our strategic pillar of 'enhancing trust'
- Leverage our position as a solution provider for a low-carbon and bio-based economy to support customers and policy making
- Showcase our products and promote the Sappi brand.

Challenges for value creation

- Conflation of harvesting from sustainably managed plantations with deforestation, together with lack of understanding about the manner in which the forests and plantations from which we source woodfibre help to mitigate global warming
- Promoting understanding of decarbonisation challenges.

[case study]

Co-creating digital solutions

To stay abreast of our customers' evolving needs, SNA partnered with the Rochester Institute of Technology (RIT) in New York to co-create next-generation digital solutions that add value both to our customers' business and ours.

Researchers in the newly launched Sappi-RIT Digital Innovation Lab will study the role of digital business solutions and the user experience in the pulp and paper industry. The lab is situated in the School of Interactive Games and Media within RIT's Golisano College of Computing and Information Sciences. The faculty is dedicated to advancing the fields of computing and information sciences through creativity and innovation.

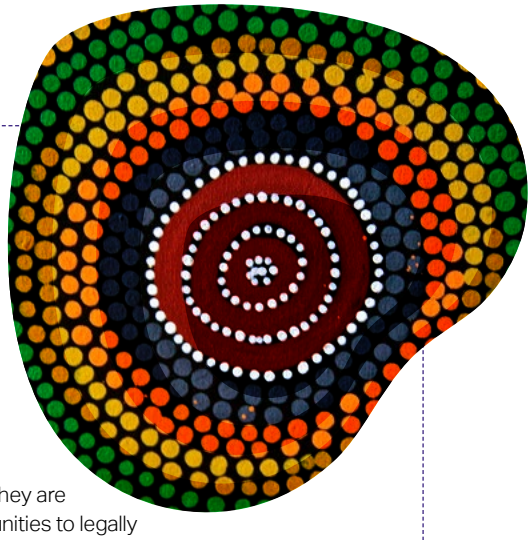
Sappi generates and captures considerable amounts of data, from our supply chain right through to customer behaviour.

The collaboration with RIT is designed to unlock business insights and value from the data. Initially, the team will focus on leveraging the data to unlock a deeper understanding of our customers.

The lab is part of a wider innovation and efficiency drive within Sappi to accelerate the transition to a bio-based, circular economy, reducing waste and maximising resources to achieve both our business and sustainability goals.

Communities and neighbours

Self-assessment of quality of relationship:
Fair to good



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 their wellbeing and development. 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 are situated. 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 South Africa, ICFs comprising Sappi employees and community members have helped to enhance our relationships with communities. However, social unrest in the country continues to be an issue – the result of a disaffected population impacted by lack of service delivery and job opportunities. In some instances, this negatively impacts our reputation and relationships with communities.

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
- Sappi Europe donated €10,000 as part of the Sappi Global Safety Awareness week activities linked to our I Value Life principle to ASPIRE Education Hub in Krakow. This charity focuses on the long-term wellbeing and education of Ukrainian teenagers displaced by the war. Teens can access remote learning facilities to connect with their Ukrainian schools as well as new learning opportunities in technology and the arts.

SNA

- Each site hosts an employee 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 co-operation with state agencies and industry associations, billboards promoting Sappi's private lands forestry programme and private landowner management assistance
- The Ideas that Matter 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 more than US$14 million to a wide range of causes around the world that use design as a positive force in society. The programme was relaunched in FY2022 to align more closely with the UN SDGs, thereby encouraging applicants to use design to address local challenges. Grants in FY2022 ranged from support for child literacy, immigration and maternity care to rainforest preservation, anti-poverty programmes and resources for women of colour
- The Employee Ideas that Matter programme provides direct funding to the non-profit organisations about which our employees are most passionate.

> The Ideas that Matter initiative was the winner in Excellence in Community Service in the 2022 Communitas Awards, which recognise organisations, companies and individuals for their outstanding engagements to bring about change to social and environmental issues affecting communities across the globe.

COMMUNITIES AND NEIGHBOURS continued

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

Our response

SSA

- Following extensive floods in KwaZulu-Natal province in April 2022, Sappi donated ZAR1 million to the Gift of the Givers organisation for relief efforts. This was supplemented by an additional ZAR300,000 to Gift of the Givers from CellMark (our lignin trading partner)
- Community support has been bolstered by the creation of a dedicated multi-disciplinary team comprised of the enterprise and supplier development (ESD) team, the HR team and the corporate citizenship team. This structure, in at each mill site, is referred to as the Community Management Committee (CMC). The purpose of this 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 reports on the employment of local people and ensures investment in communities addresses specific needs. The CMC collaborates 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 in areas like education, environment and socio-economic development. The latter is based on helping communities help themselves
- Our focused ESD department aligns with this approach by working to incorporate small and medium enterprises (SMEs) into the mainstream economy
- Other initiatives include:
  - Sappi Khulisa, our enterprise development scheme for emerging timber farmers; we also support a honey beekeeping programme in our Khulisa communities
  - the Abashintshi Youth programme which mobilises youth to create open channels of communication between communities and Sappi and trains them to mobilise their communities to develop themselves in line with the ABCD model
  - education throughout the education value chain, including early childhood development (ECD); and skills centres at Saiccor and Ngodwana Mills train both Sappi employees and unemployed youth. In addition, Khulisa Ulwazi, our training centres for small growers are targeted at all forestry value chain participants, including land reform beneficiaries and Sappi Khulisa growers
  - support for local tourism through our mountain biking and trail running sponsorships and promoting recreational riding on Sappi land
  - support for Sappi forestry community schools based on requests and needs analyses – projects include fresh water, ablution facilities, fencing, buildings and structures and vegetable gardens
- See **Creating a positive social impact with communities** for more about ESD work on page 95.

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
- Creation of shared value, positive social impact and promotion of inclusivity
- Closer alignment with authorities' local development plans.

Challenges for value creation

- Community expectations for jobs and service delivery in South Africa.

Industry bodies, related memberships and organised business

Self-assessment of quality of relationship: Good

Why we engage

We engage with industry bodies and organised business, believing that together we are better equipped to meet the needs of a growing and changing society, as well as demonstrate the value business brings to society. Our focus is on using our expertise and 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. During 2022 we formalised our full membership of the WBCSD, adding our voice to those protecting, promoting and engaging on issues affecting our industry and our business.

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 our values and commitment to our industry.

Shared priorities: Ethics and governance

Our response

Sappi Limited, being headquartered and listed in South Africa (SA), is a member of the Ethics Institute of SA and has also signed the Business Leadership South Africa Integrity Pledge, thereby committing the group to actively combat corrupt practices wherever encountered, preventing anti-competitive behaviour, adopting a zero-tolerance approach to corrupt behaviour and protecting whistle-blowers.

Sappi Limited is an active participant in the National Economic Development and Labour Council (Nedlac) Companies Amendment Bill Task Team, where representatives of labour, government and business meet to discuss and seek consensus on the major amendments proposed to the current South African Companies Act and governance codes, as well as changes related to board Social and Ethics Committees.

Shared priorities: Decarbonisation and net zero

Our response

We engaged throughout the year with the SBTi until our targets were validated in June 2022.

See **Responding to climate change** for more about ESD work on page 96.

We are a project member of the WBCSD Forest Solutions Group. This collaborative platform enables companies from across the forest and forest products sector to support the development of Net Zero and Roadmap to Nature Positive, for the forest sector. The 2022 work priorities for the group included: Roadmap to Nature Positive, the GHG protocol, TCFD reference scenarios and phase two of the net zero roadmap. The Roadmap to Nature Positive economy, aligns with guidance from the Science Based Targets Network (SBTN) and the Taskforce on Nature-related Financial Disclosure (TNFD); the first draft has been completed and will be published at COP27.

The Programme Leader Land Management and Wood Properties, Sappi Forests, spearheaded the carbon calculation and flows methodology related to forests, as well as the quantification and development of mitigating strategies for climate change as related to forests for Sappi. This individual is a member of the World Resources Institute technical working group on GHG Protocol Carbon Removals and Land Sector Initiative Project, which is developing new guidance on how companies account for and report land use, land use change, carbon removals and storage, bio-energy and other biogenic products. Sappi Forests is participating in the GHG pilot for Scope 1 emissions reporting from own land holdings in South Africa using a cradle-to-mill gate system boundary.

The TE launched its 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, being developed alongside the SBTN to reinforce consistency in language, frameworks and measurements.

In the build-up to COP27 (climate change) Sappi joined the Africa Business Leaders Coalition and signed its Africa Business Leaders' Climate Statement which was presented at COP27.

INDUSTRY BODIES, RELATED MEMBERSHIPS AND ORGANISED BUSINESS continued

Shared priorities | Biodiversity

Our response

Global
Sappi Pulp was an advisory partner in the development of the Biodiversity Benchmark for the TE.

Shortly after year end and in preparation for COP15, Sappi joined other companies from 56 countries in signing the Business for Nature Statement calling for mandatory assessment and disclosure on nature to be included in the Global Biodiversity Framework.

In **SNA's** sourcing areas, a significant portion of forestland is owned and managed by private landowners, often averaging less than 10 hectares. This presents challenges for forest health and biodiversity conservation. The Sappi Maine Forestry Program and the Sappi Lake States Private Forestry Program, 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.

SNA also supports the University of Minnesota Sustainable Forests Education Cooperative.

SSA supports South African National Biodiversity Institute (SANBI), Birdlife SA and WWF-SA. In this region we have seven declared nature reserves on our landholdings in Mpumalanga and KwaZulu-Natal. These proclaimed nature reserves are part of SANBI, are based on partnerships between landowners, provincial conservation authorities and NGOs, and are aimed at securing and enhancing biodiversity. The sites are declared where important biodiversity or ecosystem services have been identified.

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 support the Higg Index developed by the apparel industry to evaluate materials, products, facilities and processes based on environmental performance, social labour practices and product design choices.

SEU
In FY2022 we participated actively in the 4Evergreen Alliance, which is focused on improving fibre-based packaging circularity and climate performance. The collaboration published *Circularity by Design Guidelines,* which offers a collective view from experts across the value chain on how different components of fibre-based packaging impact the paper recycling process in standard recycling mills, together with the different ways in which they can be classified. The collaboration also published the *Collection & Sorting Guideline*, together with three annex materials which aim to improve the use and execution of the Confederation of European Paper Industries (CEPI) harmonised test method for recyclability.

We also participated in the Forests Dialogue (TFD), which 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.

Contributing to the Pulp and Paper Value Chain Information System (P&P-VIS)
Together with other members of the CEPI and the European Paper Chemicals Manufacturing Industry Group, SEU contributed to the launch of the P&P-VIS in 2022. The system embodies two essential elements of sustainability transformation: collaboration and transparency. By working together to agree on a harmonised questionnaire and develop an online platform, important information can now flow accurately and efficiently between chemical suppliers and their pulp and paper manufacturing customers.

The information shared supports our ability to ensure our products comply with requirements related to food contact, Ecolabel, declarable substances, together with other regulatory and market requirements. Through P&P-VIS, the paper industry has enhanced its capacity to react rapidly to new product safety regulations and to efficiently implement them throughout the value chain.

SNA
Sappi continues to be a sponsor of the Paper & Packaging Board's How Life Unfolds® campaign, which highlights our commitment to innovative, sustainable products.

We are a founding partner of The Recycling Partnership and support their work to transform recycling nation-wide and increase materials recovery.

SSA
Together with PAMSA and another industry member, we sponsored Primestars to develop an infotainment programme for high school learners from under-resourced communities. The programme was aimed at highlighting opportunities in the green economy.

Shared priorities | Product development and innovation

Our response

- Sappi Biotech collaborated with Frankfurter Brett and Kegelmann Technik to launch a sustainable kitchen console made from Sappi Symbio
- In the light of growing consumer demand for sustainable packaging, SEU and packaging machine manufacturer Kallfass signed a collaboration agreement to develop a sustainable, paper-based alternative to film-based primary and secondary packaging in the non-food packaging sector
- SNA is the co-lead of the committee operating under the auspices of the Alliance for Pulp and Paper Technology Innovation to demonstrate and deploy membrane-based technology for black liquor. Other members of the committee include the Georgia Institute of Technology (Georgia Tech), members of the US forest products industry and membrane system/ process developers. The work has progressed to mill scale trials and we continue to help fund patent protection for the invention.

Shared priorities | Regulatory issues

Our response

SEU

The European Green Deal aims to lead the world in achieving climate neutrality under the Fit for 55 legislative package. Our industry supports the objectives of the European Green Deal and is leading the way in taking concrete actions to achieve deep emissions reductions. Our main position in the context of EU policy related to decarbonisation is to ensure a predictable and enabling policy framework for EU industry. We engage through CEPI.

One of the most recent proposals was to establish a broadened framework for eco-design requirements for sustainable products. The horizontal framework for eco-design requirements will cover the broadest possible range of products, including intermediate products and components, but excluding food, feed, medicinal products, living plants and animals. We are following the process closely.

Together with other members of the European pulp and paper industry, we have been actively contributing to and keenly monitoring the development of the new EU Forest Strategy and the proposal for a regulation concerning certain commodities and products associated with deforestation and forest degradation.

SNA

In the USA, extended producer responsibility (EPR) legislative activity has gathered momentum. 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. The state of Maine, where our Somerset and Westbrook mills are located, was the first state to pass EPR legislation. We are engaging through our trade association, the American Forest & Paper Association, who appointed a consultant to inform and influence the conversation among the media, policymakers, and the public surrounding EPR proposals.

See **Our engagement with regulators regarding carbon taxes** on page 72.

SSA

We supported PAMSA in its engagement with the Department of Forestry, Fisheries and the Environment (DFFE), which resulted in the granting of an exclusion for specific waste streams from the definition of waste to promote beneficiation opportunities of the likes of paper sludge and ash in various products such as brick and block manufacturing, soil conditioners, biofuels and cement production.

Shared priorities | Enhanced forestry management

Our response

SNA

We belong to the Cooperative Forest Research Unit based at the University of Maine, where scientists conduct applied research that provides Maine's forest landowners, forestry community and policymakers with the information needed to ensure both sustainable forestry practices and science-based forest policy.

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

The revised SFI Forest Management, COC and Fiber Sourcing Standards went into effect on 1 January 2022. The new standards bring clarity and rigour in key areas of due diligence systems and avoidance of controversial sources, landscape biodiversity conversation and logger training together with new climate Smart Forestry practices and an optional climate change adaptation module.

We are a member of Minnesota Forest Industries (MFI), which meets quarterly with public agencies to discuss forest-related challenges, industry needs, workforce challenges, and trends/concerns/opportunities.

SSA

A milestone was reached last year when we were awarded the first-ever PEFC forest management certificate in the country. This means that all our plantations are now both FSC and the PEFC certified. In addition to PEFC forestry management certification, Ngodwana, Saiccor and Tugela Mills are now chain of custody certified.

The Sappi Forests Vice-President spoke at the 15th World Forestry Congress, held in Korea on the topic: *Managing forests for the SDGs: Creating value, equality and resilience from forest products and ecosystem services*.

Shared priorities | Combatting deforestation and promoting certification

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 PEFC's international stakeholder member, and collaborates to promote and expand forest certification, but also to ensure that the systems continuously develop themselves to sustain the integrity and robustness of certified supply chains.

INDUSTRY BODIES, RELATED MEMBERSHIPS AND ORGANISED BUSINESS continued

Shared priorities

Promoting the sound credentials of woodfibre

Our response

Sappi is a member of the SAC's policy advocacy task team responsible for providing commentary on the development of the EU textile strategy and associated policies, in line with the EU Green Deal directive. One of the key aims is to ensure that virgin wood-based raw materials are recognised as a sustainable option. This advocacy group is supported by the Federation of European Sporting Goods Industry and Global Fashion Agenda.

Shared priorities

Ensuring the integrity of natural resources like water

Our response

SSA has partnered with WWF-SA to proactively manage water resources in the uMkhomazi catchment, in which our Saiccor Mill is situated through multi-stakeholder collaboration across the landscape. This collaborative approach is an extension of an innovative structure, known as the ICF (see page 44), which we pioneered and through which we engage with communities close to our areas of operation. Under this project, we launched the first community-based alien vegetation clearing and maintenance project with the Nzinga community.

Opportunities for value creation

- Address complex topics through collaboration
- 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
- Share our experience and knowledge on sustainable, transparent supply chains to help prevent deforestation.

Challenges for value creation

- High costs of and resource requirements for certain industry memberships.

[case study]

Progressing DNA fingerprinting for small growers

The DNA Fingerprinting for Small Growers initiative was launched in FY2022. Supported by the South African Technology Innovation Agency, it aims to make DNA fingerprinting technology developed by the Forest Molecular Genetics Programme, through the founding members (of which Sappi is one), available to small growers and farmers.

This will help with the identification of clonal genotypes, confirmation of hybrids and with parentage and pedigree reconstruction. This has become an indispensable tool in the forestry industry, aimed at ensuring the deployment of fast-growing, resilient trees.

The Technology Innovation Agency, has provided ZAR500,000 per annum, which will support a dedicated technician and subsidise the cost of DNA fingerprinting for small growers and private nurseries to a total of 800 to 1,000 samples per year. In the next phase, there will be engagement between industry members and the outgrower community.

Our membership of industry associations and other organisations

Sappi Limited
- African Business Leaders Coalition
- Business Leadership South Africa
- CEO Initiative
- Circular Bio-economy Alliance
- EcoVadis
- Ethics Institute (South Africa)
- International Stakeholder member of the PEFC[1]
- Nedlac
- Paris Pledge for Action
- Sustainable Apparel Coalition
- Technical Association of the Pulp and Paper Industry
- TE
- UNGC
- WBCSD including the FSG.

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

SNA
- Alliance for Pulp and Paper Technology Innovation
- American BioFuels Association
- American Forests and Paper Association
- American Forest Foundation (AFF)
- Biorenewable Deployment Consortium
- Federal Forest Resources Coalition
- Forest Products Working Group
- Forest Resources Association
- FSC
- Great Lakes Timber Professionals Association
- Maine Forest Products Council
- Maine Tree Foundation
- Michigan Forest Products Council
- Minnesota Forest Industries
- Minnesota Timber Producers Association
- NH Timberland Owners Association
- Paper and Paper Packing Board
- Paperboard Packaging Council
- Pulp and Paper Products Council
- Sustainable Packaging Coalition
- Sustainable Forestry Initiative (SFI)
- The Recycling Partnership
- University of Maine Cooperative Research Unit
- University of Maine Paper Surface Science Consortia
- University of Minnesota Sustainable Forests Education Cooperative.

SSA
- Birdlife SA
- Business Unity South Africa
- Fibre Circle
- Fibre Processing and Manufacturing Skills Education and Training Authority
- Forestry South Africa
- FSC
- National Business Initiative
- Manufacturing Circle
- Packaging SA
- PAMSA
- Recycle Paper ZA
- Shared Value Initiative
- SANBI
- South African Chamber of Commerce and Industry and local chambers of commerce and industry
- 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.

Shareholders, bondholders and banks

Self-assessment of quality of relationship: Good to excellent

Why we engage

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

Shared priorities	Understanding Sappi's strategy Understanding Sappi's performance Return on investment Transparent information about risks, opportunities and 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 also engage with shareholders on relevant issues
- We conduct *ad hoc* mill visits and road shows, and issue announcements through the Johannesburg Stock Exchange (JSE) – Stock Exchange News Services (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 can attend and participate in the Annual General Meeting as well as the four quarterly financial results briefings
- We engage with various ratings agencies, particularly in terms of ESG performance
- We participate in the CDP Climate and Forest disclosure projects every year, making our submissions publicly available. This year, for the first time, we participated in CDP Water
- Our Chief Financial Officer and Head of Treasury engage with bondholders, banks and rating agencies continually on the performance of the company. A key point of discussion was our international RCF of €515 million benefits from the group's newly developed Sustainable Financing Framework.

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 certain environmental regulations
- Cyclicality of our business.

[case study]

About our RCF and Sustainable Financing Framework

The newly adopted Sustainable Financing Framework is our first financing facility with sustainability-linked KPIs. The new facility of €515 million matures in February 2027 and comprises a consortium of eight relationship banks. The RCF was structured with a margin adjustment mechanism, linked to progress in achieving the KPIs and will be used to guide any sustainability-linked characteristics of future financing solutions.

The framework was verified by ISS ESG with a second party opinion that defines four material sustainability KPIs and provides a basis for future KPI-linked credit and capital market activities of the group. The KPIs focus on decreasing specific GHG (Scope 1 + 2) emissions by 18% in 2025; ensuring that certified fibre supplied to Sappi mills is more than 75% every year; reducing solid waste to landfill by 15%; and securing zero workplace injuries (LTIFR) for own employees.

This is an important strategic step for Sappi and supports our long-term vision to be a sustainable business with an ambitious sustainability strategy.

Government and regulatory bodies

Self-assessment of quality of relationship: Fair to good

Why we engage

Dialogue with members of governments and regulatory authorities is seen as an opportunity for all stakeholders involved to better understand all aspects and, as such, hopefully make better decisions. We work to ensure that our position on a broad range of priority issues is understood by politicians, decision makers, opinion formers and other role-players in the regions where we operate. This is in order to support a policy and legislative environment that helps us achieve our business objectives, as well as enhance our reputation and brand. In addition to direct contact, we also work through a variety of industry groups and associations as described on page 69.

Shared priorities

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

Our response

SEU

We are actively working in various forest-sector collaborations to ensure a thriving forest bio-economy 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, thus boosting the transition into a circular economy.

SNA

We actively engage through various industry trade associations at the federal and state level to ensure that a thriving forest resources industry remains a vibrant part of the US economy. In August 2022, US President Biden signed the Inflation Reduction Act (IRA) into law. Our response is described on page 43 of this report.

SSA

- The Carbon Tax Act came into effect on 1 June 2019. The first phase from 1 June 2019 to 31 December 2022 applies to activities that directly emit GHG. The tax includes various allowances in the first phase, including a 100% allowance for forestry. We engaged with the DFFE, which agreed with our carbon sequestration calculation and SSA's carbon tax liability for the 2021 calendar year was zero. We also anticipate zero liability in calendar 2022
- We engage with government to assist in the development of rural areas, including the expansion of tree farms in the Eastern Cape
- As a member of Forestry South Africa, we previously participated in the development of the Masterplan for the Commercial Forestry Sector in South Africa 2020 – 2025 and the Public Private Growth Initiative. SSA is also participating in the Public Private Growth Initiative, a forum enabling business sectors to discuss economic growth plans with the presidency
- Amendments to the Employment Equity Act have been approved by parliament for public comments. SSA, together with other members of organised business, submitted consolidated comments, through Business Unity South Africa as well as Forestry South Africa. It is hoped that comments from business, particularly around concerns on the sectoral targets, will be incorporated in the final paper.

Opportunities for value creation

- Promoting understanding of issues and challenges and the strategic value of our industry helps to create a more receptive regulatory and policy environment.

Challenges for value creation

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

Suppliers and contractors

Self-assessment of quality of relationship: Good

Why we engage

The more than 16,000 suppliers that comprise our global value chain are essential to our business. From providing woodfibre and other raw materials to energy and logistics, they support us in making the everyday products that our customers need world-wide. Ensuring these suppliers 'do right' by acting in accordance with our own policies, principles and values is a strategic priority – one that is enshrined in our Supplier Code of Conduct and supported by our collaboration with EcoVadis, a global platform providing business sustainability ratings.

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 our communities.

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

In relation to smallholders, in South Africa and North America, we engage directly with the small landowners supplying wood to our mills. We also offer forestry services to support their forest management. In Europe, we have procurement partners who do this on our behalf. Within the communities where we operate in South Africa, we also support small to medium enterprise development, training initiatives and forestry outgrower schemes to stimulate value chain development in rural areas.

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

We continued 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**, 83% of total procurement spend covered; **SNA**, 72% and **SSA** 58%.

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 and wood procurement partners 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.

In addition, we are a member of CEPI, which participates in actions supporting and promoting forest management and certification.

SNA

The Sappi Maine Forestry Program and the Sappi Lake States Private Forestry Program, 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. The SNA stumpage programme assists landowners with developing harvest plans and timber stand improvement project plans with appropriate silvicultural techniques that ensure prompt regeneration after harvest. SNA stumpage foresters conduct inspections on all jobs to ensure compliance with laws, policies and best management practices to conserve soil and water quantity/quality, along with other values such as biodiversity conservation, aesthetics management, cultural resource protection, etc.

SUPPLIERS AND CONTRACTORS continued

Shared priorities	Security of fibre supply Certification Income generation and job creation

Our response

SSA

Qualified extension officers provide growers in our Sappi Khulisa enterprise development scheme with ongoing growing advice and practical assistance.

Khulisa Ulwazi (growing knowledge) training centres are targeted at Khulisa growers and land reform beneficiaries. Training covers entrepreneurship, fire management, harvesting planning, leadership and management development, as well as safety.

Sappi is involved in several land reform projects, helping beneficiaries to manage their 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 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 2022 there were 39 members in the scheme with plantations totalling 45,600.

Sappi was the first forestry company in South Africa to achieve PEFC certification through the Sustainable African Forestry Assurance Scheme (SAFAS). This incorporates a value-based platform (VBP) approach, which is designed to look at integrated risks across landscapes and is more suitable for smallholders.

Using the VBP approach, we are now assessing 13 grower groups, covering 4, 443 hectares, for certification readiness.

Opportunities for value creation

- Improved supplier relations
- Increased uptake of the Supplier Code of Conduct
- 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 small, medium and micro enterprises have the right social and environmental procedures in place and monitoring compliance.

Civil society and media

Self-assessment of quality of relationship: 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 continue to update the media on our belief that it's our responsibility to use the full potential of each tree we harvest. 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 the forest certification systems (FSC, PEFC and SFI). We leverage these platforms to actively contribute to the growth of forest certification world-wide and collaborate with diverse stakeholders.

Shared priorities	Business developments The future of our industry Our impacts on our communities Protecting the environment

Our response

Global

- 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.

SNA

- SNA engages in a variety of roles in diverse collaboratives as a participant, funder, partner and leader. Our staff serve in roles ranging from interested stakeholder for consultative purposes, committee members, leads/chairman and board of directors. One example is Minnesota Forest Industries, to which SNA belongs and which meets quarterly with public agencies to discuss forest-related challenges, industry needs, workforce challenges, and trends/concerns/opportunities.

SSA

- In terms of civil society, our forestry operations belong to several fire associations, given that fire is a key risk on our plantations
- Initiated in 2014, our project to re-establish the *Warburgia salutaris* (pepper-bark tree) in communities and the wild continues to gain traction. A major breakthrough for the project has been the discovery that the medicinal properties so highly prized in the bark, are also abundant in the twigs and leaves. Thus, the twigs and leaves of trees planted out in the field can be harvested within four years – much earlier than would be the case for bark harvesting which can only be done on an adult tree. This ensures that the trees can be harvested sustainably, providing health benefits and economic opportunities for traditional healers and muti (medicine) traders. Since inception of the project, together with our working group partners, we have propagated and provided over 60,000 seedlings to traditional healers and urban and rural communities and created seed orchards in safe and protected estates
- We are now following the same approach to three other species of tree, all of which, like *Warburgia*, can be used in traditional medicine and which are in danger of being over-harvested.

Opportunities for value creation

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

Challenges for value creation

- Misunderstanding of our environmental impacts.

A case study on our Warburgia work has been included by WBCSD in their Roadmap to a Nature Positive Economy that was launched at the 27th COP27 after year end.

Integrating our key material issues

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

Global forces

Move towards a circular economy

Climate change and climate transition

Resource scarcity and growing concern for natural capital

Rising social inequality and growing social activism with increased expectations of business

Persistent supply chain challenges

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

Changing consumer and employee behaviour

Deglobalisation, polarisation and increased geopolitical tensions

Rapid pace of technological innovation and threat including cyber risks

Shifting demographics

Risk	Cyber security Supply chain disruption Cyclical macro-economic factors Liquidity	Sustainability expectations Climate change Evolving technologies and consumer preferences Liquidity	Sustainability expectations Climate change Supply chain disruptions Evolving technologies and consumer preferences
Key material issue	**Maintaining and strengthening our competitive position through agility, innovation and operational efficiency**	**Providing sustainable solutions for a circular bio-economy**	**Responding to evolving customer needs through innovation and collaboration**
Stakeholder issue	Return on investment 8 DECENT WORK AND ECONOMIC GROWTH 13 CLIMATE ACTION	Keep abreast of market developments Products based on renewable resources Circulatory 8 DECENT WORK AND ECONOMIC GROWTH 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Reduced environmental impact Circulatory New or enhanced products that meet rapidly changing market demand Responsible consumption 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 17 PARTNERSHIPS FOR THE GOALS

Risk	Sustainability expectations Supply chain disruptions Climate change	Sustainability expectations Climate change Uncertain and evolving regulatory landscape Evolving technologies and consumer preferences Supply chain disruptions	Evolving technologies and consumer preferences Sustainability expectations Climate change Supply chain disruptions	Evolving technologies and consumer preferences Sustainability expectations Climate change
Key material issue	**Sourcing sustainable woodfibre**	**Prioritising clean and renewable energy and responding to climate change**	**Focusing on water stewardship and circularly**	**Safeguarding and restoring biodiversity**
Stakeholder issue	Deforestation 13 CLIMATE ACTION 15 LIFE ON LAND	Reduction of fossil fuel usage Global warming 7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION	Water quality and quantity Resource scarcity 6 CLEAN WATER AND SANITATION 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Biodiversity loss 15 LIFE ON LAND

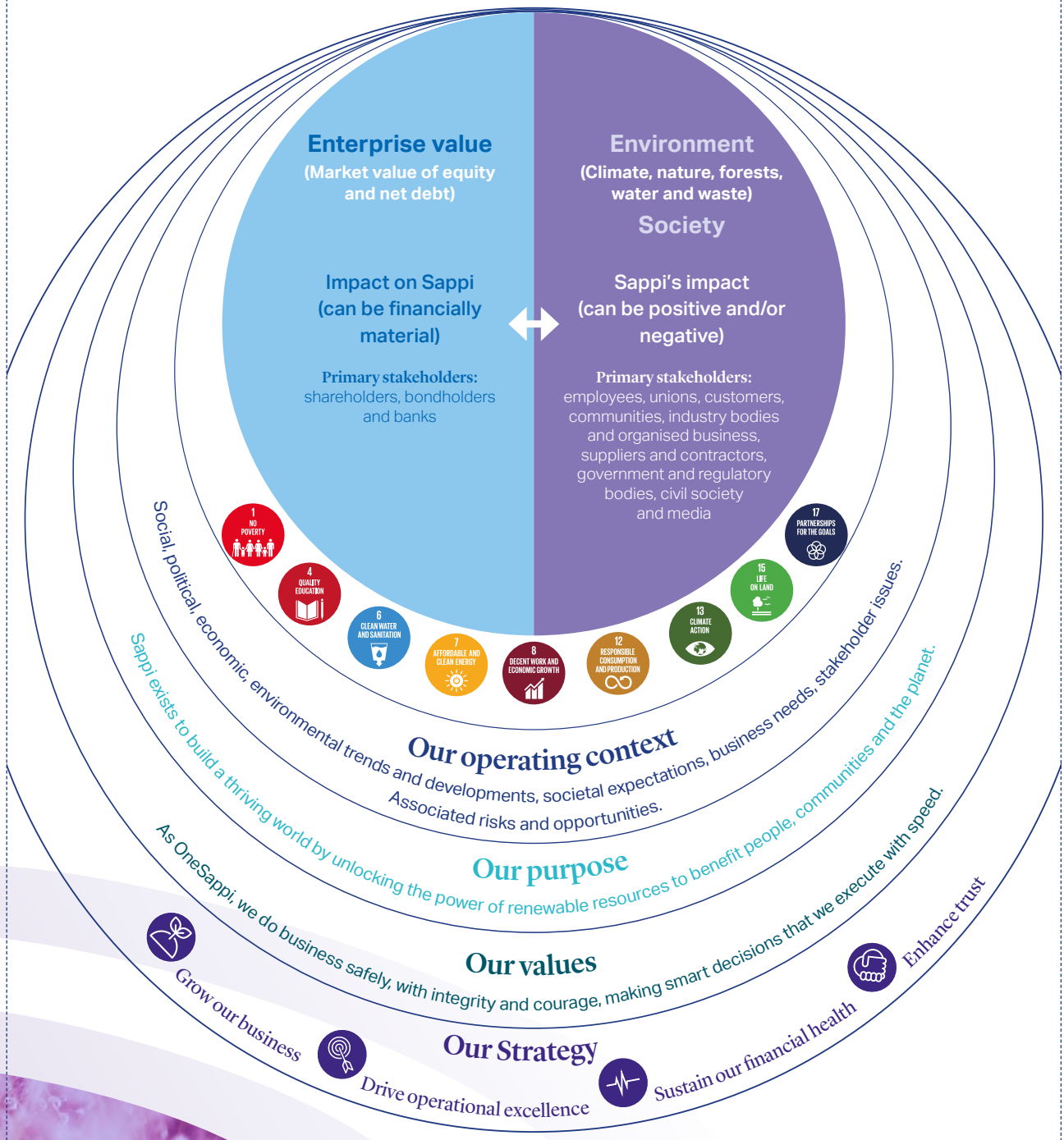
Our key material issues

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 2022 Sappi Group Sustainability Report available at www.sappi.com

In line with the double materiality approach, the discussion of our material issues aims to enhance our stakeholders' understanding, not just of the impact of environmental and social issues on Sappi's enterprise value, but also of the impact of our activities on the environment and society. Our emphasis is on operating context, key developments and significant sustainability-related risks and opportunities. As an example, through the one lens of materiality, climate change and GHG emissions may have ramifications for enterprise value. Through the other lens, Sappi's own carbon footprint and actions have an impact on the environment and society.

We define short term as one to two years, in line with immediate risks and opportunities and medium term as three to five years in line with management accounting's five-year financial forecast plan. Our long-term time horizon is five to 30 years and takes into account the nature of our mill operations and capital investments for long-life assets, Sappi Forests research planning horizons in response to climate change, as well as the EU's plan for carbon neutrality by 2050.


Enterprise value
(Market value of equity and net debt)
Impact on Sappi (can be financially material)
Primary stakeholders: shareholders, bondholders and banks
Environment
(Climate, nature, forests, water and waste)
Society
Sappi's impact (can be positive and/or negative)
Primary stakeholders: employees, unions, customers, communities, industry bodies and organised business, suppliers and contractors, government and regulatory bodies, civil society and media
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
Our operating context
Social, political, economic, environmental trends and developments, societal expectations, business needs, stakeholder issues.
Associated risks and opportunities.
Our purpose
Sappi exists to build a thriving world by unlocking the power of renewable resources to benefit people, communities and the planet.
Our values
As OneSappi, we do business safely, with integrity and courage, making smart decisions that we execute with speed.
Enhance trust
Our Strategy
Grow our business
Drive operational excellence
Sustain our financial health

Principles

Maintaining ethical behaviour and compliance

Why it's material

We live and work in a constantly changing environment and operate in many different jurisdictions with different ways of doing things. As OneSappi, we need to have a consistent set of ethical standards which apply across all regions. Integrity is one of our core values and trust is one of our strategic imperatives – demonstrating the high premium we place on ethical behaviour. Upholding such behaviour is integral to achieving our Thrive25 strategy and remaining true to our purpose of building a thriving world.

How this issue links to other aspects of our business

Our global priority SDGs

Our top 10 risks

2/ Cyber security

8/ Uncertain and evolving regulatory landscape

9/ Employee relations

Our strategic fundamentals

The global forces shaping our Thrive25 strategy

- Rapid pace of technological innovation and threats, including cyber threats
- Changing consumer and employee behaviour
- Shifting demographics.

Our highlights

Refreshed and relaunched the Code of Ethics shortly after year end

Smooth global transition to new Ethics Hotline service provider

Opportunities for value creation

The number of people using social media currently stands at over 4 billion, more than double the number of users in 2015. Social media doesn't recognise country borders. A tweet, comment or post – made not just by Sappi people but also by our stakeholders about something perceived as unethical – goes around the world in seconds. We have updated our social media policy and will be conducting relevant training to all regions in line with the updated policy in FY2023.

Key developments in FY2022

Shortly after year end, we launched our **refreshed Code of Ethics** (Code) to align more closely with our Thrive25 strategy and incorporate new examples of everyday situations that, like the original examples, explain the behaviour expected from Sappi people when faced with tricky situations. The Code, which has been translated into relevant languages, references several group policies, where heightened levels of awareness and compliance are required. In familiarising themselves with the Code, employees are encouraged to read these policies. Story pictures are used to assist in the messaging, which are also displayed on the media screens, lift lobbies and on Sappi desk calendars. In line with the refresh of the Code, global online training on the Code has been revamped with new scenarios and relevant examples.

In 2021, KPMG advised Sappi that as a measure to improve the perception of auditor independence, it would cease performing non-audit-related services to its JSE-listed audit clients. KPMG accordingly informed Sappi that they would be withdrawing from servicing our **hotline** for SEU and SSA from December 2021. Accordingly, we appointed a new service provider globally with effect from the beginning of calendar 2022. Several different communication channels were used to promote the use of the new Ethics Hotline, which helped to ensure a smooth transition

Training initiatives – incorporating relevant and practical examples – aim to avoid a tick-box approach to ethics. A comprehensive training programme covered the following topics:

- Anti-fraud and corruption (relevant new employees in all regions and a refresher course for all regions)
- Code of Ethics online training (Matane Mill and relevant new employees in all regions)
- Environmental law training (relevant new employees in all regions)
- Competition law (relevant new employees in all regions)
- Occupational health and safety compliance (relevant new employees in all regions)
- Data governance including regional laws like South Africa's Protection of Personal Information Act (POPIA) and Europe's General Data Protection Regulation.

POPIA came into effect in South Africa in July 2021, following which we implemented the required privacy policies and procedures and appointed, trained and registered POPIA information officers with the applicable regulator. We reviewed implementation in FY2022 and established that it had been successful.

To help heighten awareness throughout Sappi, we participated in various **international events**, including Global Ethics Day, International Fraud Awareness Week and World Whistle-blower Day.

Procuring responsibly

Why it's material

Research indicates that 85% of consumers are more likely to buy from a company with a reputation for sustainability. By working together in partnership with suppliers, we can better identify risk, assess social and environmental performance, and encourage commitment to sustainable choices and the SDGs throughout our value chain.

How this issue links to other aspects of our business

Our global priority SDGs

Our top 10 risks

3/ Sustainability expectations

4/ Supply chain disruption

6/ Evolving technologies and consumer preferences

Our strategic fundamentals

The global forces shaping our Thrive25 strategy

- Rapid pace of technological innovation and threats including cyber threats
- Changing consumer and employee behaviour
- Shifting demographics.

Our highlights

Significant increase in the number of our suppliers disclosing on the EcoVadis platform – from 90 in FY2021 to **199** in FY2022

74% of global procurement spend now in compliance with our Supplier Code of Conduct

Opportunities for value creation

Close collaboration with our suppliers helps to future-proof Sappi by mitigating the risks related to operational disruptions, as well as reputational and regulatory risks. It can also make us more attractive to potential investors and customers – according to the World Economic Forum, sustainable procurement practices lead to a 15% to 30% measurable increase in brand value.

Key developments in FY2022

Globally, since 2021 we have been using EcoVadis to assess the ESG performance of our suppliers.

By the end of FY2022, 199 suppliers were sharing their EcoVadis scorecards with us and another 19 were in progress to disclose on the platform. This equates to 59% of our global procurement spend.

The EcoVadis scorecards enable us to gain insights to suppliers' corporate social responsibility performance in an efficient way to inform our business decisions. They also help to identify risk and prioritise areas where further improvements are needed.

To date, we have focused on onboarding suppliers onto the EcoVadis platform and regularly reviewing scores – requesting improvements where necessary. Our Supplier Code of Conduct underpins this work. Our Thrive25 target is that 80% of procurement spend should comply with the code. In SEU, 83% of total spend was covered by agreements into which the provisions of the code are embedded, 72% in SNA and 58% in SSA. Globally, this translates to 74% of global procurement spend.

Recognising that we also have a responsibility to reduce our Scope 3 emissions from our value chain, we have also set a Scope 3 target of 44% of our suppliers (by spend) will have science-based targets by 2026 (see page 99 for further details).

Currently, in terms of suppliers and climate, the status is as follows: 86% of our suppliers disclosing on EcoVadis have action on energy consumption and GHG emissions, 70% use renewable energy, 65% report on CO_2 emissions, 47% disclose to CDP climate, 37% report Scope 3 emissions, 26% are part of SBTi and 21% have ISO 50001 certification.

Prosperity

Maintaining and strengthening our competitive position through agility, innovation and operational efficiency

Why it's material

Our industry is highly capital intensive and investment cycles are long. Accordingly, competitive position cannot be based on investment alone, but also on natural and manufactured resource efficiency, technology and innovation (see page 85), together with responsiveness to changing global forces and market demands. Being agile and efficient 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

8 DECENT WORK AND ECONOMIC GROWTH

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Our top 10 risks

- 4/ Supply chain disruption
- 6/ Evolving technologies and consumer preferences
- 7/ Cyclical macro-economic factors
- 10/ Liquidity

Our strategic fundamentals

The global forces shaping our Thrive25 strategy

- Changing consumer and employee behaviour
- Shifting demographics.

Our highlights

Sale of three European mills to align more closely with our Thrive25 strategic focus

Commissioning of Saiccor Mill capacity expansion and environmental enhancement project

Opportunities for value creation

Our Stanger Mill currently uses a certain percentage of bagasse (sugar cane waste residue) in the production of tissue paper. Looking ahead, the mill will be expanding its use of bagasse in combination with pulp to produce compostable thermomoulded food grade utensils like plates and bowls. This aligns with resource efficiency, circularity and market demands for higher levels of biodegradability, particularly in fast food applications.

Key developments in FY2022

We demonstrated our agile, efficient response to a rapidly evolving competitive marketplace in the following ways:

Reducing exposure to the graphic paper segment

In September 2022, we reached an agreement with AURELIUS Investment Lux One S.à.r.l. for the sale of Kirkniemi Mill in Finland, Maastricht Mill in the Netherlands and Stockstadt Mill in Germany. The decision to sell the mills follows a detailed, thorough strategic review in line with Thrive25. The proceeds will be used to reduce debt further, which will provide a platform for future expansion in our identified growth market segments.

Although we are reducing exposure to the graphic papers segment, we are expanding our presence in growth segments including packaging and speciality papers, DP and biomaterials. While our drive to reduce our exposure to graphic papers has been influenced to some extent by digitisation, the strategic shift towards packaging and speciality papers has also been strongly driven by consumer concerns about fossil-based plastic packaging and a changing climate, as well as their preference for renewable paper-based packaging.

Going forward, as regards graphic papers, SEU's focus will be on the stronger commercial print market. In addition, in the packaging and speciality papers segment, the European business will focus predominantly on the flexible packaging, functional papers, self-adhesives including glassine and labels, as well as dye-sublimation categories.

Promoting manufacturing efficiency

Globally, to ensure and enhance **operational efficiency**, we track the overall machine efficiency of every single paper machine in all three regions and compare this against 'best own practice' and 'best realisable'. World-class benchmarks are considered for the different types of paper machines and product portfolios. Every year, the team challenge the new 'best realisable' figure during the budgeting process against new benchmarks, own improvements and records achieved. In FY2022, of our 28 paper/packaging assets, 16 improved performance year-on-year. We continue to monitor performance to enhance understanding of grade changes, quality issues, sheet-breaks and mix impacts in order to ensure continuous improvement.

Dye sublimation allows for printing on polyester and polyester resin coated products. Using a wide-format printer, dye-sublimination inks are printed on special transfer paper that **SEU** produces at Carmignano Mill for use in fashion, home textiles, sportswear and more. Responding to increased market demand in the dye-sublimation business, a timely investment at Carmignano Mill has expanded the mill's warehouse capacity and installed a fully automated winder and packaging infrastructure onsite. The business previously had to rely on external converters in Germany and Hungary to store and convert its dye-sublimation paper into various reel sizes. Following an extension of the warehouse by 6,500 m^2,

the mill now has sufficient onsite storage capability and space to continue growing the business. The savings are significant. Not only does Sappi save €1 million a year on storage and handling costs, but by keeping the product onsite and eliminating transport from Italy to the converters in Germany and Hungary, the mill will reduce its Scope 3 carbon emissions by an estimated 2,500 tons a year.

In **SNA**, some of our more significant process improvements in FY2022 included:

- Process efficiency work at Somerset Mill to upgrade steam flow meters and increase condensate recovery
- A further capital project at the same mill to improve mill steam recovery and complete a PM1 chiller upgrade
- Water reduction projects at Cloquet Mill linked to steam savings
- Enhancements to the Cloquet Mill recovery boiler, which led to operating efficiency improvement and helped to avoid downtime.
- An improved maintenance reliability effort and continuous focus by Matane Mill's production team to optimise productivity which resulted in a record production year.

In **SSA** we achieved the following:

- The major capacity expansion project at Saiccor Mill (see page 85 in more detail) involved the conversion of all remaining pulping processes from calcium to magnesium and was successfully completed in March 2022. This has helped to reduce overall environmental footprint through reduction of coal-based steam and power generation and reduced chemical consumption
- At Ngodwana Mill we upgraded the wet end, press section and the first dryer section of PM1 to improve the quality of kraft linerboard and enable the production of lower basis weights – important at a time when our customers are looking to lower their carbon footprint through lighter-weight packaging. The mill, which previously produced kraft linerboard in basis weights between 140 g/m^2 to 400 g/m^2, can now produce product ranging from 100 g/m^2 to 400 g/m^2. Production capacity has now increased from 240,000 to 250,000 tpa
- Production at Tugela Mill has increased to 170,000 tpa through the installation of a log deck at the woodyard to improve chip quality and reduce rejects, a bottom scraper to improve outlet consistency and control, as well as a screw press to improve pulp washing and outlet consistency. These process improvements will allow for the additional production and sales of Ultraflute amounting to 15,000 tpa and increased liquid lignosulphonate sales of 4,725 tpa. Environmental benefits include a reduction in chemical oxygen demand due to the improved washing processes
- Our furfural pilot plant at Saiccor Mill, which aims to prove the scalability of the Sappi technology for furfural extraction from magnesium oxide (MgO) thick liquor was commissioned in September 2022.

Saiccor Mill expansion: technical fast facts

- The expansion and upgrades include a new evaporator, recovery boiler, screening and washing plant, as well as upgrades to the bleach plant and pulp machines, improved recovery circuits and additional magnesium digesters
- New technology employed incorporates improved washing technology to optimise water and energy efficiency, optimised cooking technology for improved pulp quality control, the application of robotics to facilitate debottlenecking and shop-floor digitisation for improved commissioning, control and operational efficiency
- Upgrades to the woodyard to enable smooth logistics supply chain operation include the installation of offloading equipment, side-arm rail carriage chargers and new chipper lines
- Installation of the largest sulphite recovery boiler in the world, with the capacity to process up to 1,500 tons of dry solids per day.

Implementing innovative supply chain solutions

In **SEU**, under our wider supply chain strategy, we have implemented the Paperini initiative with the aim of achieving a more efficient and transparent digital supply chain. Paperini offers our customers a move away from traditional timely order tracking to an optimised, transparent delivery process enabling tracking of orders across the delivery process. Sappi is working with a renowned, trusted and neutral partner in the digital market, Shippeo, which provides a secure platform and guarantees to comply fully with applicable European data protection laws. Once our carriers are connected, they have full access to the Shippeo platform and its tracking data. Data shared via Shippeo is used to calculate the estimated time of arrival of a delivery based on an algorithm, which incorporates actual GPS positions, traffic and weather conditions. This enables us to inform our customers proactively in case of possible order delivery delays. Our objective is that eventually, at least 80% of our deliveries will be tracked in real time.

In **SNA**, we experienced several raw material supply issues during FY2022, particularly in terms of latex and starch which are used in all grades at Somerset Mill. Our R&D, procurement and manufacturing departments collaborated to redesign multiple products quickly in ways that would not impact customer quality expectations. Changes were tested through ongoing evaluations to ensure continued quality-first production. This resulted in minimal loss and no customer complaints.

Given the increase in supply chain uncertainty, network visibility grew in importance. To address this, proactive track and trace reporting for product shipments was provided to the customers that were most impacted via our collaboration with Schneider Logistics and Four Kites. In addition, detailed dashboards were created to highlight areas where service and cost issues were experienced, so mitigation measures could be implemented. Finally, visibility in emissions calculations and reporting has vastly improved and there is a dashboard in the beta phase of testing.

Prosperity continued

In **SSA**, we had to contend with challenging logistics problems at the port of Durban, due to severe backlogs. The situation was compounded after the floods earlier this year, when access was compromised by road and rail infrastructure being washed away. Rail efficiency has also been impacted by theft, vandalism and wagon availability.

We dealt with these challenges in the following ways:

- Moving from containers to breakbulk
- Utilising road, rather than rail
- Shipping DP from Ngodwana Mill via the port of Maputo in Mozambique rather than Durban – Maputo is only 250 kilometres from the mill, while Durban is 650 kilometres.

In total, during FY2022, we exported approximately 20% of SSA's total DP production via breakbulk. While there are certain issues like congestion at the border related to exporting via Maputo, we will continue to assess the situation and maintain flexibility going forward.

Assessing electric vehicles in Europe

The EU has mandated the use of electric-vehicle and hydrogen fuel-cell power starting in 2030. Last year, our teams in Europe began looking into the future by evaluating the use of electric trucks between Gratkorn Mill in Austria and one of our supplier's locations. After the promising results of the pilot study, they expanded the research.

The project was led by Sappi's digital transformation team together with the research team of associate professor, Athanasios Rentizelas of the Industrial Engineering Laboratory, National Technical University of Athens, in collaboration with the Sappi Wesel distribution centre in Germany. Together, they conducted a research project to evaluate the potential benefits from using electric heavy-duty trucks (battery electric vehicles) and charging infrastructure for distribution of products to Sappi customers located in a distance up to 100 kilometres (km) from Wesel.

The study identified that on average, a fleet of three electric trucks could satisfy 64% of the customer orders and 73% of product weight demand within the 100 km distance. Using this fleet of electric trucks instead of EURO VI diesel ones could reduce the direct CO_2 emissions by 144 tpa if renewable electricity is used for charging, or 38 tons per year if the average German grid electricity is used (based on year 2021 values). Following these promising results, Sappi Europe, together with local partners, is now looking for subsidies to support the realisation of the project.

[1] *Page 89 Catherine Salfino, "How to Cultivate Loyalty with Next Gen Shoppers", Sourcing Journal, August 12, 2021, https://sourcingjournal.com/topics/lifestyle-monitor/ customer-loyalty-gen-z-shopperstiktok-salesforce-covid19-cottonclothing-295476/. Quoted on page 89 The State of Fashion 2022, McKinsey.*

Providing sustainable solutions for a circular bio-economy

Verve

Why it's material

More than ever, sustainability is dominating consumer priorities and the fashion agenda. Consumers want to know where materials come from, how products are made, and whether the people involved are treated fairly. In response, more and more companies are expanding their sustainable assortments and working to boost the sustainability of their supply chains. Demonstrating progress in sustainability is particularly important in gaining the trust of younger fashion consumers, as some 43% of Gen Zers say they actively seek out companies that have a solid sustainability reputation[1].

Our DP brand, Verve, meets this need by creating renewable alternatives for raw material feedstock to pharmaceuticals, foodstuffs and textiles in particular. DP is a highly purified form of cellulose extracted from trees using unique cellulose chemistry technology. Sappi is one of the world's largest manufacturers of DP with a capacity of 1.4 million tpa and a 17% share of the global market.

How this issue links to other aspects of our business

Our global priority SDGs

Our top 10 risks

- 3/ Sustainability expectations
- 5/ Climate change
- 6/ Evolving technologies and consumer preferences
- 7/ Cyclical macro-economic factors

Our strategic fundamentals

The global forces shaping our Thrive25 strategy

- Changing consumer and employee behaviour
- Shifting demographics
- Climate change and climate transition
- Resource scarcity and growing concern for natural capital.

Our highlights

Strengthened our competitive position in the DP market with the expansion of Saiccor Mill

Visit by **members of the Textile Exchange and retail industry** to Saiccor Mill helped to highlight the role the mill plays in the lyocell value chain and potentially the reduction in the value chain's science-based targets.

See page 61 of the report.

Key developments in FY2022

"Today, we are witnessing far more than a financial investment. We are witnessing an investment in infrastructure, people, innovation, technology and sustainability. It is an investment in community development, in the local economy, in our export capacity and in the industrialisation of our economy."

Those are the words of South African President Cyril Ramaphosa, who officially opened our **ZAR7.7 billion DP capacity expansion project at Saiccor Mill** in September 2022.

This significant investment secures our leading position in a rapidly growing market – estimated to be growing at 3.2% compound annual growth rate per annum[1]. In addition to expanding capacity by 110,000 tpa, the project has significant environmental benefits: The conversion of the calcium cooking line to the more sustainable magnesium bisulphite line has reduced the need for coal-based power generation, thereby halving fossil fuel carbon emissions. Other environmental benefits include the reduction of sulphur dioxide, specific water use efficiency improving by 17%, water consumption reducing by 5% and solid waste to landfill from coal ash decreasing by 48%.

New technology includes improved washing technology to optimise water and energy efficiency; optimised cooking technology for improved pulp quality control; the application of robotics to facilitate debottlenecking; as well as shop-floor digitisation for improved commissioning, control and operational efficiency.

A significant development from a marketing point of view was the **segmentation of the Verve brand** to reflect different target markets:

- Verve Advantage – a lyocell grade primarily aimed at textile markets in which Sappi Verve supplies more than 50% of the global requirement
- Verve Performer – a viscose grade for the textile and sponge markets
- Verve Elements – a speciality grade focused on the pharmaceutical, microcrystalline cellulose and ethers markets.

This brand architecture has strengthened Verve as the fibre of choice by expanding our reach throughout the value chain and providing an identifier through to retailer level.

The Higg Index suite of tools, developed by the SAC, aims to standardise the measurement of value chain sustainability. Under our membership of the SAC, we are required to undertake **Higg self-assessments** for social and labour performance, facility social and labour module, together with environmental performance (facility environmental module) annually. Our Cloquet Mill was recently one of the first DP facilities to complete an external environmental management verification process. The mill achieved a final score of 84% on the Higg facility environmental module audit, receiving a verified score of 100% across energy, water, and wastewater management. These results highlight the mill's high levels of resource efficiency and emission control and reinforce our brand positioning. (See further details regarding our DP mills in South Africa on page 60.)

Verve's partnership with Birla on 'Green Track' blockchain technology provides a forest-to-garment traceability solution for brand owners. Through this collaborative partnership, our branded DP, Sappi Verve, continues to strengthen its sustainability credentials within the textile industry. Providing a brand-owner traceability solution has been 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. This is a significant advantage, given the estimate that only 5% of textile brand owners can trace their raw materials to origin. Birla has recently agreed to two of South Africa's major fashion retailers joining Green Track.

By 2025, landfills in the EU will no longer accept textile waste in terms of recycled textiles. In the light of this and consumer pressure for recycled textiles, we continue to assess potential textile recycling partnership opportunities to produce pulp from recycled textiles. We plan to evaluate opportunities to pulp other sustainable materials in addition to wood but are not convinced that this is a viable growth avenue for Sappi.

Opportunities for value creation

In the light of growing concerns about climate change, engagement with our customers on this topic is an opportunity to enhance trust in line with our Thrive25 strategy.

Our DP business is engaging on climate-related topics with four customers headquartered in Austria, China, India and Japan. Together they make up approximately 80% of DP supply from South Africa and North America. Engagement involves sharing our Scope 1, 2 and 3 emissions for DP – in other words, these customers' Scope 3 emissions. We report progress against targets annually to these customers. Through engagement with both our suppliers and our customers, we can collaborate to achieve meaningful decarbonisation through our entire value chain.

[1] *Dissolving Pulp Market Size, Share, Growth, And Industry Growth by Type (Eucalyptus Type, Pinewood Type and Other Type) By Application (Viscose, Cellulose Acetate and Cellulose Ether, and Others), Regional Forecast (2022 – 2028), published September 2022.*

Prosperity continued

Biotech

Why it's material

Our commitment is to do more with less by making the most out of every tree used in our production processes. Our focus on circular design and adjacent markets enables us to achieve stronger value chain relationships and enhanced revenue stream opportunities.

How this issue links to other aspects of our business

Our global priority SDGs

Our top 10 risks

- 3/ Sustainability expectations
- 6/ Evolving technologies and consumer preferences
- 7/ Cyclical macro-economic factors
- 10/ Liquidity

Our strategic fundamentals

The global forces shaping our Thrive25 strategy

- Move towards a circular economy
- Changing consumer and employee behaviour
- Climate change and climate transition
- Resource scarcity and growing concern for natural capital.

Our highlights

25% sales revenue growth in lignin

Accelerating sales of Pelletin

Development of translucent Valida

First commercial unit for Valida commissioned

Sappi Symbio option with **90% cellulose** content launched

Opportunities for value creation

We support the drive to improve the productivity of food production and food security by harnessing the unique properties of wood acids, wood sugars and wood lignin in our bio-based products to replace potentially harmful current incumbents. In crop production our bio-based products are an important source of soil organic carbon, which contributes to soil organic matter and carbon sequestration. In addition, as a complexing agent; it makes critical trace elements available to plants. This holds significant promise for a world battling with issues of food security.

Key developments in FY2022

A positive development was accelerated demand for **lignin**, with y-o-y sales revenue growth of approximately 25%.

Our biotech lignin strategy has always been to expand beyond commodity markets to niche markets. We are achieving this, with strong demand allowing us to test value add in various applications. One such area is in crop protection and nutrition. Sappi Forests Shaw Research Centre is working with Cedara Agricultural College and the Seedling Growers Association of South Africa to establish nutritional uptake and protection against plant pathogens, which impact crops like avocadoes, potatoes and tomatoes and are a global challenge for food security. We have also developed several commercial products which enhance the efficacy of industrial fertilisers and help improve the absorption of macro and micro-nutrients for improved crop production.

Sales of Sappi Pelletin, first launched in 2020 and used as a binder in animal feed product to enhance durability and strength, continued to gain traction. The product has now been registered in several export markets with more registrations due.

Independent studies demonstrate that Sappi's lignin product has anti-microbial properties, which help in feed preservation. Use in animal feed can enhance gut health and lead to enhanced poultry and milk production.

Our **Valida fibrillated cellulose** offers a natural, biodegradable alternative for diverse applications ranging from automotive foam, light-weight concrete, multi-colour paint, pesticides, shampoo, skincare and wound care. Valida is also being assessed for use in adhesives, frost protection for fruit trees and industrial cleaning, to name a few. Other avenues of opportunity include controlled release fertilisers, sun protection and paper and packaging. We are already using Valida in our own paper production where its value lies in the strength it imparts to paper and its barrier functionality. Another important development in FY2022, in response to market demand, was the development of translucent Valida for use in cosmetics and other markets where this product property is highly valued.

Recognising that some applications require a dry Valida product, we have produced this at pilot scale and are testing the product with customers in the market.

Our Valida pilot plant in The Netherlands continues to run at capacity and we have commissioned our first commercial unit at Carmignano Mill in Italy. Plans to further scale-up capacity for Valida-S grades are ongoing.

Produced from C5 sugars (sugar derived from non-food biomass) in hemicellulose through hydrolysis and dehydration, **furfural** is a platform chemical for the production of numerous biochemicals. Its uses range from adhesives, antacids, fertilisers, flavouring compounds, inks and plastics, to solvents for the refining of lubricating oils.

It can also be used as a fungicide, nematicide and weed killer or converted to furfural alcohol for furan resins. We have established a pilot plant at Saiccor Mill and will be taking a decision on a commercial plant in 2023.

In terms of **xylose**, we have proven the technology to extract xylose sugars from our prehydrolysis kraft cooking processes and are in ongoing discussions with potential market partners to develop commercial opportunities for bio-based products from this sustainable feedstock

Our **Sappi Symbio** product, a natural composite material combining high-quality cellulose from wood and thermoplastics, aligns with our drive to make everyday materials more sustainable. It can be used in standard processing equipment, such as injection moulding and extrusion and in a wide range of applications across furniture, consumer electronics and automotive components.

We have now developed a Sappi Symbio option with 90% cellulose content to offer enhanced sustainability advantages and higher value to compounders and end-users.

As reported in FY2021, commercialisation gained traction with uptake by a major automotive manufacturer in the US. Against the backdrop of the knock-on effect of Covid-19, development activities in the auto industry slowed. However, we continued to engage in testing and trials with several automotive manufacturers around the world, many of whom have defined green targets. We expect further momentum to commercialise Symbio in FY2023 as these projects move to completion.

Prosperity continued

Responding to evolving customer needs through innovation and collaboration

Why it's material

Innovation is critical to the future wellbeing of society and to driving economic growth. We are leveraging advances in AI, machine learning, robotics and other technologies to meet the rapidly evolving needs of our customers all over the world. This is underpinned by our technical teams, who help to deliver the new thinking, new products and new processes that establish the pathway to success. Our technical knowledge and prowess, along with a willingness to embrace innovation, helps to drive us forward firstly, by taking us into new markets and introducing new products. Secondly, by finding solutions for a new manufacturing reality in a low-carbon, bio-based circular economy.

How this issue links to other aspects of our business

Our global priority SDGs

Our top 10 risks

- 3/ Sustainability expectations
- 5/ Climate change
- 6/ Evolving technologies and consumer preferences

Our strategic fundamentals

The global forces shaping our Thrive25 strategy

- Move towards a circular economy
- Climate change and climate transition
- Resource scarcity and growing concern for natural capital.

Our highlights

R&D investment of **US$46.6 million** (FY2021: US$43 million)

Finalists' entries in the Technical Innovation Awards represent a five-year net present value of **US$123.9 million at a 100%** probability of success rate

Production capacity for **high-barrier papers** expanded at Alfeld Mill

Ultracast Viva™ named the product of the year in the Business Intelligence Group's 2022 Sustainability Awards programme

Opportunities for value creation

In North America, we are running a pilot programme for key customers which offers a carbon neutral option for our Spectro and Proto packaging products. We will take a decision on the way forward once the pilot ends in March 2023.

Key developments in FY2022

Exciter Innovation Programme

Our Exciter R&D programme comprised of global projects aligned with Thrive25 from all business segments: biotech, packaging and speciality papers, graphic papers and DP, as well as scoping for new ideas. The focus of the projects, which are global and based on the OneSappi approach, has shifted to emphasise sustainability, together with packaging and speciality papers. Projects are progressed to commercialisation through an internally developed stage gate model.

Our R&D portfolio is focused on the following:

- Decarbonisation with a focus on energy, pulping, papermaking, bleaching and new technologies
- Meeting the challenges of the packaging legislative environment with particular reference to single-use plastics, microplastics and recyclability
- Developing lignin value-add products
- Assessing alternative pulping technologies
- Optimising the graphic papers sector and increasing focus on cost reduction
- Progressing Valida dry development from laboratory scale to pilot
- Environmental impact, including climate change risk; water treatment and product circularity in our products (recyclability, compostability and biodegradability).

Technical Innovation Awards

The theme for this year's annual Technical Innovation Awards was 'Think, Connect, Innovate!' The finalists' projects were all aligned with our Thrive25 strategy – growth in packaging, product diversification, efficiency, productivity, and quality, as well as innovative and sustainable solutions, which are a mix of new or improved products or optimised processes. Value delivery is integral to Thrive25 and finalists' projects ticked the boxes for economic and commercial value with a total calculated five-year net present value of US$123.9 million at a 100% probability of success rate.

This year we refreshed the awards process by removing the limit of five people for team recognition and introduced a new category: technical excellence – projects across a broad range of technical aspects that help us achieve our OneSappi objectives, but which may not have reached the economic or innovation thresholds. We also continued with the commendation awards for projects with sound commercial promise which have not yet reached commercialisation status.

The global winners this year were the team from Ngodwana Mill in South Africa. The newsprint market was severely impacted by the Covid-19 pandemic and the mill's PM2 faced significant commercial downtime. Against this backdrop, the team implemented modifications to PM2 and developed new packaging grades for the recycled liner and flexible packaging papers markets.

Expanding production capacity at Alfeld Mill

Building on our comprehensive portfolio of high-barrier papers that ensure the optimum protection, we expanded production capacity for high-barrier papers at Alfeld Mill. The mill can now produce papers with an exceptionally high barrier even under the most demanding climatic conditions.

Right on schedule for high-barrier paper innovation at Alfeld Mill

Beginning in September 2022, Alfeld Mill in Germany began putting its cutting-edge coating machine into operation for high-barrier papers that offer an exciting sustainable alternative to traditional film and foil-based materials.

While these papers are in extremely high demand, including to meet ever stricter regulatory requirements, industry has been slow to develop viable solutions. Given Sappi's in-house technology, we have been able to demonstrate a viable solution and are on schedule to begin production for the market in calendar 2023.

The highlighted in-house technology will not only increase Sappi's coating capabilities, but also boost development of more innovative solutions for sustainable packaging together with our customers. In addition, customers will benefit from higher production capacity and a shorter supply chain. Moreover, we intend to tap into new customer groups through the unique combination of paper and dispersion-coating technology, offering even more competitive and attractive paper packaging solutions.

The investment at Alfeld Mill strengthens our position as the leading global provider of sustainable paper packaging solutions. With the construction of two new buildings, the optimal infrastructure for the innovative machine was established in 2021. Commissioning of the coater is progressing according to plan with teams excited to be part of this industry-first breakthrough with completely novel technology.

Meeting evolving customer demand

We extended production of our successful Fusion Topliner white grade from Ehingen Mill in Germany to Gratkorn Mill in Austria. Fusion Topliner, a white virgin fibre liner for high-quality corrugated packaging, is now **the most widely used corrugated liner made from pure virgin fibre**. It is recommended for applications such as premium quality consumer goods packaging and point-of-sale displays – where high visual impact and differentiation are key. The product also stands out with exceptional strength and versatility. Volume availability will be increased month by month to support the expected growth of our customers, and to satisfy large requirements in the corrugated board business.

We launched **Raw**, a unique graphic paper that provides users with the reliable print performance typical of coated papers, but with the touch, feel and high whiteness/high bulk appearance of an uncoated paper. By stimulating the sense of touch in addition to vision, Raw helps create deeper connections for consumers. Available for litho printing in sheets from 115 g/m^2 to 300 g/m^2 and suitable for dry toner printing, the paper will run on HP Indigo digital presses without primer.

Another new addition to our portfolio is **Crystalcon**, an uncoated, translucent paper. By combining Crystalcon with Sappi Seal, we can offer manufacturers a compostable, recyclable packaging solution that is well suited to both food and non-food applications. Although not completely transparent, the new paper allows sufficient visibility for consumers to examine the packaged product. It can be used as a sustainable alternative to film and is both recyclable and compostable. Potential applications range from pasta or rice packaging to magazines, as well as packaging for goods from virtually all product segments – from small electronic devices to clothes. It also significantly contributes to establishing paper as primary packaging material in the market.

In addition, a new board packaging offering called **Proto Blister** was provided to the North America market this year. This product's unique combination of surface strength, stiffness and printability allows for high-performance graphic backing for the clear blister pack which encloses the packaged product. This is yet another example of paper-based packaging quality.

Building on 80 years of experience in technological innovation and evolution in the release paper industry, we launched **Arrio**, a decorative laminate surface solution that delivers remarkable aesthetics, premium haptics and scratch and fingerprint resistance for high-wear surfaces. Arrio, which offers a superior surface to conventional melamine in aesthetics and performance, is a perfect solution for decorative and functional surfaces on furniture, work surfaces, kitchen cabinetry and more. The durable acrylic surface extends product lifetime and does not require application or removal of protective film layers, thus reducing manufacturing costs and waste. It also provides superior haptics, including super matte, smooth touch and high-colour intensity surfaces and it is suitable for single radius wrapping applications. Offered initially in a super matte, fingerprint resistant, soft-touch texture named Matte Haven on black décor, the Arrio platform will continue to develop with the future addition of texture and décor colour options.

Recognition for Ultracast Viva

Ultracast Viva™ (UC Viva), a textured release paper line, created the industry's first premium high-fidelity casting paper compatible with solvent-free systems. UC Viva was named the product of the year in the Business Intelligence Group's 2022 Sustainability Awards programme. The sustainability awards honour the people, teams and organisations who have made sustainability an integral part of their business practice or overall mission.

Amid a global movement to limit or eliminate the use of solvent-based casting systems, UC Viva is a revolutionary development showing that products developed for solvent-free systems can be reliable and high functioning. Using a proprietary process, UC Viva brings to market performance improvements that are more compatible than ever with green chemistry systems, including benefits from its increased reusability and easier handling with expanded temperature limits.

Created with a commitment to forward-looking sustainability practices and environmentally friendly manufacturing, UC Viva is the innovative answer for more responsible solutions to reduce pollution.

People

Ensuring the safety of our employees and contractors

Why it's material

Our vision of a thriving world is based on safety, which is why it is the core value on which all our other values are based: As OneSappi, we do business **safely**, with integrity and courage, making smart decisions that we execute with speed. Our maturing safety culture, which reinforces safety as a shared responsibility, is helping to save lives and empower people, while improving business performance and making a positive impact on our operations.

How this issue links to other aspects of our business

Our global priority SDGs

8 DECENT WORK AND ECONOMIC GROWTH

Our top 10 risks

1/ Safety

9/ Employee relations

Our strategic fundamentals

The global forces shaping our Thrive25 strategy

- Rising social inequality and growing social activism with increased expectations of business.

Our highlights

Zero fatalities and continuous improvement in safety performance

Management incentives expanded to **include LTIFR and lost-time injury severity rate (LTISR) for contractors** in addition to own employees

Opportunities for value creation

In SNA, our safety platform, in conjunction with the employee engagement platform, developed the SNA Safety Impact Award Programme to recognise proactive initiatives that improve safety culture and enhance employee engagement related to safety, thereby leading to the reduction of injuries at our sites. Looking ahead, the platform will continue to emphasise site-specific injuries for reducing hand injuries – identified as a common incident – enhance recognition for achieving excellence in our leading indicators and continue to collaborate with our contractors.

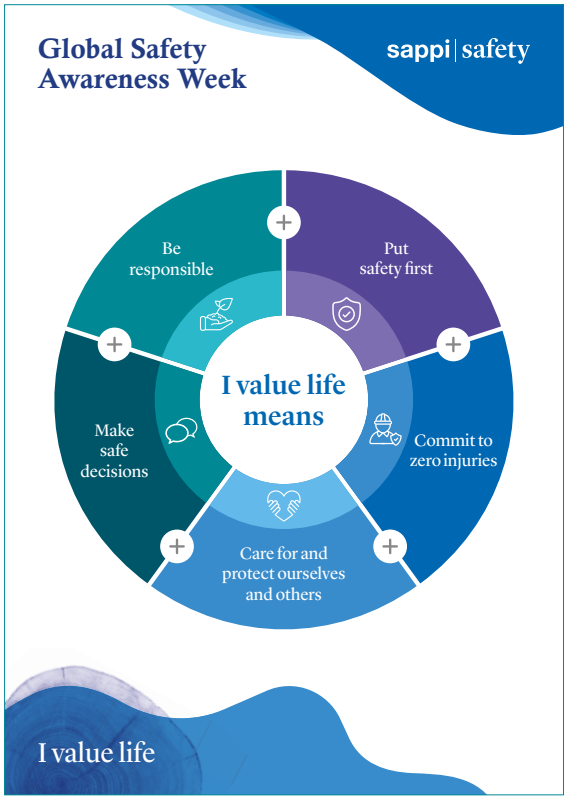
Key developments in FY2022

Covid-19

The impacts of the Covid-19 pandemic lessened over the year. However, there were still sporadic cases which were dealt with through preventative absenteeism. In total, tragically, 17 colleagues have succumbed to the disease to date. All operations and sites continued with 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. As restrictions were lifted, the ongoing focus was on encouraging all to vaccinate. In South Africa we provided vaccination services in our onsite clinics for all employees and family members.

Global safety awareness week

For the third consecutive year, the theme of Global Safety Awareness Week was 'I value life', reinforcing the idea that safety is not a one-off event, but a daily choice. The lifting of Covid-19-related restrictions allowed for face-to-face engagements across the group. Activities, which were open to all Sappi staff and contractors across the group, focused on promoting situational awareness and understanding risks and hazards.



Occupational safety

All three regions within the group have safety programmes and processes that have the objective of creating an environment where no person will suffer permanent disability or loss of life. Our global I value life initiative aims to accelerate improved safety performance in areas of concern and to develop a safety awareness culture in all parts of our business. The initiative includes integrated health and safety planning and management, training at all levels, participative information and control structures and adherence to international best practice and safety standards.

Our view that injuries and accidents are not inevitable, is underpinned by risk assessments, group sharing of all incidents and root cause investigations, enforcement of compliance and leadership engagement with our people.

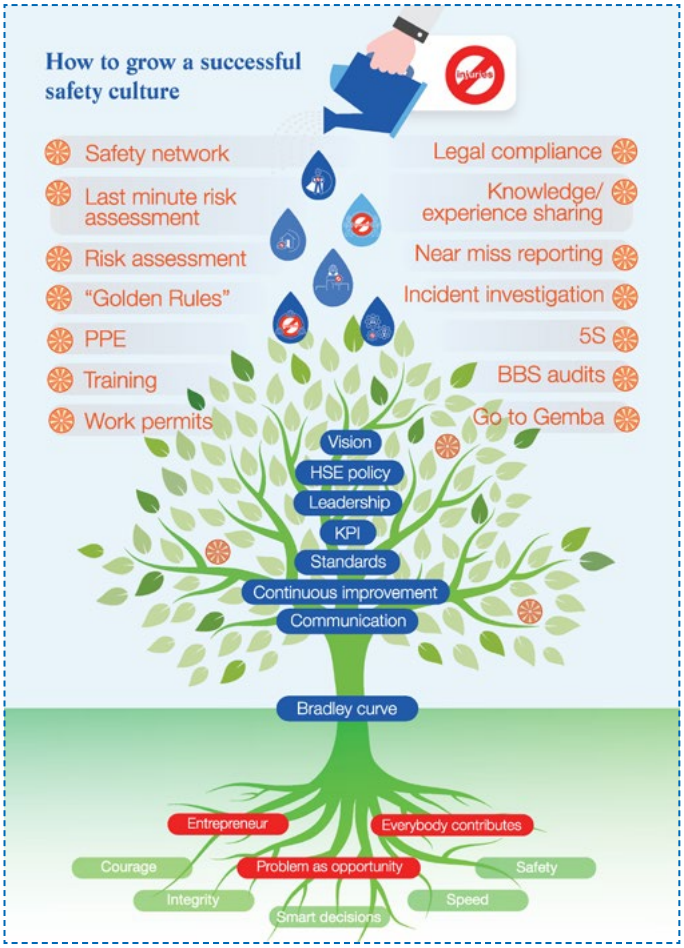
In terms of group safety performance, all regions showed continuous improvement. A key highlight was the fact that, for the second consecutive year, there were no fatalities. Safety performance was as follows:

- The combined (own employees and contractors) LTIFR was 0.30 against a target of <0.37
- The combined (own employees and contractors) LTISR was 9.31 – almost half the target of 17.08
- The combined injury index was 2.81 compared with the target of 6.15.

Sappi Europe managed to reverse the previous year's disappointing performance, achieving a combined employee and contractor LTIFR of 0.55 vs a target of <0.66. The injury index for own employees and contractors also improved, showing the best-ever performance over the last five years. This performance was underpinned by a safety communication campaign featuring a handbook (see below) and posters, all of which focused attention on frequent injuries and reinforced the fact that nothing is so important than it cannot be done safely.

Safety performance in SNA was excellent, with a record low combined employee and contractor LTIFR of 0.18 compared to a target of 0.38.

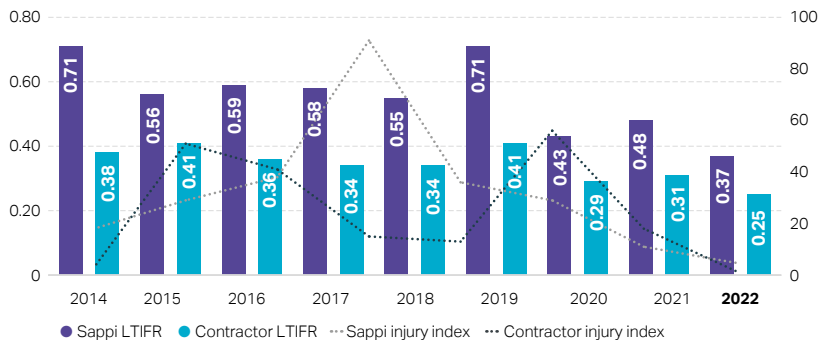
Safety performance in SSA continued to improve, with a best-ever combined employee and contractor LTIFR of 0.26 versus a target of 0.29.



SEU safety handbook

We calculate LTIFR by dividing the product of lost-time injuries and a group-wide standard for work hours by the unit's work hours, ie LTIFR = LTI * 200 000/units actual work hours.

Group LTIFR



People continued

Supporting sound labour relations

Why it's material

One of the strategic fundamentals of Thrive25 is trust. Against this backdrop, sound labour relations are important because they form the foundation of trust between us and our employees. We provide them with a strong voice in our decision-making processes so that they develop a sense of ownership towards their work and Sappi. We also provide the proper channels that allow our people to voice their concerns. 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 55% of our workforce is unionised, with 71% belonging to a bargaining unit.

How this issue links to other aspects of our business

Our global priority SDGs

Our top 10 risks

1/ Safety

7/ Cyclical macro-economic factors

9/ Employee relations

Our strategic fundamentals

The global forces shaping our Thrive25 strategy

- Rising social inequality and growing social activism with increased expectations of business
- Changing consumer and employee behaviour
- Shifting demographics.

Our highlights

Relatively **positive industrial relations** with trade unions at all manufacturing sites and plantations

Opportunities for value creation

In SSA, within the context of community unrest and potential business disruption, our focus is on enhancing union-management relationships. Following engagements at the National Partnership Forum, it was agreed that Sappi would afford shop stewards the opportunities to have curated individual development plans, following the same process used for high-potential employees. A list of desired competencies was prepared and approved by the shop stewards. The list of competencies was then used for individual consultations with shop stewards to help them self-assess against the competencies. Based on the results of that assessment, customised development plans were developed for each shop steward. Development plans incorporate online training, classroom training, learning from others and many practical assignments. Business unit employee relations managers are supporting and mentoring the shop stewards.

Key developments in FY2022

The overall industrial relations climate in **SEU** was good. Approximately 61% of SEU employees are members of a union and approximately 87% of employees fall within a bargaining unit. We engage with various unions in each country where we operate and collective labour agreements (CLAs) are in place at all mills. Last year we reported that there were no CLAs in place at Carmignano and Condino Mills in Italy and Lanaken Mill in Belgium. However, at the Italian mills these are now in place until 2024 and a CLA is also in place at Lanaken Mill.

While we continued to be engaged in dynamic contract negotiations, consistent with increased labour activity nation-wide, the overall industrial relations climate in **SNA** was satisfactory. Approximately 65.2% of SNA's employees are members of a union and there are 12 collective bargaining agreements in place with hourly employees. In total, we negotiated eight collective bargaining agreements. We anticipate a comparatively light negotiation schedule in the next financial year. Negotiations with the United Steelworkers' Union will take place at Allentown Sheeting Facility and Westbrook Mill in March and August 2023 respectively.

Overall union representation in **SSA** workforce declined from 50% in FY2021 to 48%, with 61% of employees falling within the scope of the bargaining unit. SSA continues to recognise two trade unions – the Chemical Energy, Pulp, Printing, Wood and Allied Workers Union and United Association of South Africa, but also engages with other non-recognised trade unions.

Collective bargaining in SSA during FY2022 was concluded shortly after year end. In the Pulp and Paper Industry Chamber, a decentralised bargaining process which approved company-level negotiations, was adopted for the 2022 bargaining season. Industry wage settlements were satisfactorily concluded for the sawmilling and forestry sectors.

Attracting, developing and retaining Sappi talent

Why it's material

The Covid-19 pandemic has reshaped the traditional world of work, leading to increasing numbers of people to re-evaluate what they want from a job and from life. This has created a large pool of active and potential workers who are shunning the traditionalist path, resulting in what commentators have called The Great Resignation or The Great Attrition. The success of our business depends on our people, who we see as a core pillar of competitive advantage. Accordingly, we focus on energising our employees through meaningful work; promoting strong relationships with co-workers and managers; promoting a culture of development in which diversity and inclusion are encouraged; providing the resources and environment to balance stress and wellbeing and offering both financial and non-financial incentives. That we are succeeding in this regard is highlighted by the fact that in FY2022, globally, voluntary staff turnover was 6.15%.

How this issue links to other aspects of our business

Our global priority SDGs

Our additional SSA priority SDGs

Our top 10 risks

9/ Employee relations

Our strategic fundamentals

The global forces shaping our Thrive25 strategy

- Deglobalisation, polarisation and increased geopolitical tensions
- Rising social inequality and growing social activism with increased expectations of business
- Changing consumer and employee behaviour
- Shifting demographics.

Our highlights

Sappi Advance IT training platform was **launched across all regions**, thereby enhancing performance enablement

61.09% skills training, 38.91% compliance training

Increased training spend in all regions

Opportunities for value creation

In line with our strategic fundamental of 'enhance trust,' we have instituted a leave policy at senior levels of the organisation which allows people to self-determine the amount of leave they take. We believe this will enhance engagement and retention.

Key developments in FY2022

Attraction

The Great Resignation has impacted millennials and Gen Zers in particular. According to Deloitte, four in 10 Gen Zers (born between the mid to late 1990s and the early 2010s) and nearly a quarter of millennials (those born between 1981 and 1996) would like to leave their jobs within two years, and roughly a third would do so without another job lined up, signalling significant dissatisfaction levels[1]. The same survey highlights the fact that these groups want businesses and their own employer to do more. Only 18% of Gen Zers and 16% of millennials believe their employers are strongly committed to fighting climate change. Gen Zers and millennials want to see employers prioritise visible climate actions that enable employees to get directly involved, such as banning single-use plastics and providing training to help people make better environmental decisions.

We have a significant advantage in that Sappi's business aligns with these priorities and that we are strongly focused on our purpose: Sappi exists to build a thriving world by unlocking the power of renewable resources to benefit people, communities and the planet.

In all regions, our people visit schools and universities to promote our industry. We also host mill and forestry visits. In South Africa we offer bursaries and have issued new bursaries in the priority areas of forestry science, industrial engineering and electrical/mechanical engineering.

Development

To build strong skills across Sappi and build leadership capability at all levels we provide training and development opportunities and give performance feedback.

In terms of young talent, **SEU** trains and develops approximately 225 young apprentices. To date, this three to four-year vocational training programme has been offered primarily at our four German-speaking mills but has now been introduced in Finland and Belgium. The programme is helping to build a technical talent pool to replace staff who will retire in the short to medium term. A specific programme for the upskilling of Lanaken Mill operational staff will be launched early in the next financial year.

In **SNA**, all salaried personnel received training on Sappi Advance including virtual and in-person sessions on developing, managing and reporting on performance enablement objectives; manager training on allocating and approving objectives; how to best use the tools available for development plans; check-ins and performance reviews; as well as how to link available training for development plans. To evaluate the transition to completing necessary training in Sappi Advance and allowing employees to demonstrate completion for compliance and gainshare purposes, a calendar of compliance-related courses was set up for pilot employees with staggered due dates.

[1] *https://www2.deloitte.com/content/dam/Deloitte/at/Documents/human-capital/at-gen-z-millennial-survey-2022.pdf*

People continued

The Lean Six Sigma team also resumed some in-person training, with facilitation from those skilled and certified in the methodologies. Specific departments including finance, sales and manufacturing are taking specific training actions in response to industry/workforce concerns and comments from engagement surveys. Somerset Mill provided in-person leadership development training while Cloquet Mill offered supervisory skills training and permanently adopted some of the modifications made in response to Covid-19 requirements, such as shorter modules, online learning and an overall reduced number of classroom hours. In addition, multiple departments have received in-person training on general management/self-awareness topics such as Myers-Briggs and communication, change agility and giving and receiving feedback.

In **SSA**, in terms of leadership development, the Lead[X] programme continued in South Africa with minor updates based on feedback from the previous group. Updates focused on the technical cluster engagements and creating psychological safety at work. Monthly check-ins continued with participants on the manager in training programme (72 managers in FY2022), which is now compulsory for all first-time managers going forward.

Lean & Me continued to gain momentum across manufacturing, with the creation of two customised business version based on business demands – Lean & Me Lite for senior managers and support services and Lean & Me for risk, health, safety and environmental teams.

Technical skills development received a further boost in the reporting period with the introduction of additional technical programmes including woodyard superintendent, paper machine operator (PM1 and PM2 Ngodwana Mill), maintenance planner, business process engineer and HR business partner. The programmes include online training, classrooms, mentoring and practical assignments.

Sappi Trading employees are encouraged and supported to improve their job performance and abilities for future career growth. In FY2022, training courses ranged from Portuguese, English and Japanese language courses attended by sales and customer service employees in Mexico and Shanghai to 'Introduction to Sappi graphics and speciality papers' attended by non-sales employees in Hong Kong.

Average training hours per employee in FY2022

Region	Hours
SEU	30
SNA	54
SSA	63
Sappi group (weighted average)	**46.89**

Retention

Diversity and inclusion play a key role in employee retention. In today's global marketplace, we recognise that diversity facilitates interaction with different cultures, colleagues and clients. We believe that the creation of an inclusive culture representative of such a diverse array of people, thoughts and ideas enables us to innovate, deliver and service our customers based on a broad palette of considerations. Diversity and inclusion are not just about fairness, morality and justice as being the right thing to do; nor just about legal compliance – they're also about enhancing enterprise value.

Under SDG8: *Decent Work and Economic Growth*, our Thrive25 target is to increase the proportion of women in management roles by 3.7 percentage points. This is reinforced by gender equity targets specific to each region. We are making excellent progress against our gender equity targets and at a group level the proportion of women in management positions in FY2022 was 22.5%, a 3.5% increase from the FY2019 baseline. SSA and SNA exceeded their FY2022 gender equity targets, but SEU is lagging and specific action plans were developed during the year to accelerate progress in the region.

In SSA, we continue to perform well against our **transformation targets** and are classified as a Level 1 BBBEE contributor. The representation of designated employees[1] in the workplace continues to gather momentum with the profile as follows: top management: 43.8%; senior management: 55.6%; mid-management: 64.1%; junior management: 81.6%; semi-skilled and discretionary decision making: 98.4% and unskilled; and defined decision making: 98.7%.

Employee engagement, which allows us to understand better our employees' needs and concerns and respond to these, continues to underpin our retention efforts. Our central action tracker provides regular updates on the action items identified in our last employee engagement survey in FY2021. Progress on action items has been accelerated by the fact that the close-out of action items is now included in the performance objectives of each line manager and supervisor across the business. Identified action items include work/life balance, culture, rewards and recognition, benefits and manager and co-worker relationships.

Average training spend per employee in FY2022

Region	Spend US$
SEU	629.45
SNA	276
SSA	707.28
Sappi group (weighted average)	**602.42**

[1] *Black people (including Coloureds and Indians), women and people with disabilities.*

Creating a positive social impact in our communities

Why it's material

Our vision of a thriving world can only be achieved if we support and promote growth and development in the communities surrounding our operations. Our community investment programmes focus on creating stronger social licence to operate, demonstrating our commitment to active corporate citizenship, enhancing our reputation and customer loyalty, as well as attracting talent.

How this issue links to other aspects of our business

Our global priority SDGs

Our additional SSA priority SDGs

Our top 10 risks

7/ Cyclical macro-economic factors

9/ Employee relations

Our strategic fundamentals

The global forces shaping our Thrive25 strategy

- Deglobalisation, polarisation and increased geopolitical tensions
- Rising social inequality and growing social activism with increased expectations of business
- Changing consumer and employee behaviour
- Shifting demographics.

Our highlights

13% year-on-year increase in community investment in SSA

Significant progress on enterprise and supplier development in SSA

Opportunities for value creation

We are recalibrating our Abashintshi youth development programme in South Africa and are also intensifying our economic empowerment initiatives – developments which should lead to positive benefits.

Our approach

There is broad alignment between the three manufacturing regions on key themes including community welfare, education, environmental protection, conservation and biodiversity (with a strong focus on forestry), community training and economic opportunities. Projects are aligned with and support business priorities and needs, taking into account feedback from our stakeholders. We prioritise three key stakeholder groups – employees, local communities and customers.

At a community level, mills in each region support local projects ranging from youth clubs, community centres, vulnerable groups, sports clubs, environmental education and paper donations. Project support is provided to Sappi Forests' community schools based on requests and needs analyses. Projects include fresh water, ablution facilities, fencing, buildings and structures and vegetable gardens, as well as hospices and local clinics are supported in each community. Each region has its own programmes which are detailed extensively in our Group Sustainability Report, available at www.sappi.com/sustainability

The fact that Sappi is headquartered and listed in South Africa, coupled with the significant development needs of the country, dictates a higher focus on social impact activities in our country of origin.

Key developments in FY2022

Emergency relief and support is activated if and when required, both at a global and regional level. The Russian invasion of Ukraine created a **humanitarian emergency** which we responded to by donating funds and matching employee donations up to a set limit. in South Africa, the floods of April 2022 in KwaZulu-Natal caused **significant damage and human tragedy**. As in Europe, we donated funds and matched employee donations up to a set amount. (See pages 58 and 64.)

In North America we continued with our **Ideas that Matter** initiative which, for over two decades, has provided funding and resources for designers working with non-profit organisations to make social and environmental impact, to encourage reforms in justice, education and healthcare and to address diversity, equity and inclusion efforts across communities and around the world. Sappi has made global contributions totalling nearly US$14 million through the work of more than 500 projects toward addressing these causes. A condition of entry this year was that work should align with one of the UN SDGs. The winning entries championed causes ranging from child literacy, immigration and maternity care to rainforest preservation, anti-poverty programmes and resources for women of colour.

People continued

Our Social impact framework

We continued to progress our **social impact** framework which enables us to map and track our community approach across all segments, thereby increasing our positive impact on society. We used the framework to update the 2022 strategy with deliverables focused around economic, social and environmental outcomes and the following broad themes: promoting regional development, empowering communities and protecting resources.

The creation of local economic opportunity in South Africa has increased in importance and urgency. It is being addressed through a multi-pronged approach including increased community training as well as targeted shared value, supplier development and enterprise development programmes.

We are committed to developing SMEs so that, like Sappi Khulisa (Refer to page 64 for further detail), they are not CSI projects, but become part of Sappi's – and other enterprises – core business.

In 2018, we launched a focused ESD strategy and established a dedicated ESD unit tasked with helping to incorporate SMEs into the mainstream economy. Since then, we have made considerable progress, successfully integrating 133 SMEs into the value chain.

In FY2022, we spent over ZAR245 million with SMEs, significantly exceeding our set annual target by ZAR133 million. Services supplied ranged from alien invasive plant management to civil and mechanical work and from logistics and transportation to plumbing and electrical.

We engage with other corporates and contractors to contribute towards local SME development and recruitment of local community members. As an example, in FY2022 we had a total of 13 incubation initiatives in collaboration with contractors whereby SMEs were sub-contracted at a cost of ZAR30 million to perform services like scaffolding, civil works and piping, mechanical engineering works, harvesting, etc. Contractors have also invested in training SMEs and local community members to enhance their job-related skills and ensure quality of work.

Spend in FY2021 and FY2022

	2022	2021
SEU	€100,000	€100,000
SNA	US$417,500	US$145,100
SSA	ZAR54 million	ZAR48 million

Planet

Sourcing sustainable woodfibre

Why it's material

Our forests are the lungs of our planet, helping to regulate our climate, while directly supporting the livelihoods of over a billion people. The social and economic benefits of these services are estimated to be in the trillions. Today, it's clearer than ever that there is no solution to climate change without a solution to tropical deforestation. Yet, despite recent efforts, deforestation increased by 12% between 2019 and 2021.[1] Simply put, zero deforestation is not an option but a strategic necessity for companies like Sappi with land-based value chains to deliver on the UN SDGs.

How this issue links to other aspects of our business

Our global priority SDGs

Our top 10 risks

3/ Sustainability expectations

4/ Supply chain disruption

5/ Climate change

Our strategic fundamentals

The global forces shaping our Thrive25 strategy

- Climate change and climate transition
- Resource scarcity and growing concern for natural capital.

Our highlights

77% of fibre supplied to our mills certified

We are piloting the Sustainable African Forestry Assurance Scheme for small growers in South Africa

Opportunities for value creation

A new FSC CoC standard came into effect in September 2021, incorporating a new chapter 7 on FSC core labour standards. With this new step, the principles of the International Labour Organisation's (ILO) Core Conventions and the ILO Declaration on Fundamental Principles and Rights at Word (1998) are integrated into FSC's CoC standards. The revised FSC CoC standards now include core labour requirements which are auditable and include the effective abolition of child labour, elimination of all forms of forced or compulsory labour, the elimination of discrimination in respect of employment and occupation, respect of freedom of association and the effective recognition of the right to collective bargaining.[2] This puts workers' rights on the agenda for around 45,000 FSC CoC certificate holders all over the world.

These standards are already in place for forestry management but will now apply to our mill CoC certificate holders. Certification for Sappi is expected within the next 12 months. While the key topics are already covered in our company policies and operating/HR procedures, the new standards will strengthen our reputation and standing in terms of social issues and workers' rights.

Key developments in FY2022

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.

Implementing robust certification systems

Following PEFC CoC certification for SSA's pulp and paper mills in FY2022, all our mills in Canada, Europe, South Africa (except for Stanger Mill) and the US hold both PEFC and FSC CoC-certification. Our mills in the US are also SFI CoC certified and we hold SFI fibre sourcing certifications for Cloquet and Somerset Mills.

In FY2022, 77% (2021: 77%) of all the wood-based raw material supplied to Sappi's mills originated from FSC or PEFC (including SFI) certified forests. In SEU, SNA and SSA, the share of certified woodfibre supplied in FY2022 was respectively: 87% (2021: 87%), 59% (2021: 57%) and 85% (2021: 85%).

These high levels of certification enable us to offer a wide product portfolio of certified products and give us full traceability of purchased wood-based raw material. By striving for increasing levels of certification in line with our global and regional Thrive25 targets, we hope to drive responsible production and consumption patterns, as well as demand for wood-based products originating from certified forests.

Much of the woodfibre we use is dual-certified. We have rigorous tracing protocols in place regarding the documentation of the origin of woodfibre. In addition, suppliers must provide evidence that all woodfibre is sourced from controlled, non-controversial sources in accordance with the FSC Controlled Wood Standard, as well as PEFC (and SFI in the United States) risk-based due diligence systems. All suppliers are requested to provide wood origin information (country of harvest and where applicable, sub-national region and/or concession of harvest) and a list of tree species at least annually and/or upon request. Based on the data, Sappi prepares mill-specific wood origin declarations which are available for all interested stakeholders on www.sappi.com

Our continuous commitment to zero deforestation, as well as sustainable forestry and sourcing, are embedded in our Group Woodfibre Procurement Policy which incorporates core requirements on woodfibre and its origin; clear requirements on traceability and supply chain integrity; and further action points to ensure zero deforestation, sustainable forestry and sourcing. This policy was revised for clarity and added rigour in FY2022.

[1] *Why net zero needs zero deforestation now: Initial research paper from the UN Climate Change High-Level Climate Champions, Global Canopy, The Accountability Framework initiative, WWF and the Science Based Targets initiative, available at: https://climatechampions.unfccc.int/wp-content/uploads/2022/06/Why-net-zero-needs-zero-deforestation-now-June-2022.pdf*

[2] *https://fsc.org/en/document-centre/documents/resource/302*

Planet continued

Expanding certification outside our operations

We continue to participate in efforts to expand sustainable forestry practices and certification: **SNA** works closely with a variety of programmes dedicated to providing logger education and continuous education, including SFI State Implementation Committees, Maine Forest Products Council, Maine Tree Foundation, and numerous academic programmes (providing financial and in-kind support).

In **SSA**, we helped to develop the SAFAS and have also established a group FSC scheme for small and medium-sized growers, paying growers in the scheme a premium for certified timber delivered. In FY2022, the scheme had 39 members representing a planted area of 45,600 hectares and 306,400 tons delivered. We are currently piloting SAFAS certification for small growers.

Enhancing supply chain sustainability

In **SNA**, written stumpage and wood supply agreements include requirements to comply with applicable laws, including the use of best management practices to ensure that wood procurement operations adapt appropriately to seasonal adverse weather conditions and other weather events to ensure that soil productivity and water quality resources are protected. A key procurement provision is to build inventory at mills during the winter months to avoid logging activities during the spring breakup/mud season. We specify that wetlands and other wet areas should be logged when soils are in a frozen condition and that best management practice guidelines appropriate to the site should be adhered to. We also identify, mitigate and avoid adverse impacts on Forests with Exceptional Conservation Value, which includes areas identified by NatureServe with a G1 (Globally Critically Imperilled) or G2 (Globally Imperilled) ranking for species and native plant communities.

In **SSA**, R&D play a significant role in tree growth and improved supply chain efficiency. (See pages 101 and 102 for Sappi Forests' response to climate change). Conventional breeding methods are no longer viable as change is rapid, breeding cycles are too long, and species variation is insufficient to respond to future threats. Molecular technology and biotechnology tools are used to ensure forest sustainability and precision agriculture. Other methods include hybrid varieties where desired traits of two species are combined to increase adaptability to marginal areas; and mulching not burning, as mulched areas hold more soil water and have a positive impact on growth.

In addition, our work with land reform beneficiaries and our Sappi Khulisa programme (see pages 74 and 22 respectively), help to ensure security of woodfibre supply.

Prioritising clean and renewable energy and responding to climate change

Why it's material

Since the UN COP26 in Glasgow, Scotland in November 2021, climate impacts have worsened and carbon emissions have risen to record levels, affecting businesses around the world and hitting vulnerable communities the hardest.

Our industry is energy intensive. In addition, our business is dependent on woodfibre which is impacted by climate change. Against the backdrop of these transitional and physical risks, we have long recognised our responsibility to be part of the climate solution. A significant portion of R&D is allocated to decarbonisation including pulp backward integration which brings green energy opportunities aligned with our strategy; energy swaps and energy change opportunities balanced with economics. In addition, our Future Energy Technologies and Decarbonisation cluster is exploring and developing novel technologies for fuel shift and deep decarbonisation in terms of Scope 1 and 2 emissions, with a particular emphasis on energy, pulping, papermaking and bleaching.

We align with climate science and are taking focused action to future-proof our business against the physical and transitional impacts of climate change and be part of the solution.

How this issue links to other aspects of our business

Our global priority SDGs

Our top 10 risks

- 3/ Sustainability expectations
- 5/ Climate change
- 6/ Evolving technologies and consumer preferences

Our strategic fundamentals

The global forces shaping our Thrive25 strategy

- Climate change and climate transition
- Resource scarcity and growing concern for natural capital.

Our highlights

Validation of our **science-based targets** by the SBTi

12.7% reduction of specific GHG (Scope 1 and Scope 2) emissions over five years

Opportunities for value creation

By accelerating our decarbonisation journey and motivating our suppliers to adopt science-based targets, we are working to realise our vision of a thriving world. This, we believe, is important to enhance our reputation, motivate customers to buy our products and attract investment, all of which ultimately contribute to increased enterprise value.

Key developments in FY2022

Approval of our science-based targets

In June, the SBTi approved our science-based targets. Related to climate action, under our Thrive25 targets, globally we had committed to an 18% reduction in specific GHG emissions (Scope 1 and 2 combined). This ambition has now accelerated: Under our science-based targets, we commit to reduce Scope 1 and 2 GHG emissions by 41.5% per ton of product by 2030 from a 2019 base year. We have also committed that 44% of our suppliers (by spend) will have science-based targets by 2026.

Our science-based targets hold significant competitive advantage in that they will help to:

- Build trust with our customers in line with one of our key strategic fundamentals
- Highlight our commitment to continuous improvement
- Ensure that our operations remain lean and efficient
- Enhance enterprise value and investor confidence
- Promote resilience against a future where resources, particularly those derived from fossil fuels, will become increasingly scarce and expensive.

Actioning our targets

A capital plan has identified capital projects within our existing five-year plan as well as further longer-term interventions, to facilitate the required emissions reduction. The capital expenditure between FY2021 – FY2030 required to achieve the targets is estimated to be in the region of US$70 million per annum.

Decarbonisation projects include process efficiency improvements, transitioning to low-carbon energy generation, as well as upgrading of certain plants which allow for fuel switching from fossil to biogenic fuels and increased purchases of renewable energy. In FY2022, globally 53.9% (FY2021: 53.7%) of energy used was renewable, mostly from own black liquor. In SNA, we already use a high percentage of renewable energy – 76.7% in FY2022.

Decarbonisation plans that have already been implemented or that are in progress in our other regions include:

SEU

- The recently completed €35 million phase 1 modernisation of the **power plant boiler at Gratkorn Mill**, Europe's largest paper mill. During the transitional phase, the new state-of-the-art boiler will run predominantly on natural gas. In FY2023 phase 2 will install the necessary biomass handling equipment to enable a full conversion to biomass.
- A €16 million investment in a **biomass boiler at Kirkniemi Mill**, completed earlier this year. The investment established the equipment needed to receive, store and handle woody biomass like the bark, sawdust and wood chips used for biofuel production.
- The installation of an e-boiler at **Maastricht Mill**. With an investment of close to €6 million, the mill's yearly emissions of CO_2 will be reduced by some 13% (compared to 2019) following commissioning. The reduction in CO_2 emissions will be achieved by replacing part of the gas generated steam by electric generated steam via a newly to-be-installed e-boiler. The electricity used will be generated through renewable energy sources such as solar power and wind energy.

SSA

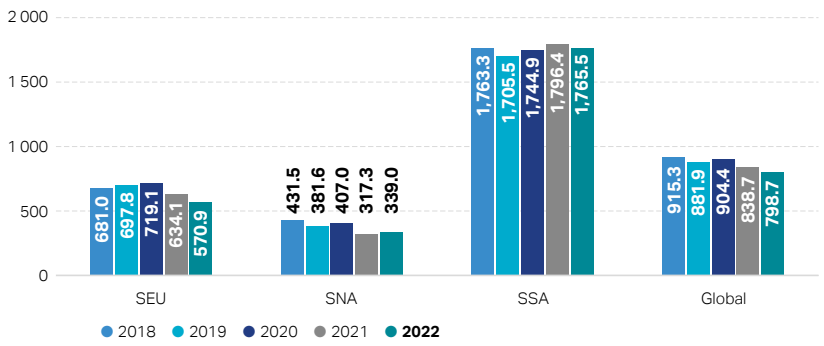
- **Ngodwana Energy**, a 25 MW biomass energy plant at Ngodwana Mill in which SSA holds a 30% stake together with consortium partners KC Africa and African Rainbow Energy and Power. The plant, which was commissioned in March 2022, uses biomass recovered from Sappi's surrounding double certified plantations[1] and screened waste material from the mill production process. Up to 35 tons an hour of biomass is burned in a boiler to generate steam and drive a turbine to generate electricity which is fed into the national grid. The project falls under the South African Government's Renewable Energy Independent Power Producer Programme.
- Our **capacity expansion project at Saiccor Mill** involved conversion from calcium to magnesium pulping and was commissioned in FY2022. The technology used has enabled halving of fossil fuel emissions and a reduction in gas emissions of 40%. (Please see page 85 of this report for further details.)

Our assessment of our suppliers' climate performance (Scope 3) is discussed on page 81 of this report.

We are meeting regularly with key suppliers to advocate that they set science-based emission reduction targets by 2026. We also discuss strategies for decarbonisation, as well as developments related to new or alternative materials and innovation that could support reduced carbon footprints.

Globally, over five years, specific Scope 1 and 2 GHG emissions have declined by 12.7%. Year-on-year, the decrease was 4.8%.

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



[1] *Sappi's plantations are both 100%: FSC™ (N003159); and Programme for the Endorsement of Forest Certification (PEFC/01-44-43) certified.*

Planet continued

Progressing our climate strategy

We made progress on our climate strategy, which is aligned with our Thrive25 strategic pillars as set out below:

	What this means	Climate relevancy
Grow our business	• Committing to core business segments while investing in innovation, growth opportunities and ongoing customer relationships.	• Purposeful innovation and collaboration to provide low-carbon, bio-based solutions and accelerate climate action.
Sustain our financial health	• Reducing and managing our debt, growing EBITDA, maximising product value, optimising processes globally and strategically disposing of non-core assets.	• Optimise allocation of capital for profitable growth while ensuring that it reduces our impact on climate change and positions us competitively for a low-carbon future.
Drive operational excellence	• Strengthening our safety-first culture and reducing resource use while enhancing efficiency and making smart data investments.	• Continual focus on reducing our own and value chain emissions, protecting biodiversity and promoting the responsible use of scarce water resources.
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.	• Being a transparent, proactive and responsible company and partner with a long-term, solutions-oriented approach to address climate change mitigation, adaptation and resilience; playing our part to ensure a socially inclusive just transition.

Implementing an implicit price of carbon

Prior to the reporting year, we used a shadow price of carbon per region. This created awareness of carbon impact across the business and helped to prioritise low-carbon initiatives and stress-test investments. In line with our accelerated climate-related ambition and based on technical analysis, we are now using an implicit carbon price[1] in capital investment decision making. We will review the price – which is differentiated per region due to the varying costs of carbon abatement – annually.

Conducting climate change scenarios

Each country in which we have manufacturing operations, as well as the EU region, has submitted NDCs to the UN Framework Convention on Climate Change. Transition risk is assessed in terms of scenarios involving these NDCs and the associated time frames. Various scenarios within the parameters of key regulatory developments are also assessed against the backdrop of various issues (such as Sappi's own decarbonisation plans and possible carbon taxes to drive behavioural change, reputational impact if site emissions reduction plans do not align with the relevant NDC) and the related opportunities (health benefits).

With the help of external consultants, we have conducted climate change scenarios for our mills, with data from Global Climate Change Institute (GCI) at the University of the Witwatersrand in Johannesburg also being used. Our baseline was 2020, with scenarios to 2030 and 2050. The climate hazard indicators we used were water stress, flood, heatwave, cold wave, hurricane, wildfire and sea level rise. Under Representative Concentration Pathways 2.6 (low), 4.5 (moderate) and 8.5 (high), each indicator was then assigned a risk rating. This has helped to embed climate change aspects into our current risk register methods, thereby improving our overall approach to risk. Overall, the scenarios helped us to establish that in terms of our mills, Sappi faces moderate risk, with the greatest exposure to water stress and cold wave. The latter is set to decline over time due to climate change, but risks are more pronounced for individual sites.

[1] *This price is based on how much it costs Sappi to implement emissions reduction projects, such as renewable energy purchases or energy-efficiency upgrades.*

Responding to climate change on Sappi's plantations

As a semi-arid region with high inter and intra-seasonal precipitation variability, Southern Africa is very vulnerable to climate change. Evidence is mounting that changes are occurring in many of the region's climate characteristics, such as rising temperatures with indications that the rate of warming has been increasing, especially in the last two decades. Plantation forestry in South Africa is sensitive to climate change as projected increases in temperature and changes in rainfall can result in some areas not being climatically suitable for a specific genotype while some areas might become climatically unsuitable for forestry. Although other areas might become climatically suitable, expansion of plantation forests is limited in South Africa due to availability of suitable land and due, also, to water legislation.

The assets of the Sappi's tree improvement programme based at the Shaw Research Centre in Howick, include a broad genetic base, acquired over 25 years and a skilled breeding team exploiting innovative technologies and nursery technologies research into improved propagation techniques for elite genotypes. The land management and pest and diseases programmes conduct research on stress detection, climate change predictions, site classification to improve site-genotype matching, risk mapping, nutritional research, site resilience, biological control measures and national pest and disease surveys.

Key developments in FY2022 are set out below:

- **Site classification upgrade to include moisture index**
  In response to hotter and drier climatic conditions, Sappi Forests Research has developed an updated evapotranspiration-based moisture index classification system. The index was developed by:
  - leveraging climate model data from the University of the Witwatersrand (WITS) GCI with which Sappi has a strong partnership
  - calculating a moisture index for each decade from 2000 to 2100
  - using an internationally accepted model developed by the Food and Agriculture Organisation, which requires data on temperature, relative humidity, wind speed and solar radiation
  - summarising the data and developing an app on the Sappi Map Centre to visualise some of the data layers.

The findings indicated that while most of Sappi's landholdings fall within the moist and dry classes, a significant portion are in the wet class. A small percentage of Sappi land is in areas that are known to be very dry, approaching arid, but is managed accordingly.

The improved classification system of potentially available moisture for tree growth is useful in showing the impact of climate change on future growth potential and risk. In addition, it can be used to indicate areas at greatest risk of drought and flag areas of potential seasonal drought. This will allow Sappi to prepare for the future by contributing to tree breeding objectives and site by genotype matching, as well as risk management research and planning.

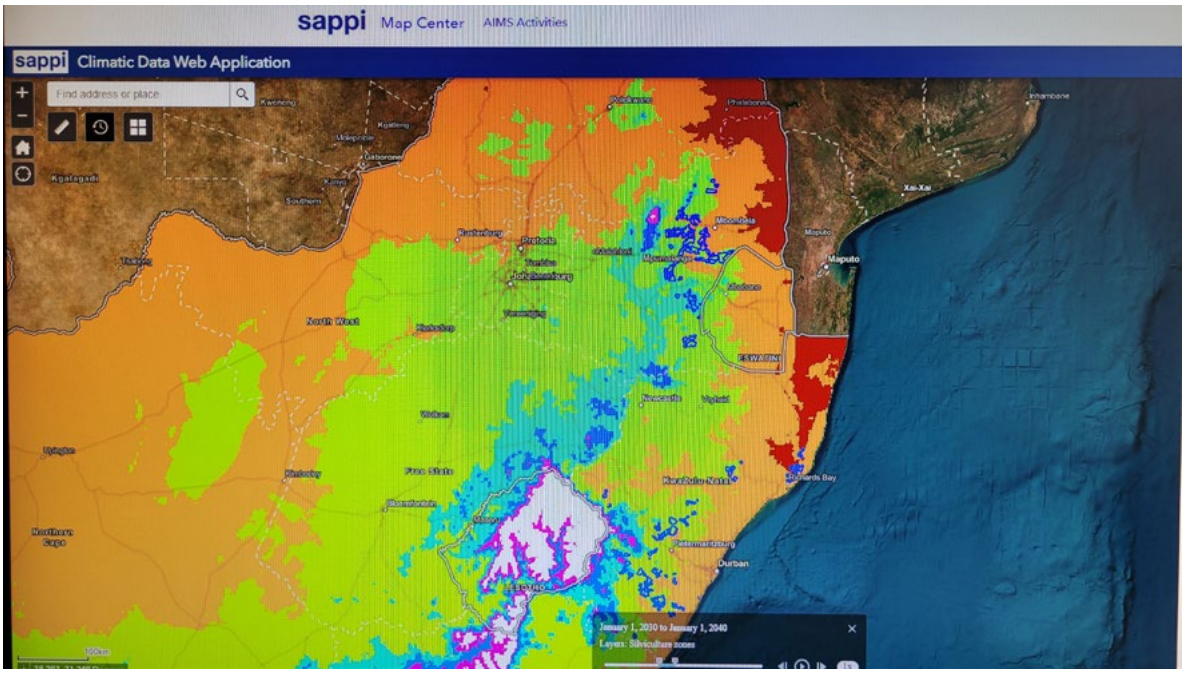
- **WITS GCI downscaled climate change forecast and recorded weather trends for Sappi Southern Africa**
  As reported in our 2021 Annual Integrated Report, we worked with other industry members and the WITS GCI to identify six representative climate change models and downscaled these to local conditions at a finer resolution for years between 1960 and 2100.

  The data was processed to various beneficial data products to inform on a range of factors, including drought, heat and fire risk. Sappi further processed the forecasted climate data in-house by algebraically adjusting the basic weather forecasts to a year 2000 baseline. Summarised data products are available on a Sappi Forests block and compartment level and can be visualised on the Sappi Map Centre Climatic Data Web Application. The data shows a shifting of rainfall seasonality, less rainfall in many areas and shifting climate zones from cool to warm and warm to sub-tropical. Cool areas and the Mpumalanga regions will be most impacted by temperature increases. Forecasts, while not as severe, align with long-term weather records.

  Having information on future climate and translating this into future site classification and risk maps provides tools which can be used to inform research and development and prepare for future management practices. As human activity is unlikely to change soon, climate models and projections will need to be frequently updated and the impact of future climate on tree survival and growth will be modelled on an ongoing basis.

  We will continue to downscale further to finer resolutions and are already using model projections for contextualising future climate on site by genotype matching and for our tree breeding strategy. Adaptions of this work will be used in pest and disease projections and monitoring. Looking forward, we will be implementing research projects to test strategies to adapt to hotter and drier climates and shifting seasons.

Planet continued



Future climate predictions from WITS GCI.

- **Using biological control to manage pests**
  As with other agricultural products, trees are susceptible to pests and diseases. This susceptibility is expected to be exacerbated by climate change. In efforts to identify and register more sustainable pest control products for use in plantation forestry, the pests and diseases programme has been collaborating with the South African company, Andermatt Madumbi, regarding some of their biological products which showed promise in laboratory studies as part of an MSc study conducted in 2019 to 2020. The company has since been collaborating with Sappi in the testing of some of their products under commercial conditions at Clan Nursery. The aims of the trials are to investigate the possible use of their biological products for the control of *Quambalaria eucalypti* and other pathogens, as well as to improve general hedge vigour, cutting production and enhance cutting survival and rooting.

  Results of the studies indicate that the Madumbi products are having a positive effect on both hedge production and cutting survival and rooting, as well as reducing the incidence of powdery mildew and *Quambalaria eucalypti*. The impact of two of their biological control products (Eco 77 and Double Nickel) has been very promising. Consequently, formal label extension trials have now been initiated. This is a significant breakthrough as there are currently only two fungicides registered for use in forestry nurseries. Having biological products that are less hazardous will be a significant milestone in integrated pathogen management in forestry.

Differences in disease incidence in the Clan Nursery Hedge-camp after Andermatt Madumbi biological control agent applications. Healthy green, lush plot treated with Andermatt Madumbi products in foreground, next to the control plot to which no pathogen control treatments were applied. note white/grey fungal growth on leaves of the control plot, as well as reduced shoot growth.

Focusing on water stewardship and circularity

Water

Why it's material

Water issues have been identified as one of the most serious sustainability challenges facing the planet, partly due to the impacts of climate change. Increasing populations, accelerating industrialisation and growing levels of urbanisation will put even greater pressure on this limited resource going forward.

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, on-site 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

3/ Sustainability expectations

5/ Climate change

6/ Evolving technologies and consumer preferences

Our strategic fundamentals

The global forces shaping our Thrive25 strategy

- Climate change and climate transition
- Resource scarcity and growing concern for natural capital.

Our highlights

Successful backwash project at Stanger Mill

Water stewardship **partnership with WWF-SA** gaining traction

Opportunities for value creation

Our partnership with WWF-SA has created a replicable, scalable model which can be leveraged in line with our social impact framework.

Key developments in FY2022

Our water use is lower in Europe since the relative pulp integration is lower than in North America and South Africa. Pulp production is relatively more water intensive than paper production.

Most of our mills are situated in the vicinity of rivers from which they draw water. Withdrawal from surface sources (mostly rivers) accounts for the largest percentage of water use. This withdrawal is subject to licence conditions in each area where we operate. Water and effluent testing is routinely conducted at all mill sites. Water management is included in our operational environmental management plans, which are reviewed and updated annually.

Our plantations are not irrigated, and fertiliser is generally only used once in each rotation.

Progressing water stewardship in our operations

Two notable water-related projects were completed at **Ngodwana Mill**. In the first project, the team identified the potential to use a non-hazardous chemical in the oxygen reactor to preserve pulp viscosity thereby allowing for the use of lower-density timber for customers who require higher pulp viscosity. This allowed for lower levels of chlorine dioxide usage in the bleaching process, which in turn has reduced the formation of adsorbable organic halides by approximately 30%.

Good pulp washing ensures recovery of valuable chemicals and lower bleaching additives. At the mill's DP plant, wash presses were retrofitted with enhanced dewatering devices. This has enabled the recovery of chemicals and reduced the need for bleaching additives, thereby enhancing effluent quality.

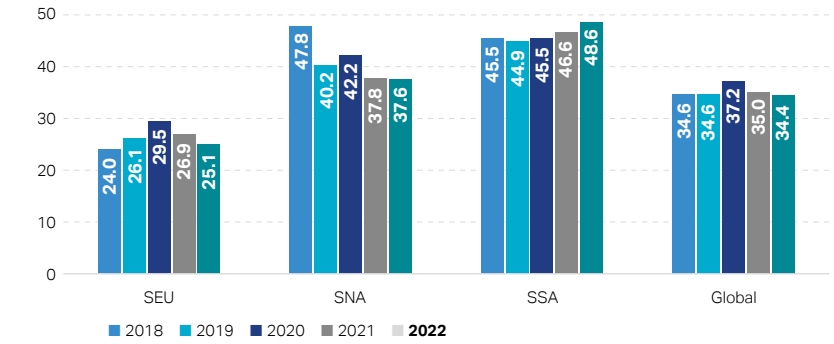
A significant project was also completed at **Stanger Mill** which abstracts water under licence from the Mvoti River, but cannot sustain processes when there is low flow, forcing some plants to shut. Through process modelling and mass balances it was established that approximately 2,000 cubic metres (m^3) of water per day – a significant amount – was used for backwashing filters at the process water plant. The backwash water was then discharged into the nearby Mbozambo lake.

The backwash recovery project involved sampling and testing the backwash stream for turbidity, suspended solids, as well as the cations and anions. An ion balance was conducted, from which the mill concluded that the backwash stream could be utilised in the process if the suspended solids were removed. The recommendation was made that the backwashed water be pumped upstream to the nearby water clarifier, allowing settling of the suspended solids, and the clean supernatant to overflow back to the process water plant for reuse.

Planet continued

Globally, specific process water extracted decreased by 1.7%

Specific process water extracted (m^3/adt)



This was achieved by connecting the backwash and forward wash outlet pipes from each of the six filters to a newly installed common header which discharges the water into the newly constructed sump. Construction began in June 2022 and the project was successfully commissioned in September 2022. The system is currently recovering 2,000 m^3/day on average, an amount which represents 11.5% of the mill's total water usage.

Advancing our external water stewardship partnership

South Africa's key challenges include water scarcity, water management and community upliftment. In 2021, SSA finalised a two-year water stewardship agreement with the WWF-SA, aimed at improving water security in the uMkhomazi catchment where our Saiccor Mill and 42,000 hectares of our forestry land are situated. The project aims to achieve sufficient water for all users at an acceptable level of assurance and quality through multi-stakeholder collaboration focused on:

- Improved water governance through multi-stakeholder engagement:
  - the uMkhomazi Catchment Working Group is now established
  - we have engaged with the Impendle local municipality to ensure water stewardship is prioritised and engaged with the Department of Water and Sanitation (DWS) to establish the Upper uMkhomazi Catchment Management Forum
  - contributed to the development of a Catchment Management Strategy in collaboration with DWS
- Enhanced water-use efficiency
- Green jobs in the form of removal of alien invasive plants and wetland rehabilitation:
  - 40.3 ha of invasive alien plants cleared at Nzinga, with 10 individuals employed – follow-up clearing planned for FY2023
  - the uMkhomazi catchment has also been mapped to inform the priority areas for project implementation. In addition, a database of the uMkhomazi catchment to share and demonstrate the work and investment has been established
- Capacity development of local communities in natural resource management:
  - supported the Qhutshini and Nzinga Grazing Associations in implementing improved rangeland management on 20,000 ha in the upper catchment.

The opportunity for green jobs is fully aligned with Sappi's commitment to ESD, which promotes sustainable livelihoods through capacity building of SMEs. (See page 95 of this report for further details.)

The project in the uMkhomazi catchment is also aligned with the uMhlathuze Water Stewardship Partnership, where we play an active role in supporting improved rangeland health and community cattle management in the uMhlathuze catchment in northern KwaZulu-Natal near eSigcalabeni. Sappi and WWF have proactively worked with community members to form the eSigcalabeni Grazing Association, in partnership with Meat Naturally. Meat Naturally is an organisation that partners with NGOs and land users to offer community-based cattle owners formal training on regenerative grazing techniques, rangeland restoration practices, cattle management, stock theft patrol, predator control, and importantly marketing their cattle through mobile cattle auctions.

Supporting water stewardship in Europe

Water stewardship is an integral part of our journey to build a thriving world for people, communities and the planet. The unprecedented droughts affecting all parts of the world have made water stewardship more important than ever.

In 2022, Sappi Europe launched an internal initiative to further articulate our vision, approach and strategy on water stewardship across the region. A taskforce was created bringing together experts from each mill. Their objective is to build upon current practice to strengthen and broaden our approach and maturity to managing water-related risks and opportunities. Together, the group conducted an exercise to identify Sappi Europe's current water stewardship maturity, gaps and opportunities. Based on the findings, the group is now working on water management plans for each mill, aligning water-related metrics and elevating water as a priority issue.

The taskforce is aligning its approach with international organisations and lessons learned from peer companies. The experience of a Sappi taskforce member at World Water Week in Stockholm in 2022 has helped the group to focus on ensuring plans are as integrated and inclusive as possible.

Circularity

Why it's material

Closing raw material loops is important for the environment. The circular economy is regenerative by design and aims to gradually decouple growth from the consumption of finite resources. For many years now, we have been moving away from the 'take-make-waste' linear model to align with this approach and generate additional revenue.

How this issue links to other aspects of our business

Our global priority SDGs

Our top 10 risks

3/ Sustainability expectations

5/ Climate change

6/ Evolving technologies and consumer preferences

Our strategic fundamentals

The global forces shaping our Thrive25 strategy

- Move towards a circular economy
- Climate change and climate transition
- Resource scarcity and growing concern for natural capital.

Our highlights

Over five years, the percentage of waste diverted from disposal has **increased by 5.2%**

Solid waste to landfill has decreased by **19% over five years**

Opportunities for value creation

In Europe, the Confederation of Paper Industries (CEPI) has developed an updated test method to evaluate the recyclability of paper products in laboratory conditions. Additionally, the 4evergreen Alliance launched a Design of Circularity guideline and Guideline for the improved collection and sorting of fibre-based products. These tools support value chain actors to make all paper packaging recyclable and reach a recycling rate of 90% by 2030.

Key developments in FY2022

Our commitment to the circular economy begins with maximising our use of every tree harvested and continues throughout our manufacturing processes. Highlighting this approach, in FY2022, we diverted 76.7% of solid waste from landfill for beneficial purposes. In addition, specific landfilled solid waste has declined by 19.08% over five years.

We are a strong advocate for **recycling and waste minimisation of all valuable material types**, and we encourage our customers, suppliers and community partners to promote recycling and to themselves recycle as much, as often and as responsibly as they can.

Packaging for the food industry that meets stringent health and safety standards and that is also recyclable is a longstanding challenge. Sappi has been working with leading consumer brand owners to develop and supply renewable paper-based packaging solutions by understanding and supporting the goals of making their packaging recyclable without compromising on food protection and shelf life.

One example of this is the Sappi Guard range of products. These innovative papers for flexible packaging come with integrated barriers against oxygen, water vapour, grease, aroma and mineral oil. Thanks to the integrated barriers, there is no need to apply special coatings or laminations. The work was enabled by our 2017 acquisition of barrier film technology company, Rockwell Solutions.

Yet another example is Sappi Seal, the first paper-based solution with dispersion technology competing with extrusion/lamination in the market. Sappi Seal is also recyclable.

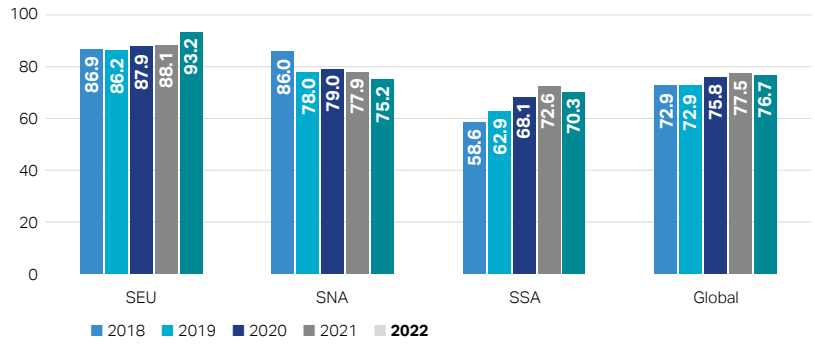
EPR legislation is in place across all our manufacturing regions. In the US, the state of Maine, where both the Somerset and Westbrook Mills are located, was the test case for the first successful EPR adoption, shortly followed by the state of Oregon. The biggest impact of such legislation is likely to be increased costs to our customers and possible mandates for greater recycled content which could disadvantage and add costs to Sappi products. We will continue to monitor the Maine regulatory development process and engage as draft proposals emerge, presently slated for late 2022. In addition, we are actively participating with our Trade Association, American Forest & Paper Association, in steering their position to participate in the regulatory development process relevant to the various states.

Like the US, there is presently no federal approach in Canada. However, legislation is in place in the province of Quebec, where our Matane Mill is situated. We continue to monitor developments in this regard.

In South Africa, under EPR, a differentiated fee for the various paper and paper packaging categories has been calculated. This is based on current levels of collection and ease of recycling and will be payable for each ton of paper and paper packaging that is placed on the domestic market. 2022 is the first year of implementation.

Planet continued

Beneficial use of solid waste (%)



Ngodwana and Tugela Mills in SSA each use approximately 17% **recovered paper and board**. Much of this is supplied by Sappi ReFibre, SSA's secondary fibre division, which sources used paper products from an extensive network of agents across the Southern African region as well as from waste producers. The recovered board and paper are used to supplement virgin fibre in the manufacturing of packaging paper grades. Stanger Mill uses a certain percentage of bagasse (sugar cane waste residue) in the manufacture of paper products and going forward, this will now also be used to produce moulded fibre products (discussed further on page 103).

Safeguarding and restoring biodiversity

Why it's material

Despite enormous progress in development in every sphere of our lives, there is a dramatic loss in biodiversity, fuelled by human activity. This has been highlighted by UN Secretary General, António Guterres who said: "Humanity is waging a war on nature. This is suicidal. Making peace with nature is the defining task of the 21st century. It must be the top, top priority of everyone, everywhere[1]."

Given that we are a renewable resource company, biodiversity is the foundation of our business. We promote healthy ecosystems in the forests and plantations from which we source woodfibre – biodiversity indicators are incorporated into the internationally acknowledged, independent forest certification systems we use, including the FSC, PEFC and the SFI. In addition, we are increasingly involved in global initiatives aimed at nature positive solutions (for further detail, please see Our key relationships on page 54.)

How this issue links to other aspects of our business

Our global priority SDGs

6 CLEAN WATER AND SANITATION
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION
15 LIFE ON LAND
17 PARTNERSHIPS FOR THE GOALS

Our top 10 risks

3/ Sustainability expectations

5/ Climate change

Our strategic fundamentals

The global forces shaping our Thrive25 strategy

- Move towards a circular economy
- Climate change and climate transition
- Resource scarcity and growing concern for natural capital.

Our highlights

Significant progress towards our biodiversity-related Thrive25 target

Opportunities for value creation

We welcome global moves to put nature and biodiversity more firmly in the spotlight as highlighted by the TNFD. We will be reviewing v0.3 of the TNFD framework due to be released shortly after year end. We see it as an opportunity to provide guidance on further mainstreaming biodiversity into all aspects of our business. We are also collaborating with peers within the Forest Solutions Group of WBCSD to develop a Roadmap to Nature Positive for the forest and forest products sector. The first draft of the roadmap (available at wbcsd.org) was published at COP27 and will be presented at COP15. This draft offers a shared definition of nature positive for the forest sector that is closely aligned with emerging frameworks from the SBTN and the TNFD and aims to contribute to their development.

[1] *https://unfccc.int/news/un-secretary-general-making-peace-with-nature-is-the-defining-task-of-the-21st-century*

Key developments in FY2022

In SSA, where we are one of the country's major landowners, we own and lease 399,996 hectares (ha) of land, of which 262,000 ha are planted, and 138,000 ha are unplanted natural areas that are managed for biodiversity in accordance with best practice principles. All our land – including the 136,000 ha managed for biodiversity conservation – is FSC and PEFC certified.

An improvement in biodiversity can refer to the identification of threatened or protected species on Sappi property and implementing appropriate management, or it can mean an improvement in habitat condition and reduction in impacts caused by the forestry operation.

We consider both aspects to be important. Where information is available on rare, threatened or protected species, efforts are made to safeguard these areas, such as blue swallows on the Roelton Nature Reserve in KwaZulu-Natal and the population of the grass aloe, *Aloe craibii* on the Angle Ridge Nature Reserve in Mpumalanga – two of our seven declared nature reserves. At the operational level, the second interpretation is of relevance: namely the clearing of alien weeds from natural areas, a reduction in sediment reaching streams, improved flow of water courses, and the provision of a mosaic of habitats that can provide suitable conditions for a variety of species. Keeping pristine areas in a natural state and ensuring that burning frequencies for grassland habitats are appropriate are also mechanisms for enhancing species diversity.

Progressing our Thrive25 target

Our Thrive25 target is to enhance biodiversity in important conservation areas (ICAs) on our plantations by 10% by 2025.

There are approximately 156 sites on Sappi owned land classified as ICAs, adding up to about 38,320 ha of a diverse range of habitats including grasslands, wetlands, riverine areas and natural forest patches. Essentially, ICAs are areas that are important at the local level and are classified using a systematic conservation planning approach. Criteria that are 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.

In terms of habitat type, 28 of our ICAs are forests, 67 are grasslands, 20 are wetlands and 41 are river systems. The habitat condition of all our ICAs has been assessed and they have now been rated according to the following categories: natural (18 sites), good (78 sites), moderate (55 sites) and poor (five sites).

Key action plans identified to enhance biodiversity relate to:

- Implementing alien weed control
- Examining the burning regime to ensure that it is at the appropriate frequency, depending on fire risk
- Managing cattle
- Implementing erosion control measures such as stream crossing upgrades and identified erosion features within ICAs.

Progress on implementation of identified actions is monitored annually and in 2024, a formal re-assessment of all ICAs will provide a rating to be compared with that allocated when undertaking the initial assessment in 2021 to 2022.

Expanding our nature reserves

We currently have seven proclaimed nature reserves on our land, covering approximately 6,350 ha. A further potential nature reserve has been identified for proclamation through the biodiversity stewardship programme in KwaZulu-Natal to protect a critically endangered butterfly, the Karkloof Blue Butterfly.

create

We are creators, relentless in our drive to make everyday solutions more sustainable. We understand that the power of the imagination is one of our biggest strengths and that opportunities don't just happen. Which is why we apply our creative energy to seeking them out and leveraging our partnerships to realise them.

In doing so, we harness the intellectual curiosity and critical thinking of our people to let go of certainties and develop breakthroughs that delight our customers, enable lasting outcomes for our stakeholders and a more positive impact on the planet. This aligns with our values of "making smart decisions which we execute with speed". So that when we fail, we fail fast and move on.

While innovation is key to delivering profit and margin improvement, we do not create merely because we have the available manufacturing assets, skills, technology and IP.

We do so to lead by example, inspire others and create the thriving tomorrow to which we are committed.

Product review

Pulp

Our renowned dissolving, high-yield 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 1.5 million tpa 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.

Sappi's 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 apparel, home textiles and non-woven products. 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. DP, 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 DP fibres differentiate themselves versus the alternatives.

Viscose staple fibre (VSF) is the most prominent fibre, accounting 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 DP 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 dissolving pulp 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 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 Dollar/RMB exchange rates fluctuations.

Sappi's Matane Mill, located in Quebec, Canada, has the capacity to produce 285,000 tons of HYP. Approximately 45% 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 HYP 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 printing paper grades. Sappi Matane Maple is a HYP 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.

In FY2022, the DP segment made up 17% of Sappi's sales revenue. Sales volumes of 1,421,000 tons included 175,000 tons of HYP from Matane Mill and 12,000 tons of kraft pulp produced at Somerset Mill.

OUR MARKETS IN 2022 AND OUTLOOK FOR 2023

The hardwood DP market price[1] rallied during the first half of the year, peaking at US$1,220 per ton in July 2022. The rebound was primarily driven by positive momentum in global commodity markets including viscose staple fibre, cotton and polyester combined with DP supply-side constraints including our own losses due to a flood in South Africa and a major fire at another large market player. DP pricing began to soften in late August 2022 as Covid-19 lockdowns in China constrained VSF operating rates and global recessionary fears began to dampen the outlook for textile markets.

Strong market demand and improved logistics resulted in EBITDA for the year being substantially higher than the prior year with EBITDA margins improving from approximately 21% to 26%.

Segment sales volumes increased by 15%, or 185,000 tons compared to the prior year on the back of strong market demand and improved logistics as we secured regular breakbulk shipping alternatives for our South African exports. Demand for Verve during the year was particularly strong and sales were constrained by available production. The Saiccor Mill expansion project was successfully commissioned during the year and all new equipment operated as anticipated. However, production volumes were below expectations and were negatively impacted by a number of external factors such as unplanned stoppages due to the flood, Eskom[2] power outages and raw material supply shortages, which severely disrupted operational stability at the mill.

Macroeconomic uncertainty has increased considerably during the latter part of 2022. Ongoing lockdowns in China, the geopolitical turmoil in Europe and unprecedented inflation are increasing the likelihood of a global recession in 2023. This poses a risk to our pulp business as weakening consumer sentiment and diminishing discretionary spend will likely weaken demand in our dissolving pulp segment in upcoming quarters. Order activity has slowed in the first quarter of FY2023 and destocking is occurring across the value chain.

Pulp segment made up

17%

OF SALES IN FY2022

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.

Moderate HYP demand growth continues to be driven by increased packaging demand due to single-use plastic replacement, e-commerce-driven packaging demand and limited recovered paper availability. Significant board capacity expansion is planned, particularly for Asia, but much of this will be accompanied by integrated HYP capacity additions. Recession is a risk to HYP demand from both paper and packaging segments. Our focus remains on meeting our own growing need for high-quality HYP 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.*
[2] *Eskom is a South African electricity public utility.*

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 non-renewable, fossil fuel-based packaging in many of our product segments.

EST. 1936
OVEN BAKED
PRETZELS
with all-organic sea salt
Makes
12
cups
Dark Roast
Coffee
ESPRESSO-STYLE GROUND COFFE
100% ARABICA BEANS
NET WT 10 OZ (283
SPICY YELL
Soup

Packaging and speciality papers

"We manufacture 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 necessary functionality for their applications. We estimate that the increasing demand for more sustainable and environmentally friendly packaging solutions will lead to demand growth of 3% to 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 analyse our assets, specifically their production capabilities and cost of production, the cost to serve customers, demand growth and competitive threats. We choose only those projects where we believe we hold 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 FY2022, 29% of Sappi's sales revenue was packaging and speciality papers, fairly flat compared to 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 also applications such as self-adhesive tapes, and 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. Similarly, in 2022 legislation in several US states banning the use of polystyrene foam packaging was passed. The industry will also be given incentives to develop less-polluting alternatives for these products. With our 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 2022 AND OUTLOOK FOR 2023

The strategic priority to invest in packaging and speciality papers in recent years reaped rewards. The highlight of the year for this business segment was the achievement of record profitability driven by robust global demand and renewed growth in Europe. Sales volumes were 9% higher than last year, however, sales were constrained by available capacity and low levels of inventory in South Africa and North America where demand exceeded supply. Successful selling price increases and mix improvement offset rising costs and lifted margins for the segment. EBITDA margins for the segment increased from 13.6% last year to 17.0% in fiscal 2022.

Packaging and speciality papers segment made up

29%

OF SALES IN FY2021

Demand for packaging and speciality papers in North America is particularly robust and our customers are actively seeking to increase their volumes with Sappi. The board has therefore approved a US$418 million investment at Somerset Mill to convert PM2 from coated woodfree graphic paper to solid bleached sulphate board (SBS). The machine capacity will also be increased during the conversion from 240,000 tpa to 470,000 tpa. The project is expected to be completed in early 2025 and will be funded from free cash flow from operations. The capital expenditure will be phased over three years with the majority of the spend taking place in FY2024 and FY2025. This investment is fully aligned with our Thrive25 strategic focus to reduce our exposure to declining graphic paper segments.

The Covid-19 pandemic demonstrated that the underlying demand for packaging and speciality papers is more resilient in economic downturns, particularly for product categories in food, beverage and healthcare. Furthermore, the shift from plastic to paper offers significant opportunity to grow this segment. We believe we will achieve additional volume growth in 2023, aided by the shift from plastics to paper in various packaging and speciality paper categories.

Graphic papers

Our wide range of brilliant, high-performing graphic papers create impactful brand experiences.

Our coated and uncoated graphic printing papers meet a demanding range of visual and tactile standards – delivering uncompromising ROI through reliability, stand-out quality and strong brand differentiation.

NEW RESTAURANT
NOW OPEN
GET ONE FREE SUSHI ROLL

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 premium product for delivering a premium brand message, 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 2022 AND OUTLOOK FOR 2023

Global demand for graphic papers has generally been in secular decline. The outbreak of Covid-19 in 2020 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. The remarkable turnaround from the lows of 2020 was driven by a number of factors, which led to an unprecedented global shortage of graphic paper. These included a surge in demand as economic activity normalised post-Covid-19 and a very tight market balance due to a combination of chronic global logistical challenges and reduced supply. Market capacity was impacted by permanent closures and a prolonged labour strike in Finland.

The buoyant demand boosted sales volumes for the segment by 8% compared to the prior year. Furthermore, the favourable market conditions provided support for a series of selling price increases and energy/freight surcharges, which were necessary to compensate for substantial cost inflation and facilitated the material improvement in profitability for the segment. The graphic papers segment generated record EBITDA of US$650 million with EBITDA margins increasing from 4.4% in the prior year to 16.4%.

Despite the extraordinarily tight market conditions in FY2022, the graphic paper markets are in long-term decline and indications are that demand in FY2023 will again be under pressure. A key element of our Thrive25 strategy is to reduce our exposure to declining graphic paper markets. Aligned to this objective, on 29 September 2022, Sappi signed an agreement with Aurelius Investment Lux One S.à.r.l. to divest the Maastricht Mill in the Netherlands, the Stockstadt Mill in Germany and the Kirkniemi Mill in Finland. The decision was taken following a detailed and thorough strategic review and will significantly reduce our exposure to graphic paper markets. For the most part, the product categories served by these assets (coated mechanical and uncoated woodfree paper) are no longer a core focus for Sappi and this divestment allows us to consolidate our portfolio and concentrate on commercial print (high-quality books, flyers, brochures, posters, manuals, special interest magazines, photobooks) where we have a competitive advantage. The sale will be subject to various standard suspensive conditions and is anticipated to close in the second financial quarter of 2023. The enterprise value of the transaction amounts to approximately €272 million. The proceeds will be used to reduce debt further, which will provide a platform for future expansion in our identified growth market segments.

Macro-economic uncertainty has increased considerably during the latter part of 2022. Ongoing lockdowns in China, the geopolitical turmoil in Europe and unprecedented inflation are increasing the likelihood of a global recession in 2023. This poses a risk to our graphic papers business as weakening consumer sentiment and diminishing discretionary, advertising spend will likely weaken demand in this segment in upcoming quarters. Order activity in this segment has slowed in the first quarter of FY2023 and destocking is occurring across the value chain.

In FY2022, 54% of Sappi's sales revenue was from the graphic papers segment. The four major grades of graphic papers are discussed below:

Graphic papers segment made up

54%

OF SALES IN FY2022

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 5% from last year and sales revenue was 44% higher, due to a surge in demand as economic activity normalised post-Covid-19 and a very tight market balance due to a combination of chronic global logistical challenges and reduced supply. Globally, demand for coated woodfree paper decreased by approximately 2%, however, Sappi gained 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, publishers, 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 continue to decrease in larger markets as consumers opt for digital formats.

Sales: Sappi's sales revenue from coated mechanical paper was 74% higher than last year, due to reduced supply as economic activity resumed post-Covid-19. Volumes were approximately 26% higher than the prior period. This year, the global market contracted by approximately 8% 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 expected to marginally decline over the next several years.

Sales: Our sales revenue from uncoated woodfree paper was 26% higher than last year, largely as a result of the resumption of global economic activity as Covid-19 lockdowns eased. Globally, demand decreased 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 5% during the current year and an estimated decline of 5% 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. Relative to the prior year, our volumes were 4% down and sales revenue was 3% higher. Globally, newsprint demand declined 5% versus 2021.

Chief Financial Officer's report

"Despite a challenging macroeconomic environment, guided by our Thrive25 strategy, our focus on innovation, efficiencies and adaptability supported record results for the 2022 financial year."

– Glen Pearce
Chief Financial Officer (CFO)

SECTION 1
Financial highlights

US$ million	2022	2021	% change
Sales	**7,296**	5,265	39
EBITDA excluding special items	**1,339**	532	152
Operating profit excluding special items	**1,038**	203	256
Profit/(loss) for the year	**536**	13	4,023
EBITDA excluding special items to sales %	**18.4**	10.1	n/a
Operating profit excluding special items to sales %	**14.2**	3.9	n/a
Operating profit excluding special items to capital employed (ROCE) %	**27.9**	5.4	n/a
Net cash (utilised) generated	**506**	29	1,645
Net debt	**1,163**	1,946	(40)
Basic earnings per share (US cents)	**95**	2	4,650

The group experienced vastly divergent fortunes from the lows of fiscal 2020 to peak record earnings during fiscal 2022. During the current year, commodity product price hikes, supply-side contraction and energy price escalations triggered selling price increases across all our product categories. Global supply chain capacity restraints favoured demand for local deliveries providing opportunities to optimise mix, increase market share and improve margins. The resultant strong cash generation alleviated liquidity concerns and reduced the leverage ratios from a high of seven times to 0.9 times.

Total variable costs increased by 26% to US$577 per ton. Energy cost increases, particularly gas prices in Europe, were the catalyst for sharp increases in chemical and fibre costs. Freight forwarders took advantage of tight market conditions by increasing charges, resulting in consolidated delivery costs increasing by 21%. The implementation of energy and delivery cost surcharges restored sales margins and were replaced by selling price increases as markets adjusted to the higher pricing levels supported by strong demand and capacity reductions. Consolidated selling prices increased by 28% to US$919 per ton to offset the variable cost increases resulting in EBITDA margin increasing to 18% (FY2021: 10%).

The graphic papers segment benefited from numerous positive influences to generate a record EBITDA performance of US$650 million. The combination of industry capacity reductions in Europe and North America and prolonged global port congestions led to a global shortage of graphic paper. An extended labour strike in Finland curtailed supply further, providing favourable market conditions to support a series of price increases that offset a spike in input costs. The packaging and speciality papers segment is largely managed through periodic contractual commitments and although selling prices increased by 22%, there was a delay in margin recovery following the initial input cost increases. Demand in all regions was favourable and sales volumes increased 9% but were restricted by capacity constraints and low inventory levels. The segment nevertheless posted record EBITDA earnings of US$359 million. Strong market demand in the pulp segment and the availability of breakbulk shipping alternatives improved volumes by 15%. Hardwood DP prices peaked at US$1,220 per ton driven by strong global commodity markets. The South African pulp operations were unable to take full advantage of the favourable conditions as production volumes were restricted by external factors due to extreme weather conditions, power outages and raw material supply shortages.

The group generated cash of US$506 million after an increase in net working capital of US$270 million and capex of US$368 million. The net working capital increase was linked to inflationary increases in inventory and receivables as the group managed net working capital as a percentage of sales within the target of 9%. Cash generated and favourable exchange rate movements reduced net debt by US$783 million to US$1,163 million. Profit for the year of US$536 million (FY2021: US$13 million) included special item costs of US$268 million of which US$183 million related to a write-down to fair value of our held-for-sale European assets. Earnings per share excluding special items increased from US15 cents to US138 cents. The directors declared a dividend of US15 cents per share at nine times earnings cover adjusted for non-cash items.

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	
	2022	2021	2022	2021
EUR1 = US$	1.0853	1.1955	0.9801	1.1716
US$1 = ZAR	15.7829	14.8505	18.1537	14.9659

Two of our three geographic business units (Europe and South Africa) have home or 'functional' currencies of € 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.

SECTION 2

Financial performance

The discussion in this section focuses on the group financial performance in 2022 compared with 2021. 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	2022	2021	% change
Sales volume	**7,937**	7,339	8
US$ million			
Sales revenue	**7,296**	5,265	39
Variable manufacturing and delivery costs	**(4,380)**	(3,238)	35
Fixed costs	**(1,832)**	(1,777)	3
Sundry items[1]	**(46)**	(47)	(2)
Operating profit excluding special items	**1,038**	203	411
Special items	**(268)**	(57)	n/a
Operating profit	**770**	146	427
Net finance costs	**(97)**	(134)	(28)
Taxation	**(137)**	1	nm
Net profit	**536**	13	4,023
EPS excluding special items (US cents)	**138**	15	820

[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 2022, sales volume increased by 598,000 tons compared with 2021. The regional and product segment contributions to sales volume are shown below:

Sales volume (metric tons '000)	2022	2021	% change
North America	**1,758**	1,685	4
Europe	**3,175**	2,817	13
South Africa	**3,004**	2,837	6
Group	**7,937**	7,339	8
DP	**1,421**	1,236	15
Packaging and speciality papers	**1,600**	1,464	9
Graphic papers	**3,447**	3,200	8
Forestry	**1,469**	1,439	2

Pulp volumes were up 15% for the year, on the back of strong market demand and improved logistics as we secured regular breakbulk shipping alternatives for our South African exports. Demand for Verve (Sappi Verve – brand name for DP) during the year was particularly strong and sales were constrained by available production.

Packaging and speciality papers volumes were up 9% for the year driven by robust global demand and renewed growth in Europe. However, sales were constrained by available capacity and low levels of inventory in South Africa and North America where demand exceeded supply.

Graphic papers volumes were up 8% for the year. The remarkable turnaround from the lows of 2020 was driven by a number of factors which led to an unprecedented global shortage of graphic papers. These included a surge in demand as economic activity normalised post-Covid-19 and a very tight market balance due to a combination of chronic global logistical challenges and reduced supply. Market capacity was impacted by permanent closures and a prolonged labour strike in Finland.

Capacity utilisation improved to an average of 91% for the group as improved DP, packaging and speciality papers and graphic papers markets assisted us in taking less production downtime during the year.

Sales volume to capacity	2022 %	2021 %
North America	97	94
Europe	92	82
South Africa	84	80
Group	91	84

Sales revenue

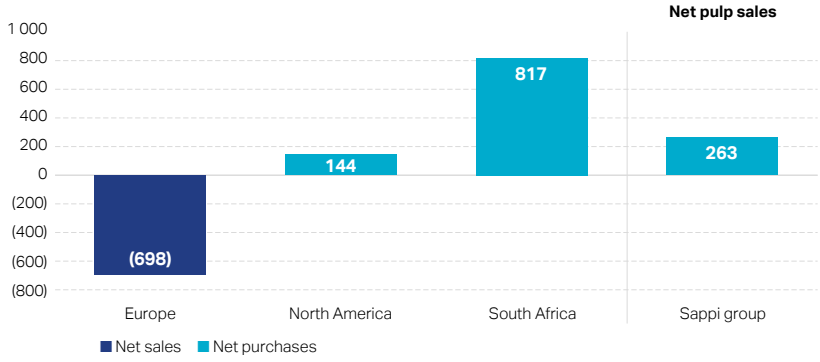
Sales revenue increased by 39% from US$5.3 billion in 2021 to US$7.3 billion in 2022. Selling price and mix improvements resulted in sales revenue improving by US$2.2 billion. Consolidated volumes were up on last year as discussed above, resulting in sales revenue improving by US$192 million. The stronger US Dollar resulted in a negative US$357 million conversion impact.

Variable and delivery costs

Variable and delivery costs increased by US$1.1 billion from 2021. The higher sales volumes accounted for 8% of the increase. Energy costs per ton of product sold increased by 83% year-on-year while other main cost categories, exclusive of DP, increased by between 30% and 36%.

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

Sappi group DP balance (US$ million)



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

Variable manufacturing and delivery costs US$ million	2022	2021	% change
Wood	779	573	36
Energy	801	437	83
Chemicals	1,042	784	33
DP and other	1,127	958	18
Delivery	631	486	30
Group	4,380	3,238	35

Fixed costs

Fixed costs increased by US$55 million from fiscal 2021. Inflationary pressures resulted in personnel costs and maintenance increasing by 3%. The increase in 'Other' is mainly a credit to inventory movement during fiscal 2021 as a result of a stock build. The weaker ZAR and € resulted in a reduction in US Dollar costs (US$101 million). Excluding the currency impact fixed costs increased by US$156 million.

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

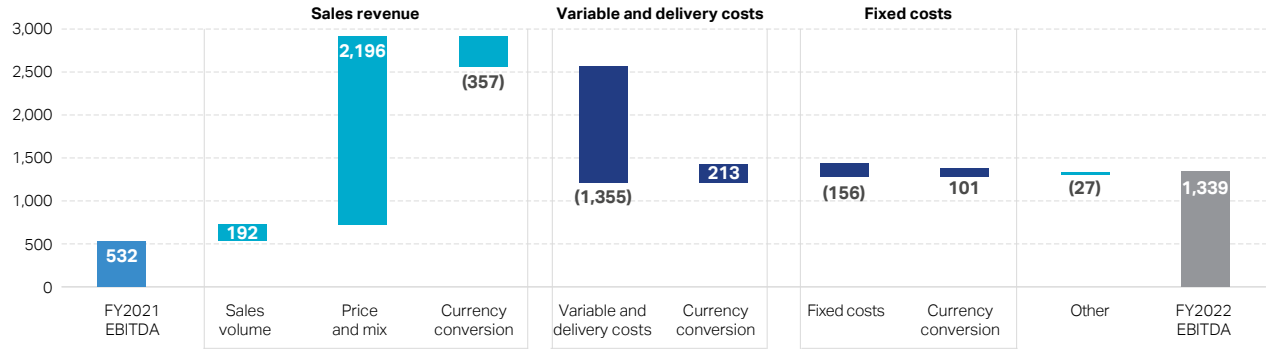
Fixed costs US$ million	2022	2021	% change
Personnel	1,104	1,077	3
Maintenance	247	240	3
Depreciation	292	319	(8)
Other	189	141	34
Group	1,832	1,777	3

EBITDA and operating profit excluding special items

EBITDA excluding special items increased to US$1.34 billion, 152% higher than the previous year. Operating profit excluding special items increased from US$203 million last year to US$1.038 billion in 2022.

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

Reconciliation of EBITDA excluding special items: 2022 compared to 2021[1] (US$ million)



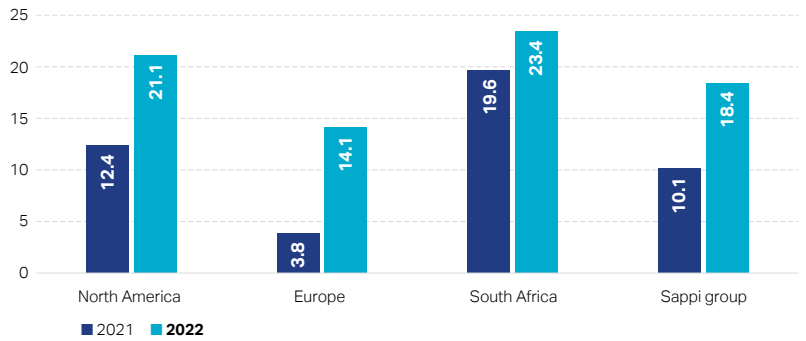
[1] *All variances were calculated excluding Sappi Forestry.*
[2] *"Currency conversion" reflects translation and transactional effect on consolidation.*

The tables below detail the EBITDA and operating profit excluding special items of the business for both 2022 and 2021 and the margins of each.

EBITDA excluding special items by region
US$ million

	2022	2021
North America	464	209
Europe	536	94
South Africa	334	228
Corporate and other	5	1
Group	1,339	532

EBITDA excluding special items margin by region (%)



EBITDA excluding special items by product category
US$ million

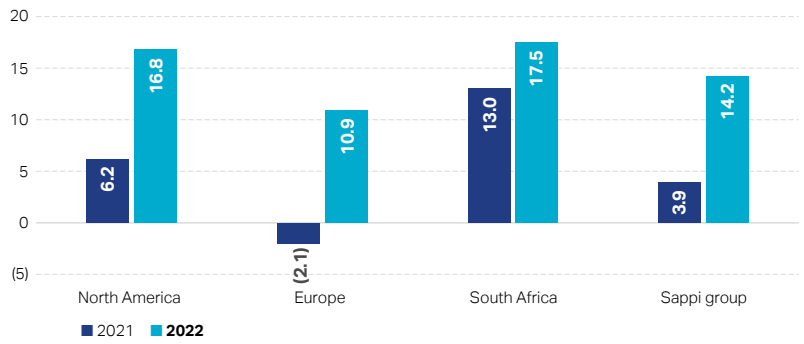
	2022	2021
DP	325	197
Packaging and speciality papers	359	214
Graphic papers	650	120
Other	5	1
Group	1,339	532

Operating profit excluding special items by region
US$ million

	2022	2021
North America	369	105
Europe	416	(52)
South Africa	250	151
Corporate and other	3	(1)
Group	1,038	203

SECTION 2 continued
Financial performance continued

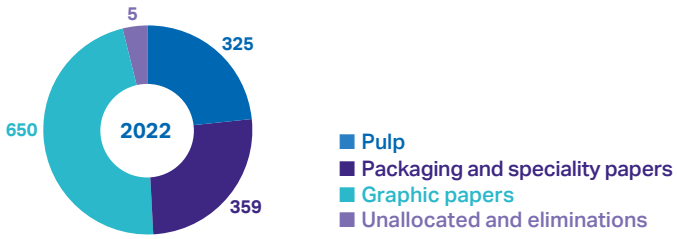
Operating profit excluding special items margin by region (%)



Operating profit excluding special items by product category US$ million	2022	2021
DP	250	127
Packaging and speciality papers	264	109
Graphic papers	521	(32)
Other	3	(1)
Group	1,038	203

In the chart below, 51% of the group's EBITDA originates from growing markets in the DP and packaging and speciality papers segments. The graphic papers segment, which contributes 49% of the EBITDA remains an important strategic component as we focus on the commercial print market.

EBITDA excluding special items by product 2022:
US$1,339 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 **Our strategy and performance** section on page 10.

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 2022 and 2021 is reflected in the table below:

Special items – gain/(loss) US$ million	2022	2021
Plantation price fair value adjustment	(38)	(13)
Net restructuring provisions	–	(2)
Profit/(loss) on disposal, written off assets and incremental costs	(63)	1
Net asset (impairment) reversals	–	(19)
(Loss)/gain on measurement of held for sale assets	(183)	4
Equity-accounted investees impairment reversal (impairment)	3	(4)
Insurance recoveries	30	(1)
Fire, flood, storm and other events	(17)	(23)
Total	(268)	(57)

The net impact of special items in 2022 was US$268 million. The major components are described below:

- A negative non-cash US$38 million plantation price fair value adjustment was recognised following decreases to the market price of timber
- Our European region wrote off assets of US$20 million while our South African region wrote off inventory and incurred incremental costs related to the April floods in KwaZulu-Natal as well as equipment failures and power utility outages resulting in a total combined cost of US$81 million. Insurance recoveries to the value of US$30 million have been recognised related to flood damage
- A write-down to fair value less costs to sell of US$183 million was recorded following the divestment of our held-for-sale European assets. A related US$4 million of selling costs was also incurred prior the write-down
- Pension settlement gains of US$26 million and US$3 million were recorded in our North American and Swiss pension funds respectively.

Net finance costs

US$ million	2022	2021
Finance costs	108	112
Finance income	(10)	(8)
Net foreign exchange gains	(1)	(1)
Net fair loss on financial instruments	–	31
Total	97	134

Finance costs of US$97 million were lower than the prior year primarily due to a fair value loss on financial instruments in the prior year and Euro-denominated interest charges converted at a weaker Euro/US Dollar exchange rate.

SECTION 2 continued
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	134	(30)	23
North America	378	(79)	21
South Africa	161	(28)	17
Total	673	(137)	20

In Europe, the difference between the effective and statutory tax rates is due to non-valued losses carried forward in Belgium, the Netherlands, Finland and Austria and offset by the impairment for assets held for sale being non-deductible.

In North America, the difference between the effective and statutory tax rates is predominantly due to non-valued losses utilised.

The South African effective tax rate was reduced by special tax allowances in addition to tax relief due to a reduction in the statutory tax rate (from 28% to 27%).

Net profit, earnings per share and dividends
After taking into account net finance costs and taxation, our net profit and earnings per share for 2022, with comparatives for 2021, were as follows:

US$ million	2022	2021
Operating profit	770	146
Net finance costs	97	134
Profit/(loss) before taxation	673	12
Taxation	137	(1)
Profit/(loss) for the period	536	13
Weighted average number of shares is issue (millions)	563.3	549.7
Basic earnings per share (US cents)	95	2

The directors have elected to declare a dividend of US15 cents per share at nine times earnings cover adjusted for non-cash items.

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	2022	2021	% change
Sales volume	1,758	1,685	4
Pulp	483	453	7
Packaging and speciality papers	523	485	8
Graphic papers	752	747	1

	US$ million 2022	US$ million 2021	% change	US$ per ton 2022	US$ per ton 2021	% change
Sales	2,200	1,688	30	1,251	1,002	25
Variable manufacturing and delivery costs	(1,386)	(1,122)	24	(788)	(666)	18
Contribution	814	566	44	463	336	38
Fixed costs	(560)	(535)	5	(319)	(318)	0
Sundry items and consolidation entries	115	74	55	66	44	50
Operating profit excluding special items	369	105	251	210	62	239
EBITDA excluding special items	464	209	122	264	124	113

Strategic investments in the Matane Pulp Mill and the conversion of PM1 at Somerset Mill to packaging and speciality paper grades contributed substantially to another record earnings year for the North American region. The success was pervasive across all product segments as tight US graphic paper markets supported selling price increases. Strong demand exceeded available capacity and the region was able to capitalise on favourable mix opportunities resulting in a 38% contribution per ton improvement. Fixed costs increased by 5% due to inflationary impacts on personnel costs and short-term incentives in recognition of the record annual performance for the region. EBITDA margin for the region improved from 12% in the previous year to 21%.

Europe

Metric tons '000	2022	2021	% change
Sales volume	3,175	2,817	13
Packaging and speciality papers	636	525	21
Graphic papers	2,539	2,292	11

	€ million 2022	€ million 2021	% change	€ per ton 2022	€ per ton 2021	% change
Sales	3,504	2,090	68	1,104	724	49
Variable manufacturing and delivery costs	(2,177)	(1,350)	61	(686)	(479)	43
Contribution	1,327	740	79	418	263	59
Fixed costs	(781)	(702)	11	(246)	(249)	(1)
Sundry items and consolidation entries	(164)	(82)	100	(52)	(30)	73
Operating profit excluding special items	382	(44)	nm	120	(16)	nm
EBITDA excluding special items	493	78	532	155	28	454

Graphic paper capacity reductions coupled with an extended Finnish strike and strong demand recovery contributed to an 11% volume improvement in the graphic paper segment. The favourable conditions supported selling price increases to offset the spike in variable cost increases. The packaging and speciality papers segment volumes were ahead of last year by 21% buoyed by strong market traction for the label paper offerings from Gratkorn Mill. Variable cost increases per ton of 43% were mainly driven by energy and delivery cost increases due to geopolitical disruptions in the region. Fixed costs were 11% up on last year, primarily due to inflationary impacts on personnel costs and short-term incentives in recognition of the record performance for the region. EBITDA margins increased from 4% to an unprecedented 14% in the current year. On 29 September 2022, Sappi signed an agreement with Aurelius Investment Lux One S.à.r.l. to divest the Maastricht Mill in the Netherlands, the Stockstadt Mill in Germany and the Kirkniemi Mill in Finland. The sale will be subject to various standard suspensive conditions and is anticipated to close in the second financial quarter of 2023. The enterprise value of the transaction amounts to approximately €272 million.

SECTION 3 continued

South Africa*

Metric tons '000	2022	2021	% change
Sales volume*	1,535	1,398	10
Pulp	938	784	20
Packaging and speciality papers	444	459	(3)
Graphic papers	153	155	(1)

	ZAR million 2022	ZAR million 2021	% change	ZAR per ton 2022	ZAR per ton 2021	% change
Sales*	21,133	16,083	31	13,767	11,504	20
Variable manufacturing and delivery costs	(13,463)	(9,995)	35	(8,771)	(7,149)	23
Contribution	7,670	6,088	26	4,996	4,355	15
Fixed costs	(6,708)	(5,985)	12	(4,370)	(4,281)	2
Sundry items and consolidation entries	2,964	2,139	40	1,945	1,530	27
Operating profit excluding special items	3,946	2,242	76	2,571	1,604	60
EBITDA excluding special items	5,271	3,386	56	3,434	2,422	42

* *Excludes forestry.*

Pulp volumes increased by 20% compared to the prior year due to strong demand and improved logistics through the addition of breakbulk vessels and alternative routes of supply. Volumes were, however, restricted by unplanned power outages, raw material supply disruptions, severe floods and a general transport strike during the year. Packaging paper volumes were down 3% on last year despite strong demand from the agricultural sector and constrained paper imports into South Africa, which created tight supply conditions. Low inventory levels and a product extension and quality upgrade at the Ngodwana Mill restricted supply. The robust demand in both segments supported selling price increases of 20% to offset 23% variable cost increases of particularly wood, chemicals and delivery costs. Fixed costs increased by 12% due to higher personnel, maintenance and depreciation costs. As a consequence of the above, EBITDA margins increased from 20% in the previous year to 23%.

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%	28	23	284	–	68
DP prices	US$10	–	3	176	–	14
Variable costs	1%	18	11	145	–	39
Energy costs	1%	5	2	22	–	8
Sales volume	1%	8	8	111	–	22
Fixed costs	1%	6	5	62	–	15
Paper pulp price	US$10	7	3	7	–	11
Oil price	US$1	2	2	1	–	5
ZAR/US$ (weakening)	10 cents	–	–	93	(2)	3
€/US$ (weakening)	10 cents	(3)	(4)	–	(17)	(24)

* *Based on currency impact on translation of EBITDA.*

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.

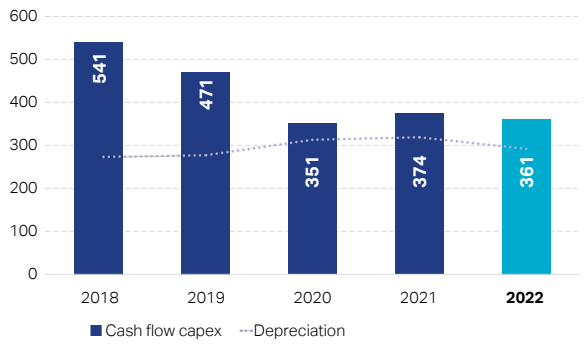
SECTION 4
Cash flow

In the table below, we present the group's cash flow statement for 2022 and 2021 in a summarised format:

US$ million	2022	2021
Operating profit excluding special items	1,038	203
Depreciation and amortisation	301	329
EBITDA excluding special items	1,339	532
Contributions to post-employment benefits	(25)	(49)
Other non-cash items	(47)	(11)
Cash generated from operations	1,267	472
Movement in working capital	(270)	39
Net finance costs	(92)	(102)
Taxation	(23)	(2)
Capital expenditure	(368)	(374)
Net proceeds on disposal of assets	2	4
Other	(10)	(8)
Net cash generated (utilised)	506	29

Net cash generated for the financial year was US$506 million (FY2021: US$29 million). The significant improvement in cash generation was largely due to substantially higher profitability despite a large investment in working capital of US$270 million related to inflationary pressures for inventories and accounts receivables. Capital expenditure of US$368 million for the year was below expectations due to the timing of vendor payments and consequently approximately US$20 million will roll over in to the 2023 financial year.

Investment in fixed assets versus depreciation (US$ million)



SECTION 5
Balance sheet

Summarised balance sheet

US$ million	2022	2021
Property, plant and equipment	2,705	3,325
Right-of-use assets	76	110
Plantations	382	477
Net working capital	670	403
Other assets	567	364
Net post-employment liabilities	(85)	(197)
Other liabilities	(794)	(566)
Employment of capital	3,521	3,916
Equity	2,358	1,970
Net debt	1,163	1,946
Capital employed	3,521	3,916

Sappi has 19 production facilities in 10 countries, capable of producing approximately 4.1 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 on page 6.

During 2022, capital expenditure for property, plant and equipment was US$346 million. The capacity replacement value of property, plant and equipment for insurance purposes has been assessed at approximately US$19 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	2022	2021
Cost	7,919	9,908
Accumulated depreciation and impairment	5,214	6,583
Net book value	2,705	3,325

The group incurred capital expenditure of US$346 million during the year. This was offset by depreciation of US$265 million, transfers to held for sale of US$295 million, while the stronger US Dollar resulted in foreign currency translation losses of US$401 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 400,000 ha of land of which approximately 262,000 ha are planted with pine and eucalyptus. These plantations provide approximately 71% 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 12 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 2022 and 2021 fiscal year ends are shown in the table below:

Net working capital US$ million	2022	2021
Inventories	780	841
Trade and other receivables	939	703
Trade and other payables and provisions	(1,049)	(1,141)
Net working capital	670	403

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 increased to US$670 million in 2022 from US$403 million in 2021. The material movements in working capital are discussed below:

- Inventories decreased by US$61 million, caused mainly due to the US$121 million held-for-sale reclassification offset by increased inventory levels due to cost inflation and a favourable currency translation impact of US$99 million
- Receivables increased by US$236 million following higher net selling prices and increased volumes in the fourth quarter, partially offset by a US$48 million reclassification to held for sale, and a favourable currency translation impact of US$104 million
- Payables decreased by US$92 million, largely due to a US$198 million reclassification to held for sale an unfavourable currency translation impact of US$154 million partially offset by increases in trade payables on higher sales volumes, increases in bonus accruals and accruals for rebates.

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	2022	2021
Defined benefit obligation	(609)	(1,540)
Fair value of plan assets	524	1,346
Net balance sheet liability	(85)	(194)
Cash contributions to defined benefit plans/subsidies	24	50
Income statement charge/(credit) to profit or loss	4	28
Cash contributions deemed catch-up*	6	30

* *'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$931 million from US$1,540 million to US$609 million over the year. The main cause of the reduction was due to a combination of the transferal of pension liabilities of US$535 million related to the North American region's retiree pension obligations to an insurance company, translation of regional currency to a strengthened US Dollar reporting currency and an increase in discount rates in regions where we hold significant liabilities.

Fair value of plan assets decreased by US$822 million from US$1,346 million to US$524 million over the year due to unfavourable investment returns of assets in our funded plans. The largest portion of the reduction relates to the transfer of assets of US$508 million associated with the 'Metlife' agreement in Sappi North America.

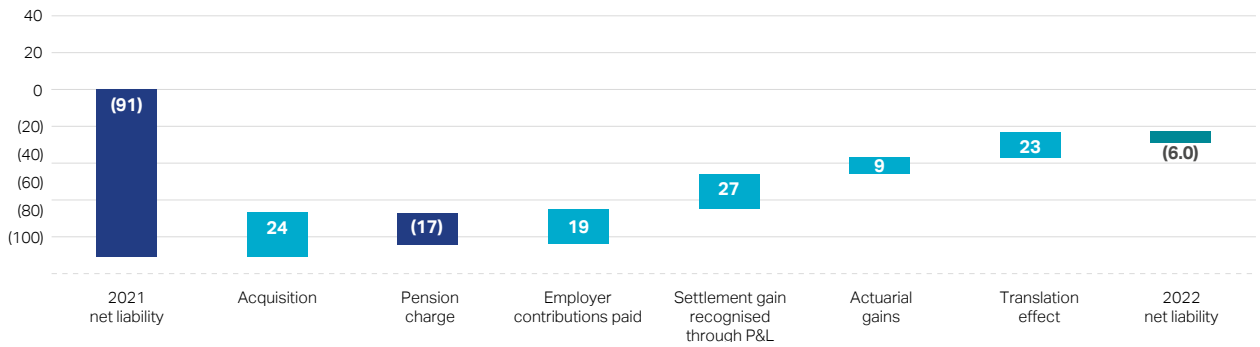
SECTION 5 continued

Balance sheet

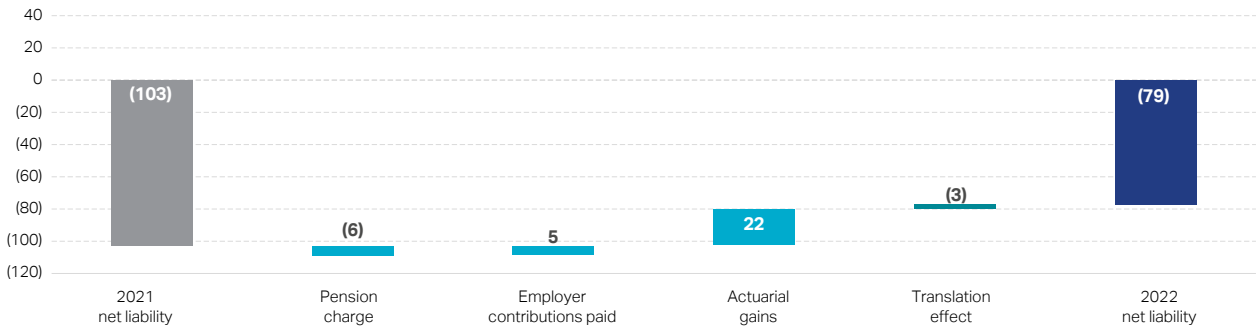
Included in the net balance sheet liability above is a net loss of US$26 million resulting from movements of local results relative to the reporting currency.

The decrease in liabilities, coupled with the reduction in assets, contributed to a reduction in the overall net liability by US$109 million from US$194 million to US$85 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 29 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$388 million to US$2,358 million as summarised below:

Equity reconciliation US$ million	**2022**
Equity as at September 2021	**1,970**
Profit for the year	**536**
Actuarial gains	**35**
Issue of shares	**6**
Share-based payments	**7**
Movement in hedging reserves	**(44)**
Foreign currency movements	**(152)**
Equity as at September 2022	**2,358**

The group realised a profit for the year of US$536 million and recorded net actuarial gains of US$35 million. During the third quarter holders of the convertible bonds elected to convert and shares to the value of US$6 million were issued. Share-based payments of US$7 million, movement in hedging reserves of US$44 million and foreign currency movements of US$152 million accounted for the remainder of the movement during the year.

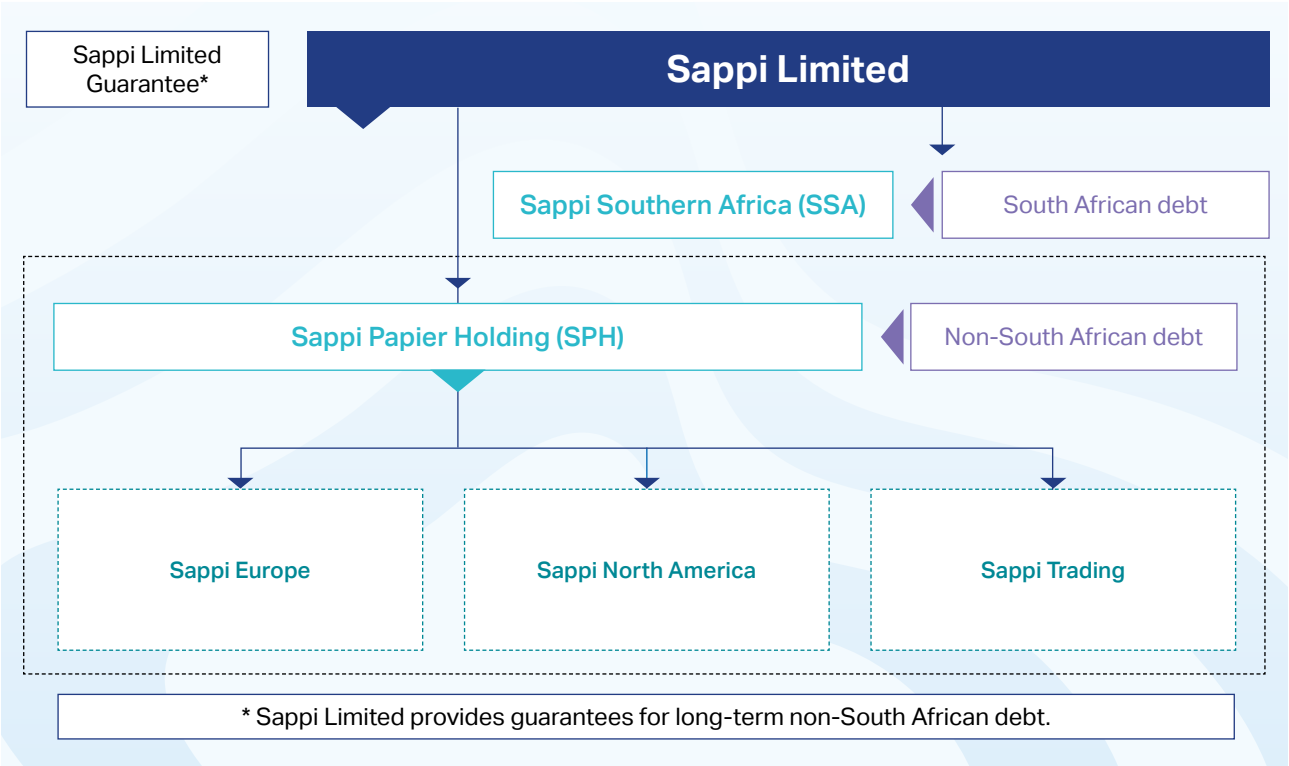
Debt

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 below.

The diagram below depicts our debt funding structure.



Below we highlight the main financing activities that occurred during the year:

- In February 2022 the previous €525 million RCF at Sappi Papier Holding maturing in February 2023 was renewed with a new €515 million facility with a maturity of February 2027
- In August 2022 the previous ZAR1.8 billion RCF at Sappi Southern Africa Limited maturing in August 2023 was renewed with a new ZAR2.0 billion facility with a maturity of August 2027
- For the first time, both the above RCFs now contain KPIs related to Sappi's long-term sustainability goals
- Shortly after year end a tender offer was launched to repurchase a portion of the outstanding Sappi Papier Holding (SPH) 2026 senior notes. SPH purchased €209.6 million of the 2026 notes, at an effective price of 92.41%, yielding a capital gain of €15.9 million.

SECTION 5 continued
Balance sheet continued

Structure of net debt and liquidity

We consider the group liquidity position to be strong, with cash holdings of US$780 million at financial year end, and US$615 million of unutilised committed RCFs.

The structure of our net debt at September 2022 and 2021 is summarised below:

US$ million	2022	2021
Long-term debt	**1,754**	2,157
Senior unsecured debt	**1,463**	1,769
Securitisation funding	**322**	337
IFRS 16 *Leases**	**84**	118
Less: Short-term portion	**(115)**	(67)
Net short-term debt/(cash)	**(591)**	(211)
Overdrafts, RCF and short-term loans	**74**	88
Short-term portion of long-term debt	**115**	67
Less: cash	**(780)**	(366)
Net debt	**1,163**	1,946

* *IFRS 16 accounting standard adopted from fiscal 2020.*

Movement in net debt

The movement of our net debt from fiscal 2021 to fiscal 2022 is summarised in the table below:

	US$ million
Net debt at September 2021	**1,946**
Increase of IFRS 16 *Leases*	**1**
Net impact of Convertible Bond conversions	**(6)**
Net cash generated in 2022	**(506)**
Currency translation, fair value and other non-cash adjustments	**(272)**
Net debt at September 2022	**1,163**

Group debt profile

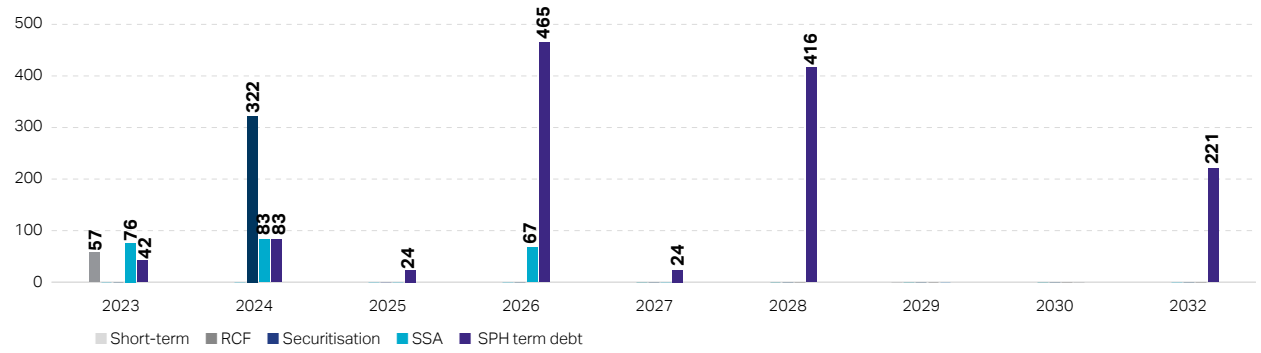
We show the major components and maturities of our net debt at September 2022 below. These are split between the debt in South Africa and the debt outside South Africa.

				Maturity (Sappi fiscal years)				
	Amount US$ million	Interest rates (local currencies)	Fixed/ variable	2023	2024	2025	2026	Thereafter
South Africa								
Short-term notes	17	8.20%	Variable	17				
SSA07 public bond	59	8.30%	Variable	59				
SAA08 public bond	83	9.25%	Fixed		83			
Convertible bond	67	5.25%	Fixed				67	
Gross debt	226							
less cash	(86)			(86)				
Net South African debt	139			(10)	83	0	67	0
Non-South African								
Securitisation (US$)	77	4.50%	Variable		77			
Securitisation (€)	245	2.10%	Variable		245			
IFRS 16 Leases	85	Various	Mixed	19	18	12	8	29
OeKB term loan 1	76	2.30%	Fixed	18	59			
OeKB term loan 2 (CAD)	80	4.10%	Fixed	13	13	13	13	27
OeKB term loan 2 (€)	62	1.50%	Fixed	10	10	10	10	21
Other bank debt (€)	57	1.90%	Variable	57				
2028 public bonds (€)	392	3.63%	Fixed					392
2026 public bonds (€)	441	3.13%	Fixed				441	
2032 bonds (US$)	221	7.50%	Fixed					221
IFRS adjustments	(20)							(20)
Gross debt	1,717							
less cash	(694)			(694)				
Net non-South African debt	1,023			(577)	423	36	473	670
Net group debt	1,163			(587)	505	36	540	670

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 leases with and average time to maturity of approximately four years.

SECTION 5 continued
Balance sheet continued

Covenants
Non-South African covenants
Financial covenants apply to US$218.6 million of our non-South African bank debt, the €515 million RCF and the non-South African securitisation facility.

In view of the uncertainty due to Covid-19, the non-South African banking group agreed in 2020 to suspend the measurement of financial covenants until September 2021. Covenant measurement commenced again with effect from the December 2021 quarter. The covenants applicable from December 2022 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:

December 2022	March 2023 to December 2026
4.25	4.00

- Ratio of group EBITDA to net interest expense should not be less than 2.5:1.

South African covenants
Separate covenants also apply to the RCF 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%
- The ratio of EBITDA to net interest paid is not less than 2.5:1.

Below we show that for the financial year ended September 2022 the group financial covenants were comfortably met.

	Sept 2022	Covenant
Non-South African covenants		
Net debt to EBITDA	0.89	<4.50
EBITDA to net interest	15.29	>2.50
South African covenants		
Net debt to equity	10.85%	<65%
EBITDA to net interest	13.10	>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)/Positive Outlook (June 2022).

Moody's
Sappi Corporate Family Rating: Ba2 /NP/Stable Outlook (May 2022).

SPH debt rating:
- 2028/2026 bonds: Ba2/Stable Outlook (May 2022)
- 2032 bonds: B1/Stable Outlook (May 2022).

S&P Global Ratings
Corporate Credit Rating: BB-/B/Stable Outlook (July 2022).

SPH debt rating:
- 2026/2028/2032 bonds: BB- Stable Outlook (July 2022).

Conclusion

Fiscal 2022 was transformative as the group emerged with a significantly strengthened balance sheet following strong cash generated from operations and good working capital management. We were able to counter the sharp increase in input costs with selling price increases and in the process improve margins and capitalise on strong local demand in all our product segments. Strategically, the cost base in our packaging and speciality papers business benefited from the purchase of the Matane Mill in Canada. The announcement of the sale of the three graphics mills in Europe is further evidence of the advancement of our Thrive25 strategy as we reduce our exposure to declining markets.

Macro-economic uncertainties are more pronounced, increasing volatility and reducing the accuracy of forecasting. Flexibility and agility in a capital-intensive business are difficult to manage, but the strength of the balance sheet offers greater options than before. Optimising systems and processes and successfully transferring the sold operations to the new owners will utilise a major portion of our internal resources but we have built a strong foundation to measure up to the challenges.

The four key fundamentals of our Thrive25 strategy remain relevant and achievable given the significant progress accomplished during the current year. The short-term focus will be to maintain the strong balance sheet and improve operational efficiencies. The medium to longer term strategy will be to invest in growth opportunities and achieve our sustainability goals.

Glen Pearce
Chief Financial Officer

09 December 2022

reflect

Only in still waters do things reflect undistorted. As a business, we take the time to reflect on our past actions – including assessing our relationship with our stakeholders, particularly our people – to understand more clearly where we have succeeded, where we could have done better and how we can continue to build sustainable competitive advantage. This investment in reflection enables us to calibrate the solutions we provide and our response to the world around us.

As OneSappi, we understand that like dropping a stone into a pond creates outward ripples, in today's interconnected world, our actions and decisions can have a significant impact. For example, our decarbonisation actions alone cannot bring the world to net zero, but they can have a ripple effect that influences and encourages others.

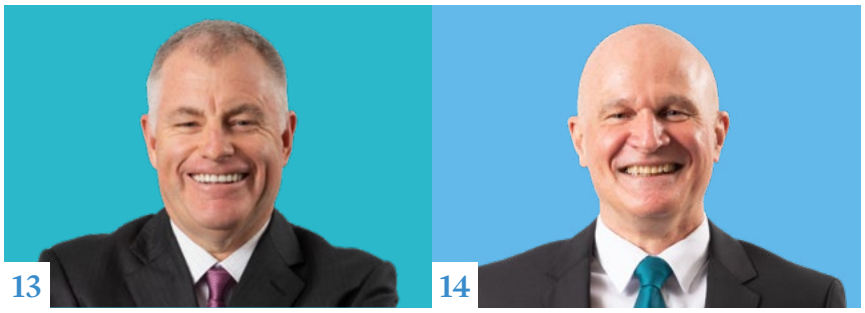
Many people think of excellence as an upward journey, but at Sappi we view it as going round and round in ever-expanding, infinite waves. This view is reflected in the use of irregular waves which symbolise energy and unity used as a design element throughout this report and in the above image.

Going forward, we will continue to focus on excellence with energy and clarity and unity of purpose.

Our leadership and executive management

NON-EXECUTIVE DIRECTORS

EXECUTIVE DIRECTORS



1 Sir Nigel Rudd (75)

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.

2 Brian Richard Beamish (Brian) (65)

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.

3 Michael Anthony Fallon (Mike) (64)

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.

4 James Michael Lopez (Jim) (63)

Independent

Qualifications: BA (Economics)
Nationality: American
Appointed: March 2019

Skills, expertise and experience:
Mr Lopez brings his experience as the former President and CEO of Tembec Inc (2006 to 2017) a manufacturer of lumber, pulp, paper/paperboard and speciality cellulose and a global leader in sustainable forest management practices.

5 Nkateko Peter Mageza (Peter) (67)

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

6 Zola Nwabisa Malinga (44)

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 and corporate governance, having held senior roles at various financial institutions. She is also the founder and Executive Director of Jade Capital Partners, a women-owned investment company.

7 Dr Bonakele Mehlomakulu (Boni) (49)

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.

8 Mohammed Valli Moosa (Valli) (65)

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.

9 Robertus Johannes Antonius Maria Renders (Rob Jan) (69)

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.

10 Nkululeko Leonard Sowazi (59)

Independent

Qualifications: Master's Degree in Urban Planning
Nationality: South African
Appointed: October 2022

Skills, expertise and experience:
Mr Sowazi has over 30 years senior executive and investment management experience and has served on numerous boards of both listed and unlisted companies. Mr Sowazi has a strong commercial and entrepreneurial business track record and presents with an impeccable reputation in the market.

11 Louis Leon Von Zeuner (61)

Independent

Qualifications: BEcon (Economics)
Nationality: South African
Appointed: September 2022

Skills, expertise and experience:
Mr von Zeuner holds a Bachelor of Economics from the University of Stellenbosch and is a Charted Director (SA). His role as board member, aside from the normal focus on strategy profitability and sustainability, is a key focus on governance status. Despite his role change from executive to non-executive Mr von Zeuner has been able to continue to play a leadership role in the activities of various organisations and contribute to growing the businesses. He is results driven and supports growing customer relationships.

12 Eleni Istavridis (65)

Independent

Qualifications: Bachelor of Arts (BA) (MBA) (MIA)
Nationality: American
Appointed: October 2022

Skills, expertise and experience:
Ms Istavridis is a seasoned leader with international experience, including 17 years in the United States and 22 years in Asia in financial services and manufacturing. She has deep expertise in strategy, finance and global operations. Most recently she was Executive Vice President at Bank of New York Mellon as Head of Global Client Management for Asia and later Head of Investment Services, Asia Pacific. Earlier she served in a variety of senior leadership roles including: President and COO of Tristate, an Asia based manufacturer, and Managing Director at Bankers Trust Company. She is currently an independent board member of two public companies and has committee assignments focused on audit, financial policy, employees and public responsibility areas.

13 Stephen Robert Binnie (Steve) (55)**

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.

14 Glen Thomas Pearce (59)**

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.

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

** *Member of the Executive Committee.*

Our leadership and executive management continued

EXECUTIVE MANAGEMENT

CORPORATE MANAGEMENT

1 Stephen Robert Binnie (Steve) (55)**

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.

2 Glen Thomas Pearce (59)**

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.

3 Marco Eikelenboom (55)**

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.

4 Michael George Haws (Mike) (59)**

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.

5 Alexander van Coller Thiel (Alex) (61)**

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.

6 Fergus Conan Salvador Marupen (Fergus) (57)**

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.

7 Mohamed Iqbal Mansoor (55)**

Executive Vice President of Sappi 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.

8 Gary Roy Bowles (62)**

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.

9 Maarten van Hoven (49)**

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.

10 Richard Wells (52)***

Chief Executive Officer of Sappi Trading

Qualifications: BCom (Accounting), BCompt Hons, CA(SA), GEDP, EDP
Appointed: October 1997

11 Ami Mahendranath (54)***

Group Company Secretary

Qualifications: BCom ACIS, Certificate in Corporate Governance
Appointed: November 2017

12 Tracy Wessels (47)***

Group Head Investor Relations and Sustainability

Qualifications: PhD (Organic Chemistry), PMD
Appointed: January 2021

13 Andre Oberholzer (55)***

Group Head Corporate Affairs

Qualifications: BCom (Law), Strategic Communication Management Professional (SCMP®)

14 Louis Kruyshaar (52)***

Executive Vice-President of Sappi Biotech

Qualifications: BTech (Pulp and Paper), BEng (Chemical Engineering), MBA, EDP

15 Marjorie Boles (51)

Chief Information Officer

Qualifications: BA (Economics and Mathematics), MBA (Entrepreneurship)

16 Jörg Pässler (61)

Group Treasurer

Qualifications: B.Com (Hons) Cum Laude, M. Com, H. Dip. Tax, CAIB (SA), FT Non-Executive Director Diploma

Sappi board committee memberships:
● Social, Ethics, Transformation and Sustainability (SETS) Committee

** *Member of the Executive Committee.*
*** *Member of the Group Management Committee.*

Sappi Europe lead team

1. Marco Eikelenboom (55)
Chief Executive Officer
MS (Business Economics)

2. Stephen Blyth (48)
VP and Chief Financial Officer
BCom Hons, CA (SA), H Dip Tax (Law)

3. Steffen Wurdinger (62)
VP Manufacturing and Technology
MS (Paper Technology Engineering), Dr.-Ing (specialisation in CTMP)

4. Rainer Neumann (60)
VP Human Resources
MS Industrial Relations & Human Resources/ MS Administrative Sciences

5. Flavio Froehli (51)
VP Marketing & Sales
Master of Business Administration (MBA)

6. Hannes Boner (59)
VP General Counsel
lic iur, DHEE, Admitted Attorney

7. Jan Sander Van Tuijl (46)
VP Supply Chain & Procurement
MSc in Forestry and Wood Science

8. Louis Kruyshaar (52)
VP Innovation and Biotech
B.Eng (Chemical Engineering), MBA

Sappi North America lead team

1. Mike Haws (59)
President and CEO
BS in Paper Science and Engineering

2. Anne Ayer (57)
Vice President, Pulp Business and Supply Chain
MBA from Stanford University and a BA in Psychology from Harvard

3. Beth Cormier (59)
Vice President Research, Development and Sustainability
BS in Engineering Physics from University of Maine and an MBA from Boston University

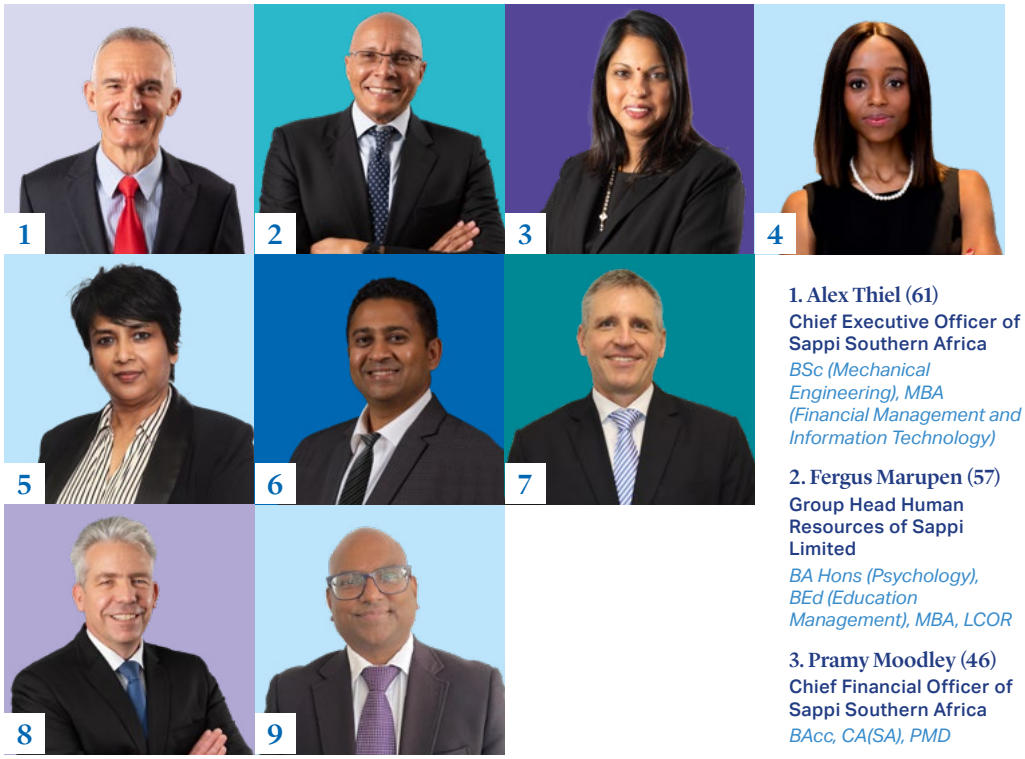
4. Deece Hannigan (60)
Vice President Graphics, Packaging and Specialties
Graduate of North Carolina State University with a BA in Political Science

5. Annette Luchene (60)
Vice President and Chief Financial Officer
MBA from Loyola University of Chicago and a BS in Accounting from Northern Illinois University

6. Sarah Manchester (57)
Vice President, Human Resources and General Counsel
BA in History from Dartmouth College and a JD from Cornell Law School

7. Mike Schultz (58)
Vice President, Manufacturing
BS in Paper Science and Engineering from the University of Wisconsin, Stevens Point

Sappi Southern Africa Executive Committee



1. Alex Thiel (61)
Chief Executive Officer of Sappi Southern Africa
BSc (Mechanical Engineering), MBA (Financial Management and Information Technology)

2. Fergus Marupen (57)
Group Head Human Resources of Sappi Limited
BA Hons (Psychology), BEd (Education Management), MBA, LCOR

3. Pramy Moodley (46)
Chief Financial Officer of Sappi Southern Africa
BAcc, CA(SA), PMD

4. Mpho Lethoko (40)
General Manager Communications of Sappi Southern Africa
BA (Corporate Communications), PGDip (General Management), MBA

5. Beverley Sukhdeo (55)
Vice President Manufacturing, R&D and Engineering of Sappi Southern Africa
BSc (Chemistry), DBA

6. Naresh Naidoo (51)
Chief Procurement Officer of Sappi Southern Africa
BSc (Chemical Engineering), MBA

7. Graeme Wild (50)
Vice President Sales and Marketing of Sappi Southern Africa
BSc (Forestry), MBA

8. Duane Roothman (50)
Vice-President of Sappi Forests
BSc (Forestry), MBA

9. Morgan Moodley (54)
Vice President Supply Chain
B-Compt (AGA SA)

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.

98%
OVERALL COMMITTEE ATTENDANCE

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 (see **Risk management** on page 46), 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 78. 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 the following 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

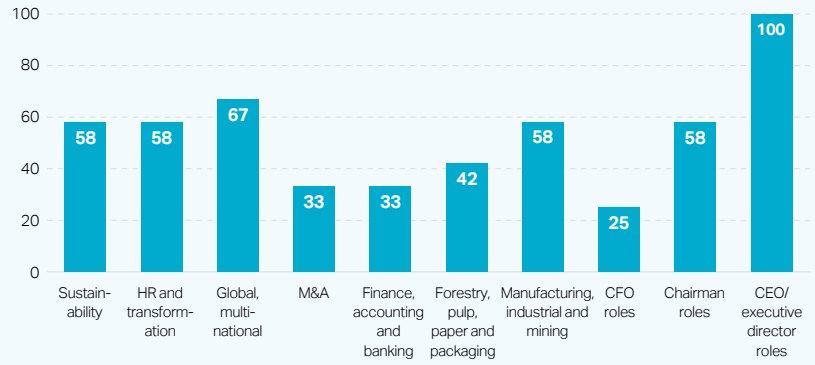
The basis for good governance at Sappi is laid out in the board charter, which sets out the division of responsibilities between the board and executive management. The board creates and protects sustainable value by collectively determining strategies, approving major policies and plans, taking responsibility for risk management, and providing oversight as well as monitoring, to help to ensure accountability. The board is comfortable that the board charter ensures a clear division of responsibilities between management and the board and that no director has unfettered authority. The board confirms its compliance with the Companies Act and that the company is operating in conformity with its Memorandum of Incorporation. 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

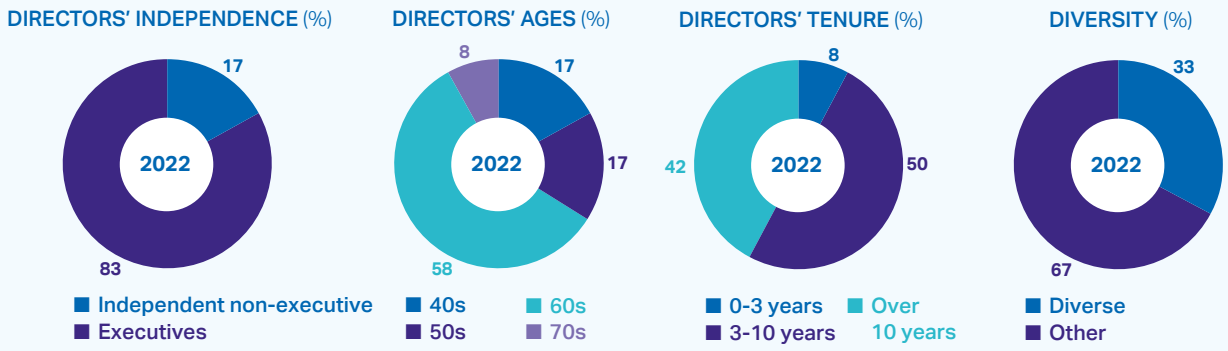


The composition of the board and attendance at board and committee meetings and the AGM is set out below for the period 27 September 2021 to year ended 02 October 2022:

	Name	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; Absent	85	
	RJAM Renders						100	
	Sir Nigel Rudd	Chairman	*Ex officio*	Chairman	*Ex officio*	*Ex officio*	100	
	JE Stipp	Resigned 09/02/2022					83	
	L Von Zeuner	Appointed 01/09/2022	Appointed 01/09/2022				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 · Appointed 01/09/2022 · Resigned 09/02/2022

Attendance by committee members | Total possible attendance by committee members | % of attendance by board and committee members
Board and committee attendance for the period October 2021 to September 2022



STRATEGIC FOCUS AREAS

In addition to the standard items on the board's agenda, the 2022 focus areas included:

- Oversight of progress in executing the Thrive25 strategic plan
- Deep dives into the following topics:
  - project to introduce wet strength label paper at Gratkorn Mill as part of the strategic reduction in exposure to graphic papers and growth of packaging and speciality papers business in Sappi Europe
  - shipping and supply chain challenges
  - dissolving pulp business, including the Saiccor Mill expansion project and external overviews of global and regional economies and related developments
- Long-term debt refinancing and covenants
- Consideration of: paying a dividend, a share repurchase, and secondary listing alternatives
- 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 Financial Disclosures (TCFD) recommendations, the link to Sappi's SBTi's, as well as Sappi's 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
- A review of the Code of Ethics refresh and related policies
- An update on cyber security and management's mitigations
- Appointment of the new sponsor (RMB).

All the top risks as well as emerging risks have been focused on by the board during 2022.

The following areas will receive specific focus by the board in 2023:

- Oversight of progress in achieving the Thrive25 strategic plan
- Project management and oversight for large capital projects, including the Somerset Mill PM2 conversion and expansion
- Promoting and enabling innovation
- Review of the development of the furfural pilot plant at Saiccor Mill
- Consideration of additional diversification of assets
- Increased focus on the responsibility of the board in responding to climate change including the monitoring of progress towards the company's 2030 scienced-based decarbonisation targets and capital allocation plan
- Oversight of HR's project to upgrade HR system technology.

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
- RMB (sponsor) provided training to the board on governance topics, such as directors' liability, price sensitivity, dealing in securities.

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).

See **Our key relationships** on page 54 for more information.

SAPPI BOARD AND MANAGEMENT COMMITTEES

Board and management committees have been established and are discussed from pages 144 to 150.

Board of directors

- Strategic leadership and guidance
- The board delegates certain oversight responsibilities to board committees
- Ultimate oversight, accountability and responsibility
- The board assigns responsibilities for management of the group to the CEO.

Sappi's board committees create and maintain sustainable value by focusing on these key areas:

Audit and Risk Committee

- Financial and sustainability systems and reporting
- Risk management
- Compliance and ethics
- Combined assurance
- Internal and external audit
- Information technology (IT) governance.

Nomination and Governance Committee

- Board size, composition and diversity
- Selection and recruitment of directors
- Evaluation of board performance
- Corporate governance developments.

Human Resources and Compensation Committee

- Directors' remuneration
- Succession planning
- Remuneration policy
- Incentive schemes
- Labour and industrial relations management.

Social Ethics, Transformation and Sustainability Committee

- Group corporate citizenship
- Ethics
- Environment
- Safety
- Broad-based black economic empowerment.

Executive Committee

- Executive directors (CEO and CFO)
- Other senior executives
- Execute strategic decisions approved by the board.

Disclosure Committee | Control and Assurance Committee (CAC) | Accounting Standards Committee | Treasury Committee | Taxation Committee | Global Business Systems Council

Group Risk Management Committee | IT Steering Committee | Project Steering Committees | Sustainability Councils | Global Brand Council | Technical Committees

Management committees

Audit and Risk Committee

– Peter Mageza
Chairman

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.

Membership details at September 2022

- NP Mageza – Chairman
- RJAM Renders
- ZN Malinga
- B Mehlomakulu
- L von Zeuner

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 business continuity
- Information and technology risks, related controls and governance. A focus area was the increasing threats of cyber attacks and security in the operational technology area
- Non-financial risks and controls, including obtaining additional external ESG assurance
- 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 (see the Directors' approval on page 1 of the **2022 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 2022
- 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 wood pulp, packaging and speciality papers, the biotech and renewable energy fields
- Cyber security incidents
- Business continuity arrangements, including disruptions to warehousing, logistics and supply chain
- Regulatory compliance with global privacy legislation, such as POPIA and GDPR.

Areas of oversight for the committee in 2023 will be:

- Additional focus on business continuity plans
- Revised reporting for ESG matters and procedures for financial reporting attestations
- 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

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 2022.

Mr 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.

100%

OVERALL COMMITTEE ATTENDANCE RATE

Stakeholders

The Audit and Risk Committee has helped to create and protect value for the following stakeholders: employees, customers, shareholders and regulators.

See **Our key relationships** for further details on page 54.

Risks

The Audit and Risk Committee has focused on all of the top 10 risks:

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

For further details see **Risk management** on page 46.

Nomination and Governance Committee

– **Sir Nigel Rudd**
Chairman

100%

OVERALL COMMITTEE ATTENDANCE RATE

Membership details: at September 2022:

- ANR Rudd – Chairman
- MV Moosa
- MA Fallon

Stakeholders

The Nomination and Governance Committee has helped to protect value primarily for the following stakeholders: shareholders and regulators.

See **Our key relationships** on page 54 for further details.

Risks

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.

See **Risk management** on page 46 for further details.

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 had oversight of the actions to implement the policy on broader diversity at board level. The functioning and performance of Sappi's board and board committees were assessed internally in 2022 and established that the board and board committees functioned well. Certain deep dives and additional training from the sponsor (RMB) were arranged during 2022.

Strategic focus areas

The Nomination and Governance Committee helped to protect value by providing oversight and guidance in 2022 over:

- Corporate governance
- Tone at the top
- Succession plans for senior executives and the board with a focus on board composition and chairmanships
- The Promotion of Broader Diversity at Board Level policy, which includes diversity indicators
- 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 2023 will be onboarding the new directors.

The committee is satisfied that it has fulfilled its responsibilities as set out in its terms of reference.

Human Resources and Compensation Committee

100%

OVERALL COMMITTEE ATTENDANCE RATE

– Mike Fallon
Chairman

Membership details at September 2022:

- MA Fallon – Chairman
- NP Mageza
- RJAM Renders
- BR Beamish
- ANR Rudd

Stakeholders

The Human Resources and Compensation Committee has helped to protect value primarily for the following stakeholders: employees, shareholders and regulators

See **Our key relationships** on page 54 and the **Remuneration report** on page 172 for further details.

Risks

The Human Resources and Compensation Committee has focused on the following of the top 10 risks:

1/ Safety
2/ Cyber security
3/ Sustainability expectations
5/ Climate change
6/ Evolving technologies and consumer preferences
7/ Cyclical macro-economic factors
8/ Uncertain and evolving regulatory landscape
9/ Employee relations

See **Risk management** on page 46 for more information.

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 2021 report was supported at the Annual General Meeting on 9 February 2022 with a vote of 83.5% on the remuneration policy and 84.4% 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:

- Monitoring the implementation of return of capital employed (ROCE) as a measure in our short-term incentive plan from 2022, replacing working capital
- Monitoring of a voluntary minimum shareholding requirement for all prescribed officers to be achieved by December 2025
- Disclosure of the vested performance share plan award as part of the total remuneration in line with best practice
- ESG targets are included in the personal objectives of all senior managers
- Executive (HRL 19+) gender diversity target (the target for 2025 is 23%, actual performance in 2022 was 22%)
- The HR investor roadshow with major shareholders
- Oversight on key succession transitions across all regions, and
- Re-evaluation of the retirement age.

The strategic focus areas for the committee in 2023:

- Key activities for the committee in 2023 will be, *inter alia*, consideration of the report on SSA skills requirements
- Oversee the implementation of the human resources Thrive25 plan
- Approval of the remuneration and bonuses for executive directors and senior management

The committee is satisfied that it has fulfilled its responsibilities as set out in its terms of reference.

See the **Remuneration report** on page 168 for more information.

Social, Ethics, Transformation and Sustainability Committee

– Valli Moosa
Chairman

Membership details at September 2022

- MV Moosa – Chairman
- SR Binnie
- B Mehlomakulu
- BR Beamish
- JM Lopez

Key roles and responsibilities

The Social, Ethics, Transformation and Sustainability (SETS) Committee comprises four independent non-executive directors, and the CEO. A 93% attendance record was achieved by Board Committee members for 2022. 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.

The committee's mandate is to oversee the group's sustainability strategies, activities addressing climate change, 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 committee monitors progress towards and ensures that appropriate programmes are implemented to achieve the company's sustainability targets. The committee regularly reviews targets to ensure that they are both relevant to our operating context and reflective of an appropriate level of ambition.

As ESG (environment, social and governance) reporting and disclosures become increasingly important to stakeholders and aligning with our strategic imperative to enhance trust, the committee is mandated to oversee the company's public disclosures ensuring that reporting is aligned with appropriate global standards and compliant with regulatory requirements.

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 2022 the committee provided oversight of:

- Sappi's social and economic development standing (UNGC and OECD)
- Safety initiatives
- Approval of a climate change strategy
- Progress on climate action aligned with the Task Force on Climate-related Financial Disclosures (TCFD)
- Validation of 2030 science-based decarbonisation targets for the group by the Science Based Targets initiative (SBTi)
- Approval of capital allocation plan required for the science-based decarbonisation targets
- Progress on implementation of sustainable procurement initiatives (supplier code of conduct and onboarding of suppliers to the EcoVadis platform)
- External assurance on Group LTIFR, Scope 1 and Scope 2 emissions, certified fibre, waste to landfill and water extraction for the South African region
- 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 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 2023 :

- TCFD developments
- Development of an approach to nature related disclosures aligned with the Taskforce on Nature-related Financial Disclosures (TNFD)
- Progress towards science based targets and the climate change strategy
- Review emerging global sustainability disclosure standards and implement changes to group annual reporting as appropriate
- Progress towards Thrive25 sustainability targets and realignment of targets as appropriate to account for the divestment of three European mills in FY2023
- Production efficiencies and events
- Consideration of feedback about the changes in the safety culture at operating units
- Review and approve the social media policy, as part of the making use of media developments and opportunities.

See the **SETS report** on page 192 and **Our global sustainability goals** at https://www.sappi.com/2025-global-sustainability-targets

93%

OVERALL COMMITTEE ATTENDANCE RATE

Stakeholders

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.

See **Our key relationships** on page 54 for further details.

Risks

The SETS Committee has focused on the following of the top 10 risks:

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

See **Risk management** on page 46 for further details.

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 a key component of Sappi's second line of defence and assurance. See page 164 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 dissolving wood 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. All key topics discussed at board level are subject to review and discussions by the Executive Committee.
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 2022 related to: • Ensuring sufficient group liquidity with the renewal to 2027 of the €515 million and R2.0 billion revolving credit facilities at Sappi Papier Holding (SPH) and Sappi Southern Africa respectively. For the first time these facilities now also include sustainability KPIs • Renegotiation of financial covenants as the covenant suspension period agreed during the Covid-19 pandemic came to an end. **Key focus areas in 2023 will be:** • The effective management of cash and interest costs due to rising interest rates • Repurchasing debt with surplus cash will reduce gross debt and therefore interest charges. All debt maturities will be considered for cash settlement rather than refinancing • The SPH securitisation programme has to be renewed for another three-year term.
Taxation Committee	The Taxation Committee meets monthly to discuss and address global taxation matters. The main focus areas of the committee for 2022 included: • Tax accounting and reporting • Tax compliance including transfer pricing and BEPS reporting • Tax audits and international mitigation measures to avoid double taxation • Tax implications of strategic projects • New tax legislation. These topics will continue to receive oversight from the committee in 2023.
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, co-ordinate 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 2022 key initiatives included operationalisation of the group's risk appetite and tolerance framework, dashboard summarising group risks and trends. Group business continuity plan guidelines were drafted, reviewed and approved. In 2023 the GRMT will review policy, procedures and assurance, and provide oversight of business units updating of their business continuity plans to address business continuity risk.
Control and Assurance Committee	The Control and Assurance Committee (CAC) is supported by the internal control function and multi-disciplinary combined assurance workgroups 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 group risk management team (GRMT) and the Audit and Risk Committee.
IT Steering Committee	The IT Steering Committee, assisted operationally by the Group IT Council (GITCO), 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 2022 by its oversight of: • Preparations and support for major strategic projects to drive operational excellence in manufacturing, sales, supply chain and finance and logistics among other functions • The digital strategy and governance model to drive innovation at scale across all divisions • Expansion of the group security function, the additional security resource capacity and cyber skills incubator • The framework to evaluate third-party IT security risks • Due diligence for a cloud-based security strategy • The operationalisation of the global operational technology (OT) security methodology. A significant part of the IT Steering Committee's responsibility is to monitor and direct Sappi's Information and cyber security activities. The board's Audit and Risk Committee oversees these activities and its membership consists entirely of independent non-executive directors. Security matters are shared and discussed with the board at least quarterly. Sappi did experience a minor breach of non-critical information in May 2022. The hackers were timeously detected and removed from the network without operational impact. Sappi does have cyber risk insurance. Sappi's internal IT audit team undertakes reviews of information and cyber security. Oversight by the committee will continue in 2023 for these IT initiatives, as well as: • Support for new business priorities to address evolving market conditions in alignment with Thrive25 priorities • Additional security improvements including enhanced recovery capabilities, global OT security standards, central vulnerability management, and further smart partnerships to extend security best practices and capacity • Infrastructure simplification through further global harmonisation opportunities.

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, forests and water programmes and the annual group Sustainability Report. **Key focus areas for 2022 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 SDGs.
Brand Council	This council co-ordinates 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 as 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.

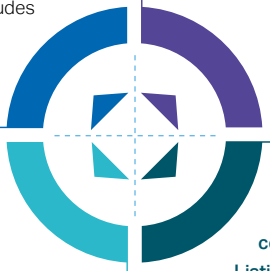
See www.sappi.com for the **Code of Ethics**

Legal compliance programme:

The programme is designed to increase awareness of, and enhance compliance with, applicable legislation 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 see the Preventing fraud and corruption section of the **Code of Ethics** at www.sappi.com

Insider trading:

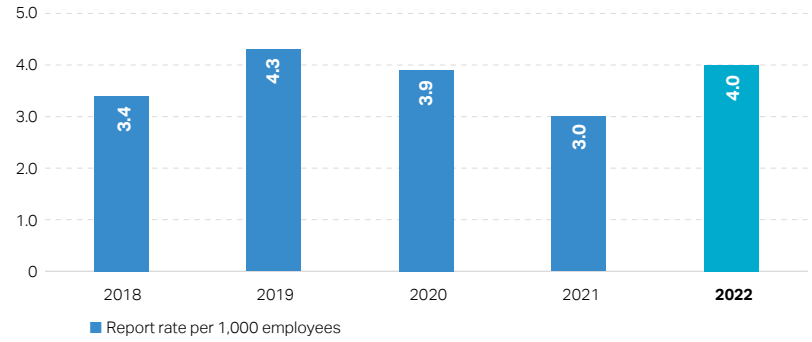
The company has a code of conduct for dealing in company securities and follows the JSE Limited Listings Requirements in this regard.

For further information see the Insider trading section of the **Code of Ethics** which can be found at www.sappi.com

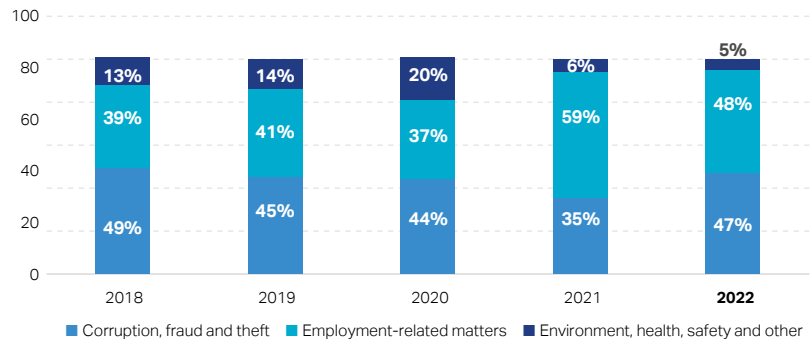
Reporting on compliance and ethics concerns

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 co-ordinated 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, see the Reporting and whistle-blowing section of the **Code of Ethics**, at www.sappi.com

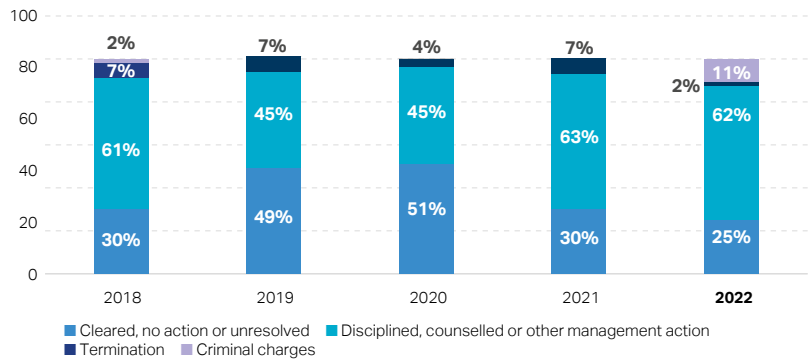
Hotline report rate per 1,000 employees per annum



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
- 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 Control and Assurance Committee (CAC). The committee and its combined assurance workgroups (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 across Sappi's three lines of assurance. The workgroups focused on the following risk topics in 2022: capital projects management, cyber security risks, human resources risks, production recording and quality, energy, waste and safety. In financial year 2023 the CAWs will assist the CAC to create and protect value by undertaking reviews of combined assurance, risks and controls relating to business continuity, as well as developing the risk and control framework particularly in the legal compliance, taxation, and IT security areas.

Sappi's Combined Assurance Framework, incorporating three lines of assurance and oversight by the board and board sub-committees

Risk areas and value drivers, capitals	First line of assurance Business management operations supported by appropriate controls and systems	Second line of assurance Monitoring and oversight functions	Third line of assurance Independent assurance provided by external audit, internal audit and other assurance providers	Oversight by the board 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 Committee, 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 Committee, 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 Integrated Report and Annual Financial Statements, on risk management and the effectiveness of internal controls and assurance within Sappi.

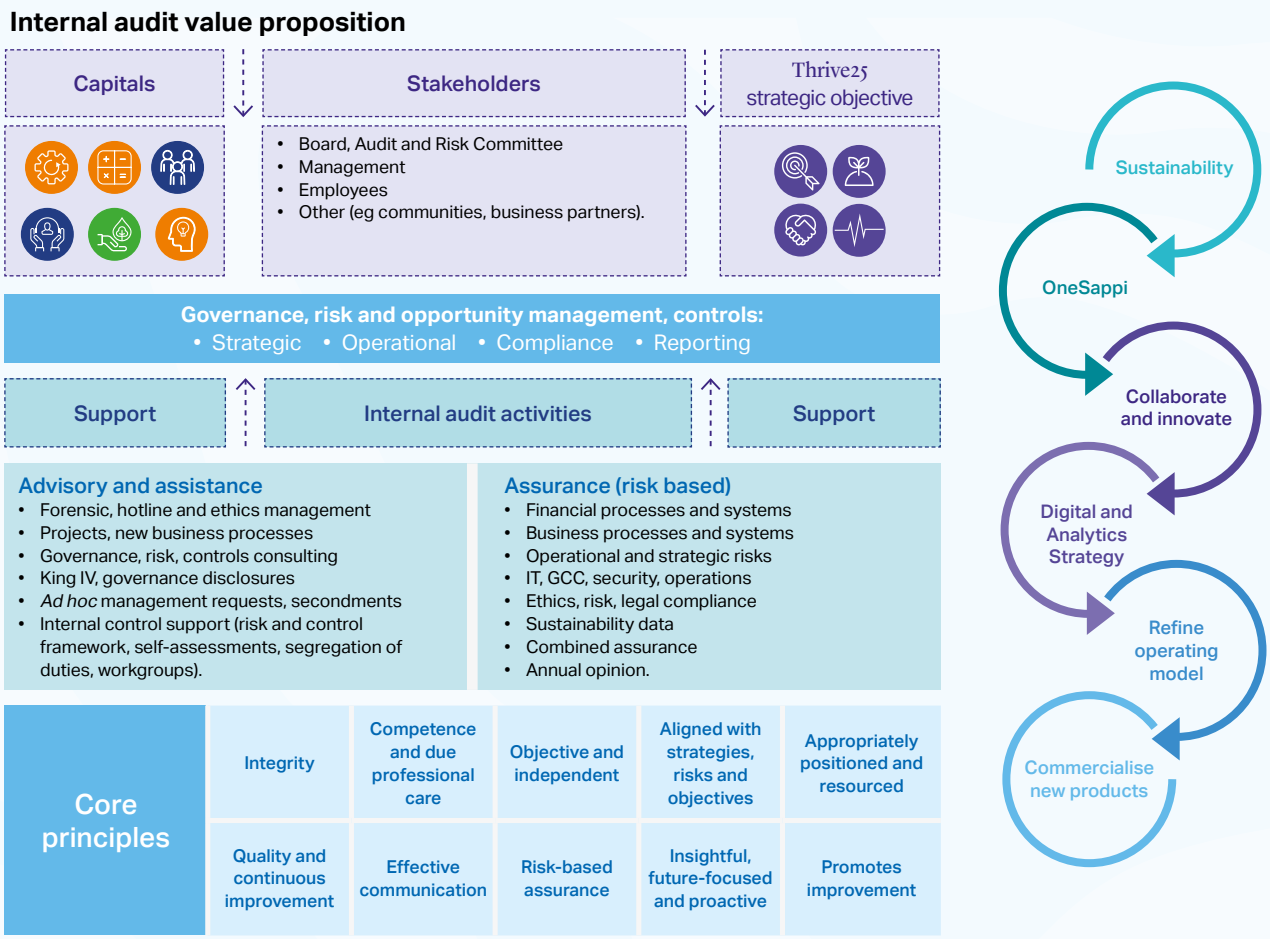
As part of combined assurance in respect of reported information, Sappi has obtained assurance on the data in the Annual Integrated Report from the following sources:

- Financial data is independently audited by KPMG
- External sustainability assurance was obtained from KPMG in 2022 for Scope 1 and 2 emissions information, water usage in South Africa, waste 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 co-ordinates 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:



During 2022, 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:** advisory services to the global business systems projects (Requisition to Pay, Sales Order to Cash, implementation of RPA (Robotics Process Automation), reviews of production recording and quality, procurement, as well as contractor charges)
- **Rationalising declining businesses:** Undertaken project management reviews for business optimisation projects
- **Accelerate growth in high margin products:** Assurance reviews of product innovation and research and development. Project Vulindlela in SSA and Project Horse for the Packaging and Specialities Business in Sappi Europe).

The coverage plan for 2022 was substantially achieved. We had refocused our audit plan to address 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 2023 internal audit will support the achievement of Sappi's Thrive25 strategic objectives by completing advisory and assurance projects in the following areas:

- **Grow our business Thrive25:** R&D, packaging and specialities, capital projects (Project Elevate in Sappi North America), and new businesses eg biomaterials
- **Sustain our financial health Thrive25:** sales, procurement, treasury, and working capital processes, Project Silver Carve-out in Sappi Europe
- **Drive operational excellence Thrive25:** sales and operations, maintenance, energy, strategic business and IT projects including digital innovation initiatives (eg implementation of process mining software)
- **Enhance trust Thrive25:** ethics, governance, sustainability, and cyber security reviews

Internal audit maintains an internal quality assurance programme. Our last external quality assurance review was conducted by the Institute of Internal Auditors (IIA) in 2021. 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 was addressed in 2022. Our internal quality assurance review in 2022 confirmed our Generally Conforms rating. A focus area in 2023 will be the upgrade and replacement of our automated audit software.

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 2022. 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 has 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 the implementation thereof. The information provided in this report has been approved by the board as per the recommendation of the Human Resources and Compensation Committee."

– Mike Fallon
Chairman of the Human Resources and Compensation Committee

THE MAIN SECTIONS OF THE REPORT ARE AS FOLLOWS:

Section **A:**	Voting and governance	Section **C:**	Overview of the Remuneration Policy
Section **B:**	Key functions of the Human Resources and Compensation Committee	Section **D:**	Remuneration implementation report

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 the King report on corporate governance (King IV).

The previous report was supported at Sappi Limited's Annual General Meeting (AGM) on 9 February 2022, with a vote of 83.5% endorsing the remuneration policy and a vote of 84.4% in favour of the implementation report.

KEY SHAREHOLDERS CONSULTATION

As part of our good governance process, we met with our major shareholders over the last 12 months to seek their guidance and input on key remuneration issues. We were encouraged by the level of engagement and the guidance provided to ensure that Sappi's remuneration policy and implementation report remain robust. Key issues discussed during these engagements were:

- Key elements of our remuneration philosophy and strategy
- Environmental, Social and Governance (ESG) measures in relation to executive remuneration measures and if these should become more important in the future
- Areas to consider for our 2023 financial year
- Non-executive director fees and succession.

We value the input of our shareholders and will continue to seek their input to ensure good disclosure.

CHANGES MADE SINCE THE LAST REPORT

Since the last report, we embedded return on capital employed (ROCE) as part of our short-term incentive. This now forms part of a key incentive measure for all managers.

This change was well accepted by all parts of the business. Furthermore, we have addressed several other issues, namely:

- Implementation of a voluntary minimum shareholding requirement for all prescribed officers to be achieved by December 2025
- Disclosure of EBITDA and working capital targets and achievements
- For 2022 ROCE has replaced the working capital metric
- Disclosure of the vested performance share plan award as part of the total remuneration
- For 2022, ESG targets have been included in the personal objectives of all executives and senior managers
- Enhanced our definition of cash flow return on net assets (CFRONA) after shareholder consultations.

OUR SUSTAINABILITY JOURNEY AND WHAT IS ALREADY IN PLACE

As reported earlier (https://www.sappi.com/2025-global-sustainability-targets) our sustainability journey is on track. Our science-based targets have been approved by SBTi and communicated externally. This will provide us with an excellent opportunity to track our progress in terms of our Scope 1, 2 and 3 carbon emission targets set for the period until 2030. The focus for 2023 and 2024 will be on carbon reduction, sourcing of certified fibre and the reduction of solid waste to landfill. These targets will be extended to all management levels.

The principles of ESG are already entrenched in the business in many ways, for example:

- Safety as a key measure in the short-term incentives, accounting for at least 10% of the overall measurement for executives and managers
- In South Africa, progress against the Employment Equity Act 55 of 1998 and the Broad-Based Black Economic Empowerment Act 53 of 2003 is measured as part of the short-term incentive. We have achieved Level 1 status for the past three years
- Both gender and employee engagement targets have been introduced as part of our overall global sustainability goals. Our new sustainability-related KPIs have been introduced (see pages 10 to 18 for more information).

Going forward, we will continue to work with our shareholders, guided by science and rating agencies, to develop the next phase of our ESG measures to be included in either the short-term or long-term incentive plans. This will form part of our 2023 workplan.

HEALTH AND SAFETY

All regions in Sappi have seen a very strong improvement in overall safety performance. We are pleased to confirm that for the second consecutive year there were no fatalities in Sappi. Sappi North America has recorded their best ever Lost Time Injury Frequency Rate (LTIFR) with zero lost time injuries at three of their five operating sites. South Africa also achieved its best ever safety performance with a LTIFR of 0.26. During this reporting period, our safety targets have been further improved to include all contractors and both LTIFR and Lost Time Injury Severity Rate (LTISR) are now part of the Management Incentive Scheme (MIS).

CONTINUE TO STRENGTHEN OUR NON-EXECUTIVE DIRECTOR TEAM

The Nomination and Governance Committee reviews the composition of the board three times per annum, looking at size, skills, independence, tenure, experience/expertise, diversity and overall mix of the board. The board Chairman and the Lead Independent Director also have individual consultations with board members regarding their performance. Every second year there is an independent evaluation of the board, the sub-committees and individual member effectiveness. These evaluations get discussed by the board and action plans are prepared and tracked.

Sappi's approach and process to the appointment of non-executive directors is based on criteria that looks at the diversity of tenure, race, geographical location and expertise. We are committed to ensuring that our board composition will continue to reflect the benefits of our rigorous non-executive director succession planning. The recent announcements on the appointments of Mrs Eleni Istavridis, Mr Louis von Zeuner and Mr Nkululeko Sowazi highlights the rigour and the comprehensiveness of this process. These appointments underpin our approach to broader succession planning.

CAPACITY BUILDING

The executive and senior management changes that took place in 2022 have now been bedded down. The carefully planned succession is bearing fruit, as evidenced by the smooth business transition and the continued high performance of the various teams.

Development opportunities for all employees remains a key focus area with particular attention given to technical development in operations and engineering. Targeted development for high-potential and promotable employees, using role-specific competency assessments, has significantly improved the bench strength of candidates who are ready to step into other roles. Leadership capacity building at three levels (heads of department, managers and supervisors) also gained significant traction with good progress on all our leadership programmes. This is a key focus for the committee.

2022 MANAGEMENT INCENTIVE SCHEME OUTCOMES

Fiscal 2022 was a record earnings year and far exceeded expectations. The outlook at the beginning of the year was challenging, as Sappi faced spiralling input cost and uncertain demand. The market's propensity to absorb substantial selling price increases was untested and there was a vulnerability after recovering from the lows of the Covid-19 period. However, a reduction in supply capacity and a continuation of global supply chain disruptions favoured local manufactures and Sappi was able to capitalise by increasing selling prices and improving margins in a strong demand environment despite the spike in input costs.

Sappi leadership implemented appropriate strategies to deal with the global uncertainties, significant disruptions in the supply chain, challenging unprecedented events in South Africa and the rise in input cost. This resulted in robust earnings performance and alleviation of prior liquidity concerns, with Sappi having a record performance for 2022. All targets for the MIS measures (EBITDA, ROCE and safety) were exceeded. This will result in a total bonus payment of 118.15% of annual base salary for executive directors.

Details of these are covered further in section D of the report on page 184.

FOCUS FOR 2023

Mr Binnie and his leadership team will focus on the following:

- Drive safety first across Sappi with continuous improvement on overall severity rates measured by the LTIFR, the injury index (II) and severity index of own and contractor employees
- Implementation of key strategic initiatives aligned to the five-year capital plan:
  - reduce exposure to graphic papers
  - grow participation in packaging and speciality papers
  - maximise opportunities for pulp
  - grow the biotech business
- Ensure that Sappi will have sufficient liquidity and capital to sustain the business, ie achieve the EBITDA and ROCE targets set for 2023; maintain debt at approximately US$1 billion
- Focus on the stability of production across the mills, particularly Saiccor Mill
- Develop mitigation plan for supply chain challenges in South Africa
- Successful development of talent and staff engagement
- Continue to implement the science-based targets and all other sustainability programmes
- Drive the Sappi investor relations programme.

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 in the area of 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.

CONCLUSION

Our remuneration policy is benchmarked continuously against the relevant industry peers to ensure competitive reward. It motivates our senior team to achieve the group's objectives and deliver sustainable returns and value creation for our shareholders. Thank you for the support given for our 2021 remuneration report and for the guidance provided in 2022, which will form the basis of our future work plan. The committee believes that the remuneration of executives during 2022 reflects our challenges and successes to date in the delivery of our strategy.

Mike Fallon
Chairman of the Human Resources and Compensation Committee

Sappi remuneration at a glance

Base salary

Positioned at the 50th percentile of the market

Benchmarking
Use Mercer, PwC and other local remuneration consultants

Adjustments
Based on consumer price index (CPI), performance and market movements

Short term

EBITDA	ROCE	Safety
50%	20%	10%

Personal objectives 20%*

EBITDA threshold of 85% required before any bonus is payable

Maximum opportunity of 119% of annual base salary

Long-term incentives

TSR	CFRONA
50%	50%

Pool size for allocation recommended by external party Mercer

Vesting after four years

Competitive benefits

- Defined contribution funds
- Leave
- Car schemes (Europe only)
- Medical/healthcare

* Growing emphasis on sustainability and ESG targets as part of the personal objectives

SECTION A: VOTING AND GOVERNANCE

Statement of voting at Annual General Meeting

The Annual General Meeting (AGM) of Sappi Limited was held on 9 February 2022 and the requisite resolutions endorsing the remuneration policy and the implementation report were passed as follows:

Ordinary resolution number 4: Non-binding endorsement of remuneration policy

For	Against	Shares voted	Abstain
433,389,534	85,695,971	519,085,505	910,636
83.49%	16.51%	100%	

Ordinary resolution number 5: Non-binding endorsement of implementation report

For	Against	Shares voted	Abstain
438,129,729	80,955,708	519,085,437	910,704
84.40%	15.60%	100%	

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
- 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.

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.

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.

SECTION B: KEY FUNCTIONS OF THE HUMAN RESOURCES AND COMPENSATION COMMITTEE

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 consists of four independent non-executive directors:

MA Fallon – Chairman

BR Beamish

NP Mageza

RJAM Renders

The Chairman of the company, Sir Rudd, attends committee meetings *ex officio* while the Group Chief Executive Officer, Mr Binnie together with Group Head Human Resources, Mr Marupen, attend meetings by invitation.

Mrs 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 151.

The Chairman of the Human Resources and Compensation Committee, Mr Fallon, Mr Binnie Group CEO, Dr Wessels Group Head Sustainability and Investor Relations and Mr Fergus Marupen, Group Head of Human Resources met with key shareholders in July 2022. These shareholders were the Public Investment Corporation (PIC), Alan Gray, Ninety One and M&G Investments.

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 2022 are summarised as follows:

Recommended and approved:

- The allocation of 2022 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 2022
- 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 2022 performance share plan
- The 2023 MIS rules
- Reviewed and approved the ESG measures for Mr Binnie as part of his personal objectives
- Reviewed and approved the CFRONA.

Reduce specific Green House Gasses (Scope 1+2) emissions ($KgCo_2e$/adt)

% Certified fibre – Chain of custody (CoC)

Solid waste to landfill (kg/adt)

Accounts for **30%** of the personal objectives

Was	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.
Now	CFRONA is calculated as cash available from operating activities, divided by average total assets (excluding cash) less interest-free liabilities.

Reviewed:

- The 2021 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 2022
- Development of the 2022 remuneration report for shareholder approval in February 2023
- 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
- The investor feedback on the 2021 remuneration report
- 2021 committee evaluation
- Sappi's Covid-19 response and the impact on employees
- Future ESG measures for consideration in the incentive plans.

Independent advice

Management engaged the services from the following organisations to assist in compensation work during the course of the year:

Consultancy	Engagement
Mercer	Recommendations in relation to the performance share plan (PSP) with reference to: • Allocations and calculation of the total shareholder return (TSR) performance condition • Peer group additions.
KPMG	External verification and auditing of the CFRONA performance condition of the PSPs
PricewaterhouseCoopers Tax Services, South Africa	Tax advice to non-executive directors

Areas of focus for 2023

Key activities for the committee in 2023 will be, *inter alia*, the approval of the remuneration and bonuses for executive directors and senior management. Emphasis will also be placed on developing a way forward in relation to the growing emphasis on ESG measures and the appropriate long and short-term mix for our incentives schemes.

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 C: 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. This proves to be a great retention tool
- 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 1 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 – 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 2022 were: EBITDA – 50%; ROCE – 20%; safety – 10%; Individual – 20% • If the agreed target for EBITDA 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 EBITDA is less than 85 % of target, no bonus is paid • If the group achieves the agreed target for ROCE, a bonus award percentage of 100% will be paid. A bonus award percentage of up to 150% can be earned if the group achieves 115% or more of the agreed target. If the group achieves less than 75% of the target, then no bonus award will be paid. ROCE is only measured at a group level • Safety performance is measured against LTIFR as well as LTISR. If the group or a region achieves the LTIFR and LTISR of less than or equal to the agreed target for safety, a bonus award percentage of 100% will be paid. If either LTIFR or LTISR is worse than the target, then a 50% bonus award will be available. If both are worse than target, then no bonus will be paid for this measurement. The committee can also exercise their discretion for a bonus award of up to 150% on the safety performance, if a region has significantly improved their performance • Bonuses are paid in cash • Executive bonus scheme (share purchase). 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.	• If targets are exceeded, the maximum bonus for executive directors is 119% of base salary • Regional CEOs can earn a maximum bonus of 98% of base salary • Executive Committee members and other senior managers may earn a maximum bonus of up to 91% of base salary • A cash award is made.

SECTION C: OVERVIEW OF THE REMUNERATION 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 group CEO and each of the Executive Committee members • Measures for 2022 awards were relative TSR – 50% and relative 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 three times annual base salary, up from his previous two times. The CFO should hold two times and all other prescribed officers at one 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 bonus scheme (whereby an individual may 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.	

	Purpose	Structure	Opportunity
Variable			
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.

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, etc to determine appropriate remuneration levels.

Ensuring an appropriate peer group 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.

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 65 years (recently changed in South Africa to 65). The retirement age of Executive Committee members is generally between the ages of 65 years and 67 years and differs by region.

SECTION C: OVERVIEW OF THE REMUNERATION POLICY continued

Choice of performance measures and approach to target setting

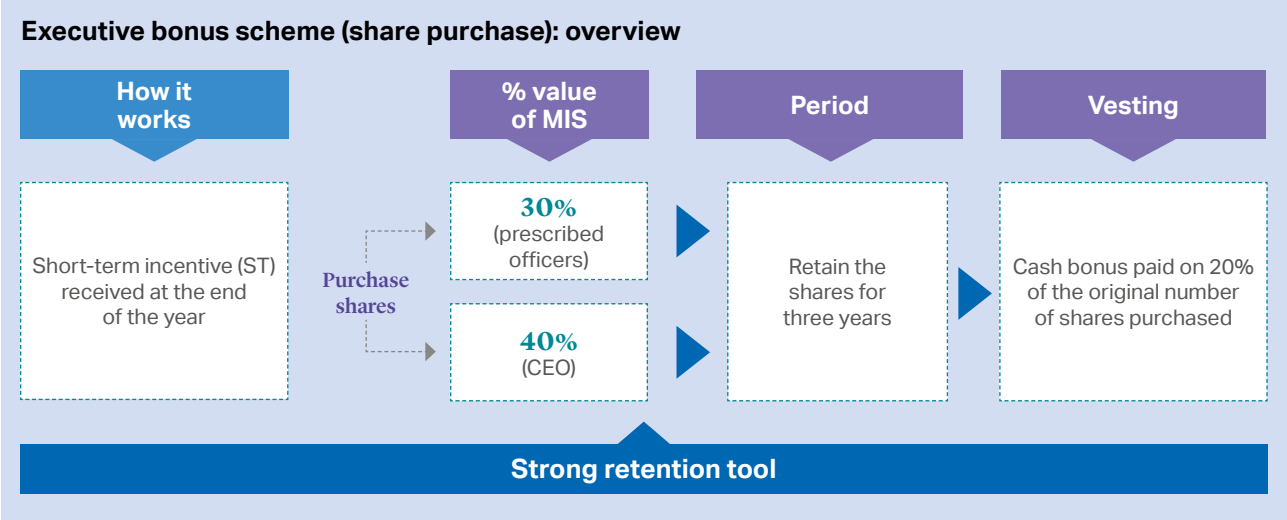
Short-term incentive: MIS

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	50	A key indicator of the underlying profit performance of the group, reflecting both revenues and costs. This 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.
ROCE	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 average cost of capital (WACC + 2% over the cycle) will ensure alignment of the group's returns targets with those expected by the group's shareholders. A key measure for capital expenditure decision making.	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. Safety performance is measured against LTIFR – 50%, as well as LTISR – 50%. 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 and individual performance for relevant managers. Includes several key non-financial targets in relation to ESG, major capital projects, gender equality 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.

The bonus payment opportunity available to executive directors and Executive Committee members is as follows:

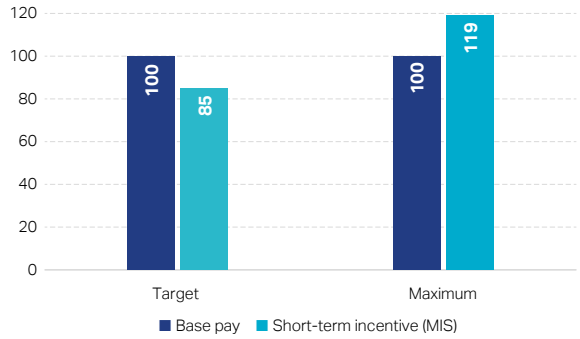
	On-target bonus	Maximum bonus potential
Executive director	**85% of base salary**	**119% of annual base salary**
Regional CEO	**70% of base salary**	**98% of annual base salary**
Other prescribed officers (ie Executive Committee members)	**65% of base salary**	**91% of annual base salary**



Remuneration at different performance levels

The chart below illustrates 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 longer-term performance conditions being met.

PSP

The 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 total shareholder return (TSR) and relative CFRONA.

SECTION C: OVERVIEW OF THE REMUNERATION POLICY continued

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 to 17 of the peer group. Vesting increases from 25% at position nine to 100% for positions one to five.
CFRONA	A key indicator of the effective use of capital. CFRONA is calculated as cash available from operating activities, 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 to 17 of the peer group. Vesting increases from 25% at position nine to 100% for positions one to five.

The peer group for the PSP award consisted of the following 16 industry-related companies:

- Stora Enso
- Rayonier Advance Materials
- BillerudKorsnäs
- West Rock
- Lenzing
- Borregaard
- Holmen
- Clearwater Papers
- Graphic Packaging International
- Navigator Company SA
- Mondi PLC
- Suzano
- UPM-Kymmene
- Metsá Board
- International Paper
- Smurfit Kappa

Vesting schedule

The original vesting schedule for 2018 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%

Adjusted vesting schedule for 2018, 2019 and 2020

There has been an increase in merger and acquisition (M&A) activity in the Sappi peer group. Since 2019 Ahlstrom-Munksjö, Domtar and now Verso Corporation have been replaced in the comparator group. Sappi has tasked Mercer, a specialist remuneration consultancy, to provide alternatives in this regard to ensure the robustness of the comparator group and the integrity of the vesting schedule.

To date, Sappi has applied the 'follow the money' methodology for all in flight PSP's impacted by M&A. For example, when Fortress Papers was declared bankrupt, they were placed at the bottom of the cycle for the 2018 PSP cycle. By removing peers that have been subject to M&A activity and adjusting the vesting schedule, Sappi can ensure that the targets remain as challenging as before. The recalibration of this kind follows a set of standard principles that will ensure fairness for shareholders and participants. This will result in fewer peers for the mentioned outstanding cycles. For example, if Sappi ranked ninth out of the original peer group of 17 companies but three companies have also been removed and are no longer in the peer group. If the vesting schedule is not adjusted, 25% vesting will be possible. However, when the vesting schedule is proportionately adjusted to 14 companies versus the 17 companies, Sappi will require a ranking of seventh, before a 25% vesting is possible.

The adjusted schedule for the 2018 allocation for both TSR and CFRONA is as follows:

Position	Vesting
1 – 4	100%
5	75%
6	50%
7	25%
8 – 14	0%

For future M&A activities, Sappi will create and implement a combination of a reserve list and a minimum group size threshold of 14 companies.

Reserve list

To retain the robustness of the comparator peer group, a reserve list of companies have been identified as replacement for any future merger and acquisition activities. These companies are:

- Klabin
- DS Smith
- Sylvamo Corporation.

The inclusion of these companies will ensure that the comparator group remains robust in terms of product and regional diversity.

Disclosure

In this report, Sappi discloses vested as well as grant performance share values.

Malus and clawback

Awards made to the CEO, CFO 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.

SECTION C: OVERVIEW OF THE REMUNERATION POLICY continued

Remuneration policy for non-executive directors (fees)

Element	Purpose	How it works?	Fees
Non-executive Chairman (fees)	• To attract and retain 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-executive directors 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 AGMs 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.

Non-executive director succession: An overview

A. Key considerations

Expertise
- Relevant expertise.

Tenure
- Having the right mix of non-executive directors with a focus on experience and new thinking.

Diversity and inclusion considered
- Gender, race and location.

Understanding the Sappi business environment
- Understanding the cyclical nature of the pulp and paper industry.

B. Annual review of the composition and effectiveness of the board

- Every second year an independent evaluation of the board and individual member effectiveness
- Nomination and Governance Committee reviews that composition of the board three times per annum, looking at size, independence, tenure, expertise, diversity and overall mix of the board.

C. Process

Succession/vacancy
- Nominations and Governance Committee consider the key issues and criteria.

Appointment of a specialist recruitment agency
- Provide a shortlist on candidates to the Nominations and Governance Committee.

Interviews
- Completed by the Nominations and Governance Committee.

Appointment
- Followed by a detailed induction plan.

Mrs Stipp resigned from the board in February 2022. Following the process mentioned above, Mr Louis van Zeuner was appointed from 1 September 2022. Mrs Eleni Istavridis and Mr Nkululeko Sowazi's appointments were effective from 3 October 2022.

SECTION D: REMUNERATION IMPLEMENTATION REPORT

Remuneration structure

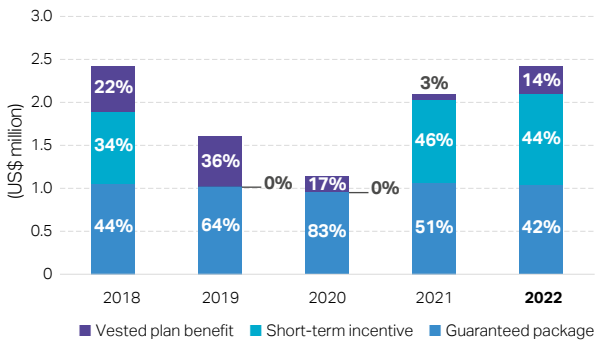
Total remuneration comprises fixed pay (ie, base salary and benefits) and variable performance-related pay, which is divided further into short-term incentives with a one-year performance period and long-term incentives, which have a four-year performance period.

Reward mix

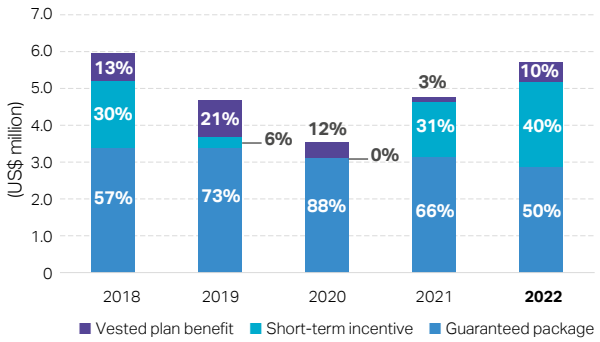
The reward mix for executive directors and Executive Committee members is shown in the schematics below.

The long-term incentive awards are based on the vested value of the performance plan shares issued on 4 December 2017 (share price at date of allocation: ZAR95.64). Details of the executive directors' remuneration can be found on page 188.

Executive directors



Prescribed officers' compensation mix



Our compensation policy aims to have a balance between guaranteed package, 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 2022, Mr Binnie and Mr Pearce received a salary increase of 4.5% on the South African portion of their salaries and 1.0% on the offshore portion of their salaries. Their salaries were US$549,242 per annum and US$317,525 per annum, respectively.

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.

Short-term incentive

A performance threshold of 85% of budgeted EBITDA for the group is required before any bonus can be paid to participants in the group scheme.

Achievement against short-term incentive metrics: executive directors 2022

Fiscal 2022 was a record earnings year and far exceeded expectations. The outlook at the beginning of the year was challenging, as Sappi faced spiralling input cost and uncertain demand. The market's propensity to absorb substantial selling price increases was untested and there was a vulnerability after recovering from the lows of the Covid-19 period. A reduction in supply capacity and a continuation of global supply chain disruptions favoured local manufactures and Sappi was able to capitalise by increasing selling prices and improving margins in a strong demand environment despite the spike in input cost.

Sappi leadership implemented appropriate strategies to deal with the uncertainties, disruptions in the supply chain, unprecedented events in South Africa and the rise in input cost. This resulted in robust earnings performance and has alleviated prior liquidity concerns. All targets for the MIS measures (EBITDA, ROCE and Safety) were exceeded.

Measures	Weighting	2022 targets			Outcome		
		Threshold	Target	Stretch	Actual performance	% of on-target amount	% of opportunity
EBITDA	50%	US$600m	US$706m	US$776m	US$1,406m	199%	150%
ROCE	20%	5.71%	7.61%	8.75%	29.9%	393%	150%

Safety

Safety (10%)	Target FY2022	Actual FY2022	Outcome	Was stretch improvement achieved?
LTIFR 5%	0.36	0.30	5%	Yes (2.5%)
LTISR 5%	17.08	9.31	5%	Yes (2.5%)
Total safety award			15%	

Both SNA and SSA have achieved record safety performance. Although their combined injury frequency rate is below their best performance over the last five years, the committee applied their discretion to award the enhanced safety bonus to both these regions. Both will receive the additional bonus points on their safety performance.

Personal objectives of executives for 2022 MIS

Performance objectives	Link to strategic fundamental	Description	Review	Weighting (%)
Focus on safety	Drive operational excellence	Drive safety first across Sappi with continuous improvement on overall severity rates measured by the injury index II and severity index of own and contractors.	Safety performance continuously improving – Sappi LTIFR 2022 – 0.30.	10
Implement our sustainability targets	Enhance trust	Implementation of our sustainability targets align with SBTi and United Nations Global Compact.	• Science based targets approved by SBTi • Specific GHG emissions kg CO_2eq/ADT • Specific solid waste to landfill kg/ADT • Share of certified fibre %. See **key material issues** section on pages 99 to 109 or more details.	30
Continue to improve Sappi's profitability	Sustain our financial health	Ensure that Sappi will have sufficient liquidity and capital resources to sustain the business.	Record EBITDA and EBIDTA margin ROCE (24.8%).	10
Focus on paying down debt	Sustain our financial health	Ensure that Sappi will have sufficient liquidity and capital resources to sustain the business.	Net debt down to US$1,163 million < 1 x net debt/EBITDA.	10

SECTION D: REMUNERATION IMPLEMENTATION REPORT continued

Performance objectives	Link to strategic fundamental	Description	Review	Weighting (%)
Execute on the strategic plans and projects	Grow our business	Implementation of key strategic initiatives.	• Successful ramp-up of the Saiccor Mill expansion project • Executed Project Silver, selling of the graphic European assets • Continue to transition the business from a graphic papers business to a growing packaging and speciality papers business on volume and earnings.	20
Manage the graphic papers margins and volumes and continue to transform the business towards packaging and speciality papers	Grow our business Drive operational excellence	Managed capacity in line with market demands, pricing and logistical challenges.	• Strong growth in volume and continued roll out of new grades in all regions • Demand for sustainable packaging material still a strong drive to growth.	20

The Chairman conducted a formal review with the CEO and scored him out of 20 points on the achievement of the stated objectives.

Based on this outcome, the Chairman awarded 19 points to Mr Binnie and 19 points to Mr Pearce. Due to the exceptional performance of Sappi, the EBITDA, ROCE and Safety targets were achieved. This will result in a bonus payment of 118.15% of annual base salary for executive directors.

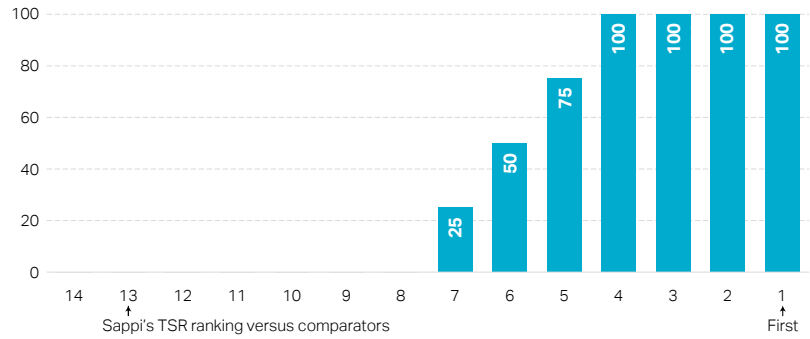
PSP outcomes for 2022

For the four-year period ending September 2022, Sappi's performance relative to the peer group measured on TSR was ranked 13th, resulted in a 0% vesting on the TSR component. The determination of the vesting of the shares was provided by Mercer, an independent third party.

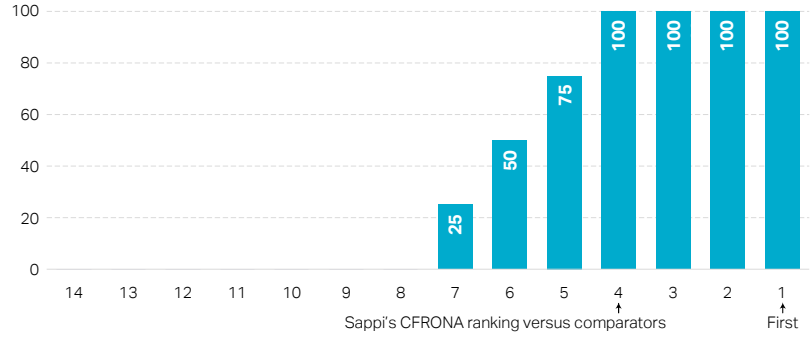
For the four-year period ending September 2022, Sappi's performance relative to the peer group measured on CFRONA was ranked fourth, resulted in 100% vesting on the CFRONA component. This result was verified by KPMG, our external auditors.

In aggregate, therefore 50% of the total 2018 awards vested.

2018 TSR vesting schedule (% of awards vesting)



2018 CFRONA vesting schedule (% of awards vesting)



In December 2018, Mr Binnie was granted 142,000 conditional performance plan shares, of which 50% of the allocation will vest in November 2022.

In December 2018, Mr Pearce was granted 65,000 conditional performance plan shares, of which 50% of the allocation will vest in November 2022.

The historical vesting of PSP awards:

Share awards	2019	2020	2021	2022
TSR	80%	0%	0%	**0%**
CFRONA	100%	100%	25%	**100%**
Aggregate	90%	50%	12.5%	**50%**

PSP allocations for 2022

Each year, Mercer Kepler provides management with a recommendation for an appropriate pool size. For the 2022 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 five years and is consistent with recommendations by our shareholders, to disclose the allocation method.

Mr Binnie was awarded 162,000 conditional performance plan shares in November 2022 that will vest in November 2026.

Mr Pearce was awarded 77,000 conditional performance plan shares in November 2022 that will vest in November 2026.

Executive Bonus Scheme (Share Purchase)

Members of the Executive Committee volunteer to purchase Sappi Limited shares to the value of 30% of their after-tax cash bonus and to keep the shares for a period of three years, with the exception of the group CEO, who volunteers to purchase shares to the value of 40% of his after-tax cash bonus and to keep the shares for a period of three years.

The shares purchased, as agreed above, is registered in the participants' own name and he/she will be able to sell these shares at any time outside of closed periods for trading of Sappi Limited shares and so long as the participant does not have any price-sensitive information pertaining to the Sappi group that would prevent him/her from transacting in Sappi Limited securities.

The participant undertakes to keep the shares for a period of 36 months, and if none of the shares have been sold or encumbered during and up to the end date of this 36-month period, then the participant will receive a cash bonus amount based on the then current market value of Sappi shares on the Johannesburg Stock Exchange at the end of the 36-month period, of 20% of the original number of shares purchased, which amount will be grossed up for tax purposes.

For this reporting cycle, no bonuses were paid in 2019.

Dilution

If all outstanding plan shares were to vest as at September 2022, the resulting dilution effect would be 2.79% (2021: 2.53%, 2020: 2.12%) 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 three times annual base salary, up from his previous two times. The CFO holds two times and all other prescribed officers at one times annual base salary.

SECTION D: REMUNERATION IMPLEMENTATION REPORT continued

The acquisition of shares will primarily be achieved by vesting performance shares and through the acquisition of shares under the executive bonus scheme (share purchase), whereby an individual volunteers 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.

	Shareholding			
Prescribed officer	**Target minimum**	**Number of shares (Sept 2022)**	**Value of shares**	**Actual multiple**
SR Binnie	3x	417,125	US$1,076,183	1.9
GT Pearce	2x	193,752	US$499,880	1.5
M Eikelenboom	1x	22,943	US$59,193	0.1
M Haws	1x	42,750	US$110,295	0.3
A Thiel	1x	571,402	US$1,474,217	4.3
M van Hoven	1x	210,778	US$543,807	3.0
G Bowles	1x	80,051	US$206,532	0.8
F Marupen	1x	84,636	US$218,361	1.1
M Mansoor	1x	61,800	US$159,444	0.5

* *Based on base salary as at 1 April 2021 for M Eikelenboom.*

- Average share price of US$2.58 (ZAR44.30) for September 2022.
- Based on the base salary as at 1 January 2021.

Remuneration disclosure of executive directors and prescribed officers

Executive directors' emoluments for 2022 (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 and pension**	**A**	**B**	**A + B**
SR Binnie	549,242	673,307	15,973	80,893	1,319,415	229,427	1,548,842
GT Pearce	317,525	388,990	9,086	58,760	774,361	105,019	879,304
Total	866,767	1,062,297	25,059	139,653	2,093,776	334,446	2,428,146

* *Long-term Share Incentive Plan (LTSIP).*

- Local earnings are translated into the reporting currency (US$) using the average exchange rate over the financial year. The average rate for SA Rand and Swiss Franc weakened by 6% and 4% respectively against the US Dollar
- Due to the earnings currencies (ZAR) weakening against the reporting currency (US$) over the year, this had the effect of showing earnings in US$ terms to be lower
- Base salary – the actual salary earned during 2022
- Performance-related remuneration – the actual value earned in 2022 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 November 2022.

LTSIP benefit: 2022 allocation (will vest in 2026)

Executive director	**Number of shares**	**Share price at allocation**	**Total awarded benefit***
SR Binnie	162,000	R51	US$523,480
GT Pearce	77,000	R51	US$248,815

* *Assuming 100% vesting on both performance conditions.*

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 and pension	A	B	A + B
SR Binnie	564,742	607,749	16,440	84,179	1,273,110	50,924	1,324,034
GT 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

- Local earnings are translated into the reporting currency (USD) using the average exchange rate over the financial year. The average rate for SA Rands and Swiss Francs appreciated by 8% and 6% respectively against the US Dollar
- Due to the earnings currencies (ZAR) appreciating against the reporting currency (USD) over the year, this had the effect of showing earnings in USD 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.

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 2022:

Prescribed officer	Short-term compensation (STC)				Subtotal STC	LTSIP (Value of shares vested this year)	Total
	Base salary	Annual cash award	Other allowances	Benefits and pension	A	B	A + B
M Eikelenboom	514,341	581,459	2,713	120,831	1,219,344	37,161	1,256,505
M Haws	448,993	520,062	–	51,953	1,021,008	37,161	1,058,169
A Thiel	330,492	278,379	11,233	56,635	676,739	127,639	804,378
M van Hoven	176,065	165,428	5,388	46,659	393,540	98,556	492,096
G Bowles	258,365	259,810	8,477	52,049	578,701	105,019	683,720
F Marupen	185,526	174,134	5,625	45,126	410,411	85,631	496,042
M Mansoor	317,523	312,171	160,186	77,647	867,527	63,012	930,539
Total	2,231,305	2,291,443	193,622	450,900	5,167,270	554,179	5,721,449

LTIP benefit: 2022 allocation (will vest in 2026)

Prescribed officer	Number of shares	Share price at allocation	Total awarded benefit*
G Bowles	70,000	R51	US$226,195
M van Hoven	72,000	R51	US$232,658
F Marupen	61,000	R51	US$197,113
A Thiel	90,000	R51	US$290,822
M Eikelenboom	90,000	R51	US$290,822
M Haws	90,000	R51	US$290,822
M Mansoor	54,000	R51	US$174,493

* *Assuming 100% vesting on both performance conditions.*

SECTION D: REMUNERATION IMPLEMENTATION REPORT continued

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[2]	Benefits and 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

[1] *Retired March 2021.*
[2] *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. 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 director's 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 Rand/US Dollar exchange rate in the past few years, caused distortions of the relative fees in US Dollar paid to individual directors.

All Sappi's non-executive director fees will be adjusted in line with executive management increases globally. These increases are estimated between 4% and 6%. As for the Chairman's fee, for the third consecutive year, no increase was recommended.

We will continue to review our non-executive director 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 2022 financial year were approved by shareholders. The table below sets out the remuneration for non-executive directors for 2022:

	2022			
Name	**Board fees**	**Committee fees**	**Travel allowance**	**Total**
ANR Rudd	**GBP338,736**	**GBP0**	**GBP9,665**	**GBP348,401**
MA Fallon	**GBP66,166**	**GBP48,608**	**GBP9,546**	**GBP124,320**
BR Beamish	**GBP56,768**	**GBP40,052**	**GBP3,556**	**GBP100,376**
NP Mageza	**ZAR565,482**	**ZAR642,152**	**ZAR183,643**	**ZAR1,391,277**
MV Moosa	**ZAR799,248**	**ZAR447,103**	**ZAR183,643**	**ZAR1,429,994**
B Mehlomakulu	**ZAR565,482**	**ZAR397,601**	**ZAR183,643**	**ZAR1,146,726**
ZN Malinga	**ZAR565,482**	**ZAR244,561**	**ZAR122,291**	**ZAR932,334**
LL von Zeuner[1]	**ZAR39,253**	**ZAR0**	**ZAR0**	**ZAR39,253**
RJAM Renders	**EUR75,377**	**EUR58,701**	**EUR6,834**	**EUR140,912**
JM Lopez	**US$86,756**	**US$26,138**	**US$19,000**	**US$131,894**
JE Stipp[2]	**US$26,038**	**US$13,170**	**US$3,800**	**US$43,008**

[1] *Appointed to the board in September 2022.*
[2] *Resigned 9 February 2022.*

- Fees are benchmarked and comparable to the market fees payable to the directors' residence
- Fees include two additional board meetings held in the period.

	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
ZN 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

Social, Ethics, Transformation and Sustainability Committee report

– Valli Moosa
Chairman Social, Ethics, Transformation and Sustainability Committee

INTRODUCTION

The Social, Ethics, Transformation and Sustainability (SETS) Committee presents its report for the financial year ended September 2022. 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 Mr Binnie, Dr Mehlomakulu, Mr Beamish and Mr Lopez for 2022. The chairman, Mr Moosa, attended two of the three meetings for 2022.

OBJECTIVES OF THE COMMITTEE

The world has endured much in recent years – rapidly increasing global temperatures leading to extreme weather events, rising income inequality, deepening geopolitical tensions, a global pandemic and unprecedented inflation driving economies into recession. These events severely disrupted our status quo; they affected our health, environment, society and economies. We recognise that the private sector has a key role to play in addressing the challenges the world is facing today and the SETS Committee is our social conscience, ensuring that the company is a responsible corporate citizen. We enhance our long-term stakeholder value by focusing our actions to deliver more sustainable shared value outcomes, both minimising the impacts of our activities on society and the environment.

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 social, ethics, transformation and sustainability. 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 2022 financial year were:

MV Moosa – Chairman
(from 01 March 2016)

SR Binnie

B Mehlomakulu

BR Beamish

JM Lopez

Four members of the committee were independent non-executive directors and one the Chief Executive Officer. In addition, the Chairman of the board attends committee meetings *ex officio*. The regional Chief Executive Officers, the Group Head Strategy and Legal, the Group Head Technology, the Group Head Human Resources, the Group Head Corporate Affairs, the Executive Vice President 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 social impact programmes
- Reviewed the UN sustainable development goals 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
- Reviewed the Code of Ethics, ethics programme and its 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, Broad-based Black Economic Empowerment (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 Organisation (ILO) 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 and approved the updated group sustainability charter and environmental policy
- Reviewed the material indicators of the group's environmental performance
- Reviewed regional sustainability performance against goals for 2022
- Reviewed and approved the climate strategy
- Reviewed the company's progress on climate-related activities and performance against climate KPIs using the TCFD framework
- 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 2022
- In-depth review and approval of 2030 Scope 1 and 2 and Scope 3 science-based decarbonisation targets and associated capital plans prior to submission to SBTi for validation
- In-depth review of the fire integrated risk management strategy and activities for Sappi Forests
- In-depth review of the Sappi Southern Africa community engagement programme and risk mitigation strategy
- In-depth review of progress towards sustainable procurement objectives and targets and longer-term Scope 3 considerations
- Reviewed the sustainability content for the Annual Integrated Report
- Reviewed the external verification update report on selected group sustainability metrics.

In 2022 a key focus remained the company's response to climate change. A climate strategy aligned with the principles of our Thrive25 business strategy was approved by the committee.

Within the climate strategy framework, Sappi commits to:

- Reduce our own and value-chain emissions; protect biodiversity and promote responsible use of scarce water resources
- Optimise allocation of capital for profitable growth while ensuring that it reduces our impact on climate change and positions us competitively for a low-carbon future
- Drive purposeful innovation and collaboration to provide low-carbon, bio-based solutions and accelerate climate action
- Be a transparent, proactive and responsible company and partner with a long-term, solutions-oriented approach to address climate change mitigation, adaptation and resilience. Play our part to ensure a socially inclusive just transition.

A highlight for the year was the validation of our 2030 decarbonisation targets by the Science Based Targets initiative (SBTi). The SETS Committee reviewed and approved the group targets and capital plans associated with the targets. Furthermore, for the first time, a comprehensive and dedicated climate report was presented to the committee outlining the company's progress on climate-related activities aligned with the TCFD framework.

At each committee meeting a topic is selected for an in-depth review. Typically, the subject of these reviews are matters which the committee believes represent key risks or opportunities for the business. In 2022 the review topics focused on risk/opportunity and potential impacts associated with wildfires in our forestry assets; sustainable procurement – our progress with respect to integration of ESG factors into our procurement processes; and a review of our community engagement strategy and action plans in South Africa.

Climate change driven extreme weather events such as floods, droughts and fires are the greatest physical risk to our business. Our forestry assets in South Africa are particularly exposed to these risks. Specifically, the likelihood of wildfires increases as global temperatures rise, which could lead to increased fire management expenses; increased growing stock losses; infrastructure damage; increased soil erosion and flooding; negative impacts on human mental and physical health (eg, smoke pollution); as well as reputational risk through impacts on neighbouring communities. The integrated fire risk management strategy for our Forestry assets was therefore reviewed by the committee to ensure that our mitigation activities are appropriate. In addition to a comprehensive risk assessment framework, significant investment in recent years has improved fire detection capabilities, while fire crew training and enhanced equipment has improved response times to fires. Sappi staff play key roles in the provincial and local fire protection associations, ensuring better optimal integrated fire risk management. Technical knowledge, resources and skills are shared with broader neighbouring communities, which reduces risk in a holistic manner. More specific Sappi fire risk mitigation activities include: fire protection (preparation of firebreaks); managing fuel loads; managing open areas and non-commercial areas; improving response time through strategic placement of water tankers and response vehicles as well as participation in fire protection agencies and use of camera systems to detect fires as soon as possible. In addition, weather forecasting, weather monitoring and prediction of fire danger index (FDI) are conducted and utilised to prioritise fire-fighting resources. The committee was satisfied that the appropriate fire risk mitigation measures are in place.

We recognise that our sustainability obligations extend beyond our own operations, and we are committed to utilising our sphere of influence to drive sustainability through our upstream value chains. A co-ordinated global approach is necessary to ensure that supplier risk and opportunity is prioritised for the group. The Sustainable Procurement Committee was established in 2021 and presented to the SETS Committee in 2022 their focus areas and progress.

2022 FOCUS AREAS AND PROGRESS

1	**Focus area 1:** Roll out of our Supplier Code of Conduct
2	**Focus Area 2:** Assessing risk of supplier non-compliance; Monitor and evaluate supplier performance using EcoVadis platform
3	**Focus Area 3:** Integrating responsible procurement practices throughout the company; Developing measurement and monitoring tools
4	**Focus Area 4:** Developing an approach to Scope 3 supplier engagements

The roll out of our Supplier Code of Conduct gained significant traction in 2022 and our efforts in terms of sustainable procurement were enhanced by our partnership with EcoVadis. We are actively collaborating with suppliers to assess their sustainability performance through ratings and evaluations using the EcoVadis methodology. This collaboration is empowering us to gain a clearer view of our supply chain and help us to evaluate and promote responsible business practices. It also enhances our risk identification capabilities as our suppliers' EcoVadis scorecards enable us to actively evaluate their performance and 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 UN Global Compact, the International Labour Organisation (ILO) conventions, the Global Reporting Initiative (GRI) standards and the ISO 26000 standard. The Sustainable Procurement Committee is making good progress in developing measurement and monitoring tools which are integrated into the procurement business systems. The approach with respect to Scope 3 engagements with suppliers was reviewed. The SETS Committee recognises that Scope 3 is an area that will require more resources in years to come as we strive to enhance our climate action impacts through value chain engagements.

In July 2021, South Africa was engulfed by the worst unrest and mass violence since the end of apartheid. 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 we were fortunate to escape direct damage to our operations, the rioting and looting cut off supply chains and created unsafe conditions for our employees to travel to work. Our three mills in KwaZulu-Natal were forced to close temporarily until order was restored. A year later in July 2022, South African finance minister Enoch Godongwana, warned that deteriorating service delivery at the municipal level is likely to lead to more instability and protest action in South Africa.

The potential risk of further community uprising and associated negative impacts on our assets and business activities is unquestionable. While we deplore violence of any kind, working as closely with the communities surrounding our operations as we do, we understand and empathise with the underlying root causes. We have thus intensified our focus on working with our local communities to help resolve their challenges. Our community engagement agreements commit both ourselves and our communities to work together in driving shared value for mutual benefit. The deep dive on community engagement in South Africa reviewed the programme initiatives and governance framework.

Integrated community forums (ICFs) are the key platforms used to build trust, gain advocacy and achieve shared value. Sappi participants include management, HR, communication, procurement, engineering and project teams. Community participants range from traditional leaders and councillors to local business and environmental groups and the Abashintshi (young community members, meaning "changers" in isiZulu). The ICFs focus on three key areas: community skills development, asset-based community development (ABCD) and corporate social investment, as well as enterprise and supplier development (ESD). Short-term initiatives typically focus on disaster relief efforts, donations – often in the form of paper, sports and recreation, as well as access to potable water and road and infrastructure support. The longer-term focus is on systemic change and helping to build social capital. This incorporates support throughout the education value chain – from support for early childhood development to the Sappi skills centres at Ngodwana and Saiccor Mills which are focused on technical training. It also extends to environmental projects such as our partnership with WWF-SA that both mitigate harm and create environmental benefit. Through shared value, our overarching aim, is to move our communities towards a sustainable future independent of Sappi. The committee was satisfied with the excellent progress that has been made in community engagement through the ICF framework.

CONCLUSION

The committee confirms that the group gives its social, ethics, transformation and sustainability 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.

Valli Moosa
Chairman
Social, Ethics, Transformation and Sustainability Committee

celebrate

Any sporting great will tell you that, even if they are an individual performer, their wins are due not just to their own prowess, but also to the work taking place behind the scenes. Most specifically, their win also belongs to the team backing them up – from the coaches who are with them every step of the way; to those who believe in them, even when obstacles seem insurmountable.

As we celebrate an outstanding year, we readily acknowledge that it is the outstanding perseverance, collaboration and commitment of our extraordinary people that delivered the results. We do not forget that it took tremendous courage from our people to implement the decisions that ultimately delivered so handsomely.

Together, over the last few years, we have been through some challenging times. We have taken some tough decisions and have had to make difficult calls.

Our people have countered volatility with agility, setbacks with courage and problems with perseverance and ingenuity. Through it all, they have held the flag of OneSappi and our purpose of building a thriving world high.

Together, even as we celebrate what we have accomplished, we are committed to maintaining our momentum.

Five-year review

FOR THE YEAR ENDED SEPTEMBER 2022

US$ million	2022	2021	2020	2019	2018
Income statement					
Sales	**7,296**	5,265	4,609	5,746	5,806
Variable manufacturing and delivery costs	**4,387**	3,238	2,838	3,530	3,521
Fixed costs	**1,853**	1,777	1,673	1,771	1,767
Sundry expenses (income)[1]	**18**	47	41	43	38
Operating profit excluding special items	**1,038**	203	57	402	480
Special items – (gains) losses	**268**	57	95	19	(9)
Operating profit (loss)	**770**	146	(38)	383	489
Net finance costs	**97**	134	88	85	68
Profit (loss) before taxation	**673**	12	(126)	298	421
Taxation charge	**137**	(1)	9	87	98
Profit (loss) for the year	**536**	13	(135)	211	323
EBITDA excluding special items	**1,339**	532	378	687	762
Balance sheet					
Total assets	**6,229**	6,186	5,455	5,623	5,670
Non-current assets	**3,430**	4,255	3,891	3,789	3,766
Current assets	**2,799**	1,931	1,564	1,834	1,904
Current liabilities	**1,524**	1,309	1,123	1,214	1,173
Shareholders' equity	**2,358**	1,970	1,632	1,948	1,947
Net debt	**1,163**	1,946	1,957	1,501	1,568
Gross interest-bearing debt	**1,943**	2,312	2,236	1,894	1,931
Cash	**(780)**	(366)	(279)	(393)	(363)
Capital employed	**3,521**	3,916	3,589	3,449	3,515
Cash flow					
Cash generated from operations	**1,267**	472	323	673	709
Decrease (increase) in working capital	**(270)**	39	65	(15)	(79)
Finance costs paid	**(102)**	(110)	(108)	(51)	(84)
Finance income received	**10**	8	6	9	18
Taxation paid	**(23)**	(2)	(26)	(51)	(73)
Dividends paid	**–**	–	–	(92)	(81)
Cash generated from operating activities	**882**	407	260	473	410
Net cash generated (utilised)	**506**	29	(257)	1	(254)
Cash effects of financing activities	**(43)**	33	138	56	68
Capital expenditure (gross)	**368**	374	351	471	541
To maintain operations	**196**	176	126	148	167
To expand operations	**172**	198	225	323	374
Exchange rates					
US$ per one Euro exchange rate – closing	**0,980**	1,172	1,163	1,094	1,161
US$ per one Euro exchange rate – average (financial year)	**1,085**	1,196	1,120	1,128	1,190
ZAR to one US$ exchange rate – closing	**18,154**	14,966	17,131	15,156	14,147
ZAR to one US$ exchange rate – average (financial year)	**15,783**	14,851	16,226	14,346	13,052

[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	2022	2021	2020	2019	2018
Statistics					
Number of ordinary shares (millions)[1]					
In issue at year end	**565.2**	561.5	546.1	542.8	539.3
Basic weighted average number of shares in issue during the year	**563.3**	549.7	545.5	542.0	538.1
Per share information (US cents)					
Basic earnings (loss)	**95**	2	(25)	39	60
Diluted earnings (loss)	**90**	2	(25)	39	59
Headline earnings (loss)	**130**	5	(19)	42	59
Diluted headline earnings (loss)	**122**	5	(19)	42	58
EPS excluding special items (US cents)	**138**	15	(5)	44	60
Net asset value	**417**	351	299	359	361
Profitability ratios (%)					
Operating profit (loss) to sales	**10.6**	2.8	(0.8)	6.7	8.4
Operating profit excluding special items to sales	**14.2**	3.9	1.2	7.0	8.3
EBITDA excluding special items to sales	**18.4**	10.1	8.2	12.0	13.1
Operating profit excluding special items to capital employed (ROCE)	**27.9**	5.4	1.6	11.0	14.6
Net debt to EBITDA excluding special items	**0.9**	3.7	5.2	2.2	2.1
Interest cover	**15.6**	5.5	4.7	9.3	11.0
Return on average equity (ROE)	**24.8**	0.7	(7.5)	10.0	17.5
Debt ratios (%)					
Net debt to total capitalisation	**33.0**	49.7	54.5	43.5	44.6
Efficiency ratios					
Asset turnover (times)	**1.2**	0.9	0.8	1.0	1.0
Inventory turnover ratio	**7.6**	5.6	6.3	7.0	6.7
Liquidity ratios					
Current asset ratio	**1.8**	1.5	1.4	1.5	1.6
Trade accounts receivable days outstanding (including receivables securitised)	**44**	47	44	46	45
Cash interest cover (times)	**12.9**	4.5	3.7	7.6	9.3
Other non-financial information[2]					
Sales volumes	**7,937**	7,339	6,788	7,622	7,591
Number of full-time equivalent employees	**12,495**	12,492	12,805	12,821	12,645
Lost-time injury frequency rate (including contract employees)	**0.30**	0.38	0.35	0.54	0.43
Energy					
Energy intensity (GJ/adt)	**22.10**	22.30	23.70	22.10	22.50
Renewable and clean energy to total energy (%)	**53.90**	53.70	53.10	51.70	50.30
Water					
Specific process water extracted (m^3/adt)	**34.40**	35.00	37.20	34.60	34.60
Waste					
Specific total landfill (kg/adt)	**52.100**	53.100	60.900	65.900	64.300
Emissions					
Specific Scope 1 emissions (ton CO_2 eq/adt)	**0.61**	0.68	0.71	0.66	0.69
Absolute Scope 1 (ton CO_2e)	**4,072,052**	4,264,077	4,073,453	4,415,554	4,443,906
Specific Scope 2 emissions (ton CO_2 eq/adt)	**0.19**	0.16	0.20	0.22	0.23
Absolute Scope 2 (ton CO_2e)	**1,245,892**	1,019,103	1,152,771	1,482,329	1,483,552

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 2022

SHAREHOLDING

Ordinary shares in issue	Number of shareholders	%	Number of shares[1]	% of shares in issue
1 – 5,000	8,730	86.5	3,538,635	0.6
5,001 – 10,000	251	2.5	1,843,770	0.3
10,001 – 50,000	491	4.9	12,393,793	2.2
50,001 – 100,000	179	1.8	12,969,862	2.3
100,001 – 1,000,000	352	3.5	112,622,652	19.9
Over 1,000,000	77	0.8	421,856,820	74.7
	10,080	100.0	565,225,532	100.0

[1] *The number of shares excludes 5,163,562 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	–
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 2022 was 10,068)	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 2022 the following are beneficial holders of more than 5% of the issued share capital of Sappi Limited:

Beneficial holder	Shares	%
Public Investment Corporation	107,256,752	19,0
Allan Gray Balanced Fund	37,805,103	6,7
Alexander Forbes Investments	31,179,908	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 2022, the following fund managers were responsible for managing 5% or more of the share capital of Sappi Limited:

Fund manager	Shares	%
Public Investment Corporation	95,814,302	17.0
Allan Gray Pty Limited	95,612,336	16.9
M&G plc	71,525,705	12.7
Ninety One Plc	53,456,551	9.5

Share statistics		2022	2021	2020	2019	2018
Ordinary shares in issue (millions)[1]		**565.2**	561.5	546.1	542.8	539.3
Net asset value per share (US cents)		**417**	351	299	359	361
Number of shares traded (millions)						
JSE		**590.9**	444.5	736.3	537.1	557.4
New York		**0.5**	0.7	2.0	0.3	0.4
Value of shares traded						
JSE (ZAR million)		**29,491.0**	17,073.0	24,509.3	33,141.3	49,837.1
New York (US$ million)		**1.6**	1.6	4.0	1.5	2.9
Percentage of issued shares traded		**104.6**	79.3	135.2	99.0	103.4
Market price per share						
– year end	JSE (South African cents)	**4,402**	3,861	2,377	3,629	8,875
	New York (US cents)	**268**	260	151	251	639
– highest	JSE (South African cents)	**6,348**	5,269	4,799	9,059	10,579
	New York (US cents)	**420**	359	345	640	749
– lowest	JSE (South African cents)	**3,785**	2,265	1,720	3,542	7,180
	New York (US cents)	**235**	135	107	241	613
Earnings yield (%)[2]		**39.18**	0.78	negative	16.29	9.56
Price/earnings ratio (times)[2]		**2.55**	128.99	negative	6.14	10.46
Total market capitalisation (US$ million)[2]		**1,371**	1,449	758	1,300	3,383

[1] *The number of shares excludes 5,163,562 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.

bio-fuels – 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 bio-based 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 texture in polyurethane or polyvinyl chloride plastic films for the production of synthetic leather and other 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 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.

COP15 – The 15th Conference of the Parties to the United Nations Convention on Biological Diversity (CBD), scheduled to take place in Montreal, Canada in December 2022.

COP27 – The 27th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP27), that took place in the Egyptian city of Sharm el-Sheikh in November 2022.

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 spun 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.

Eskom – Eskom is the South African national electricity public utility.

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®) – Is a global, not-for-profit organisation dedicated to the promotion of responsible forest management world-wide. (FSC-C015022) (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 Organisation for Standardisation.

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 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 – Natural forests include old growth and primary forests as well as managed forests where most of the principal characteristics and key elements of native ecosystems such as complexity, structure, wildlife and biological diversity are present.

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.

Glossary continued

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.

release paper – 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 Pulp – 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.

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®) – Is 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 within the PEFC programme. (http://www.sfiprogram.org)

TCFD – Task Force on Climate-related Financial Disclosures.

TNFD – Taskforce on Nature-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.

Transnet – Transnet is the state owned South African rail, port and pipeline company.

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 anti-corruption.

UN SDGs – United Nations Sustainable Development Goals.

Verve – brand name for Sappi dissolving pulp.

viscose staple fibre (VSF) – A natural fibre made from purified cellulose, primarily from DP that can be twisted to form yarn.

WBCSD – World Business Council For Sustainable Development.

woodfree paper – Paper made from chemical pulp.

World Wildlife Fund (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.

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 IFRS.

Glossary continued

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 March 2021, 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.

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 sixth (86th) Annual General Meeting of the company will be held at Sappi's registered office, in the Oxford Room, Ground Floor, 108 Oxford Road (entrance on Ninth Street) Houghton Estate, Johannesburg, 2198, Republic of South Africa and through electronic communication on Wednesday, 08 February 2023 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 company's securities 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, 09 December 2022. This Notice of AGM is being distributed to Shareholders on Thursday, 15 December 2022 and this will be announced on the Stock Exchange News Service of the JSE, on the same date.

The last day to trade in order to be eligible to attend and vote at the AGM is **Tuesday, 31 January 2023**.

The record date to determine which Shareholders are entitled to attend and vote at the AGM is Friday, 03 February 2023 (Attendance Record Date).

ORDER OF BUSINESS

A To present:
   i. as required in terms of section 30(3)(d) read with section 61(8)(a) of the Companies Act, the audited consolidated annual financial statements of the company for the financial year ended 30 September 2022, 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 terms of regulation 43(5)(c) of the Companies Regulations, 2011, as contained in the company's 2022 Annual Integrated Report (Annual Integrated Report) (see page 192).

   The complete audited consolidated annual financial statements of the company for the financial year ended 2022 are available on the Sappi website: www.sappi.com

B To present the Annual Integrated Report, containing the disclosures required as per the JSE Limited Listings Requirements (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. Re-election of the directors retiring by rotation in terms of Sappi's memorandum of incorporation (Sappi's MOI)

The following ordinary resolutions numbers 1, 2, 3 and 4 propose the re-election of those directors of the company who retire as directors by rotation in accordance with Sappi's MOI and who, being eligible for re-election, offer themselves for re-election.

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 to this **Notice of AGM** on page 216.

It is intended that all the directors who retire by rotation will, if possible, attend the AGM, either in person or by means of videoconferencing.

In order for these ordinary resolutions numbers 1, 2, 3 and 4 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
"Resolved that Mr MA Fallon be and is hereby re-elected as a director of Sappi."

Ordinary resolution number 2
"Resolved that Mr NP Mageza be and is hereby re-elected as a director of Sappi."

Ordinary resolution number 3
"Resolved that Dr B Mehlomakulu be and is hereby re-elected as a director of Sappi."

Ordinary resolution number 4
"Resolved that Mr GT Pearce be and is hereby re-elected as a director of Sappi."

2. Election of directors appointed since the last annual general meeting

In terms of section 68(3) of the Companies Act, the board of directors of a company can appoint a person to fill a vacancy and serve as a director of the company on a temporary basis until the vacancy has been filled by an election by Shareholders.

The following ordinary resolutions numbers 5, 6 and 7 propose the election by Shareholders of the persons who have been appointed as directors by the board subsequent to the conclusion of the last annual general meeting.

Ordinary resolution number 5
"Resolved that Mr LL von Zeuner be and is hereby elected as a director of the company."

Ordinary resolution number 6
"Resolved that Ms E Istavridis be and is hereby elected as a director of the company."

Ordinary resolution number 7
"Resolved that Mr NL Sowazi be and is hereby elected as a director of the company."

Each of the board and the Nomination and Governance Committee has conducted an assessment of the performance of each of Mr LL von Zeuner, Ms E Istavridis and Mr NL Sowazi and recommends and supports their election as directors. For brief biographical details of these directors, refer to note 1 to this Notice of AGM on page 216.

In order for these ordinary resolutions numbers 5, 6 and 7 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.

3. Election of Audit and Risk Committee members

The following ordinary resolutions numbers 8 to 14 are 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 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 has considered and accepted the findings of the Nomination and Governance Committee in this regard. 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 144).

Ordinary resolution number 8
"Resolved that Mr NP Mageza[1] be and is hereby elected as a member (and chairperson) of the Audit and Risk Committee."

Ordinary resolution number 9
"Resolved that Ms ZN Malinga be and is hereby elected as a member of the Audit and Risk Committee."

Ordinary resolution number 10
"Resolved that Dr B Mehlomakulu[2] be and is hereby elected as a member of the Audit and Risk Committee."

Ordinary resolution number 11
"Resolved that Mr RJAM Renders be and is hereby elected as a member of the Audit and Risk Committee."

Ordinary resolution number 12
"Resolved that Mr LL von Zeuner[3] be and is hereby elected as a member of the Audit and Risk Committee."

Ordinary resolution number 13
"Resolved that Ms E Istavridis[4] be and is hereby elected as a member of the Audit and Risk Committee."

Ordinary resolution number 14
"Resolved that Mr NL Sowazi[5] be and is hereby elected as a member of the Audit and Risk Committee."

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 annual general meeting and perform the duties and responsibilities stipulated in section 94(7) of the Companies Act, the JSE Listings Requirements and King IV and such other duties and responsibilities as may from time to time be determined by the board.

In order for ordinary resolutions numbers 8 to 14 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.

4. Appointment of auditors

The board has evaluated the performance of KPMG Inc and recommends its re-appointment as auditors of Sappi. The Audit and Risk committee has considered and is satisfied as to the independence of KPMG Inc in accordance with section 94(8) of the Companies Act. The board has also considered and is satisfied as to the suitability of KPMG Inc pursuant to paragraph 3.84(g)(iii) of the JSE Listings Requirements. Furthermore, the board has, pursuant to paragraph 3.86 of the JSE Listings Requirements, considered and satisfied itself that KPMG Inc is accredited and recorded on the JSE list of Auditors and Accounting Specialist and that Ms Guiseppina Aldrighetti is not on the JSE list of disqualified individual auditors.

Ordinary resolution number 15
"Resolved that KPMG Inc (with the designated registered auditor to be Ms Guiseppina Aldrighetti) be and is hereby re-appointed as the auditors of Sappi for the financial year ending 30 September 2023 and remain in office until the conclusion of the next annual general meeting."

In order for this ordinary resolution number 15 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.

5. Remuneration policy

Ordinary resolution number 16
"Resolved that the company's remuneration policy as contained in the **Remuneration Report** in the Annual Integrated Report (see page 168), 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 and paragraph 3.84(j) of the JSE Listings Requirements.

In order for this ordinary resolution number 16 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 16) and the remuneration implementation report (in ordinary resolution number 17) 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.

[1] *Subject to his re-election as a director pursuant to ordinary resolution number 2.*
[2] *Subject to her re-election as a director pursuant to ordinary resolution number 3.*
[3] *Subject to his election as a director pursuant to ordinary resolution number 5.*
[4] *Subject to her election as a director pursuant to ordinary resolution number 6.*
[5] *Subject to his election as a director pursuant to ordinary resolution number 7.*

6. Remuneration implementation report

Ordinary resolution number 17

"Resolved that the company's remuneration implementation report as contained in the **Remuneration Report** in the Annual Integrated Report (see page 168), 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 and paragraph 3.84(j) of the JSE Listings Requirements.

In order for this ordinary resolution number 17 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.

7. General authority to repurchase shares

Special resolution number 1

"Resolved that the board be and is hereby authorised, by way of a general authority, to approve the repurchase from time to time by the company of its own issued ordinary shares (Sappi shares), and to approve the purchase from time to time of Sappi shares in the company by any subsidiary from time to time of the company upon such terms and conditions and in such amounts as the board may from time to time determine, but subject to (re)purchases by the company and/or its subsidiaries pursuant to this general authority not exceeding in total 10% (ten percent) of the number of Sappi shares in issue on the date on which this general authority is granted, and subject to the provisions of the Companies Act, Sappi's MOI and the JSE Listings Requirements, when applicable, and any other relevant authority. It is recorded that the JSE Listings Requirements currently require, *inter alia*, the following in relation to a general authority to repurchase securities:

(a) this general authority shall be valid until the next annual general meeting or for 15 months from the date on which the general authority is granted, whichever period is shorter;
(b) authorisation thereto must be given by the company's memorandum of incorporation;
(c) no acquisition may be made at a price more than 10% (ten percent) above the weighted average of the market price of the Sappi shares for the 5 (five) business days immediately preceding the date of such acquisition;
(d) the repurchase of the Sappi shares must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty (reported trades are prohibited);
(e) the company may only appoint one agent at any point in time to effect any repurchase(s) on the company's behalf;
(f) the company and/or any of its subsidiaries may not acquire Sappi shares during a prohibited period as defined in the JSE Listings Requirements unless a repurchase programme is in place. The company must instruct only one independent third party, which makes its investment decisions in relation to the Sappi shares independently of, and uninfluenced by, the company prior to the commencement of the prohibited period to execute the repurchase programme. The repurchase programme must be submitted to the JSE in writing prior to the commencement of the prohibited period and must include certain details including (i) the name of the independent agent; (ii) the date on which the independent agent was appointed by the company; and (iii) the commencement and termination date of the repurchase programme;
(g) the general authority may be varied or revoked by special resolution of the Shareholders prior to the next annual general meeting of the company;
(h) should the company and/or its subsidiaries cumulatively repurchase 3% of the initial number of Sappi shares (i.e., the number of Sappi shares in issue at the time that the general authority from Shareholders is granted), and for each 3% in aggregate of the initial number acquired thereafter, an announcement must be made in terms of paragraph 11.27 of the JSE Listings Requirements; and
(i) the board must have resolved to authorise the repurchase, that the company and the relevant subsidiaries have passed the solvency and liquidity test contained in the Companies Act and that, since the test was performed, there have been no material changes in the financial position of the group.

The company will not affect a repurchase of Sappi shares under the general authority as contemplated in special resolution number 1 unless the following requirements are met:

- the company will meet a solvency and liquidity test as contemplated in the Companies Act;
- each of the company and the group will be able to pay its debts for a period of 12 (twelve) months following the date of the repurchase;
- the assets of each of the company and the group will be in excess of the liabilities of the company and the group for a period of 12 (twelve) months following the date of the repurchase, such assets and liabilities having been valued in accordance with the accounting policies used in the audited consolidated annual financial statements of the company for the year ended 30 September 2022;
- the share capital and reserves of each of the company and the group will be adequate for the ordinary course of business purposes for a period of 12 (twelve) months following the date of the repurchase; and
- the working capital of each of the company and group is considered adequate for ordinary business purposes for a period of 12 (twelve) months following the date of the repurchase.

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.

The board will exercise the general authority to repurchase Sappi shares should the opportunity arise and should the directors deem it in all respects to be advantageous to the company to repurchase such shares.

Disclosure in terms of paragraph 11.26 of the JSE Listings Requirements

The JSE Listings Requirements require the following disclosures in relation to special resolution number 1, which are included in the Annual Integrated Report

– major Shareholders of the company – page 200 of the Annual Integrated Report; and

– share capital of the company – page 200 of the Annual Integrated Report.

Directors' responsibility statement

The directors, whose names are set out on pages 144 to 145 of the Annual Integrated Report, collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution number 1 and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the abovementioned resolution contains all information required by the JSE Listings Requirements.

No material change

There have been no material change in the financial or trading position of the company and the group since 30 September 2022.

Statement of board's intention

The board has not passed any resolution to effect, and has no current specific intention to effect, a repurchase pursuant to the general authority as contemplated in special resolution number 1. The board will continually review the company's position, having regard to prevailing circumstances and market conditions, in considering whether to effect such a repurchase.

8. Non-executive directors' fees

Special resolution number 2

"Resolved that, for the period commencing on 1 October 2022 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	ZAR704,800	ZAR747,088
If United Kingdom resident	£71,121	£74,677
If United States of America resident	US$108,466	US$112,804
If European resident	€94,435	€99,157
Other directors		
If South African resident	ZAR471,034	ZAR499,296
If United Kingdom resident	£47,370	£49,739
If United States of America resident	US$72,304	US$75,196
If European resident	€62,913	€66,059
2. Audit and Risk Committee fees[1]		
Chairperson		
If South African resident	ZAR489,112	ZAR518,459
If United Kingdom resident	£48,101	£50,506
If United States of America resident	US$74,887	US$77,882
If European resident	€63,872	€67,066
Other directors		
If South African resident	ZAR244,561	ZAR259,235
If United Kingdom resident	£24,187	£25,397
If United States of America resident	US$36,572	US$38,035
If European resident	€32,108	€33,713

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 established from time to time (*ad hoc* or otherwise)[1]		
Chairperson		
If South African resident	ZAR294,063	ZAR311,707
If United Kingdom resident	£28,582	£30,012
If United States of America resident	US$42,794	US$44,506
If European resident	€37,946	€39,843
Other directors		
If South African resident	ZAR153,040	ZAR162,223
If United Kingdom resident	£20,026	£21,027
If United States of America resident	US$26,138	US$27,183
If European resident	€26,593	€27,923
4. Additional meeting fees for board meetings in excess of five meetings per financial year whether attended in person or by teleconference/ videoconference and other *ad hoc* duties		
If South African resident	ZAR47,224 per meeting	ZAR50,057 per meeting
If United Kingdom resident	£4,699 per meeting	£4,934 per meeting
If United States of America resident	US$7,226 per meeting	US$7,515 per meeting
If European resident	€6,232 per meeting	€6,543 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, with payments for a part of a financial year being determined on a pro rata basis.*
[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 2 increases the remuneration currently paid to non-executive directors and board committee members. The recommendation is that all non-executive directors' fees will be adjusted in line with executive management increases globally. No adjustment is recommended for the Chairman's fee. The fees would be increased by between 4% and 6% per annum, depending on the domicile of the director, with effect from 01 October 2022. 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 review takes into account that the responsibilities of non-executive directors continue 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 accordingly be applicable to payments to be made in December 2022 onwards. Initially the December 2022 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 2022 payment will be made up in the March 2023 payment.

Directors' fees and board committee fees are paid to non-executive directors only.

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.

9. Loans or other financial assistance to related or inter-related companies or corporations, and to any person related to the company and any such company or corporation

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 and to any person related to any such company or corporation, 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.

Special resolution number 3

"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 or corporation (wheresoever incorporated or registered) which is from time to time related or inter-related to the company, and to any person related from time to time to the company or any such company or corporation, on such terms and conditions and in such amounts as the board may determine, subject to the board being satisfied that:

- immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test contained in the Companies Act; and
- the terms under which the financial assistance is proposed to be given are fair and reasonable to the company.

For the avoidance of doubt, this special resolution number 3 does not authorise the company to provide direct or indirect financial assistance to a director or prescribed officer, or to a director or prescribed officer of a related or inter-related company or corporation".

In order for this special resolution number 3 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.

10. Signature of documents

Ordinary resolution number 18

"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 18 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.

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 at, 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 licence.

Certificated shareholders and own-name dematerialised shareholders

Shareholders who are recorded as such in the securities register on the attendance record date (Qualifying Shareholders) and who:

- hold Sappi shares in certificated form, or
- have dematerialised their shares (i.e., have replaced the paper share certificates with electronic records of ownership under the JSE's electronic settlement system) and are recorded in the sub-register in own name dematerialised form (i.e., 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, 06 February 2023**.

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 (other than own-name dematerialised shareholders)

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 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 Qualifying 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 MOI 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; and
  - vote during the AGM through a virtual meeting platform; and
- a Qualifying Shareholder (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, 06 February 2023**. If a Qualifying Shareholder does not email a participation request complying with the above requirements to reach the Transfer Secretaries by that time, that Qualifying Shareholder 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 a participation request is sent 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:

- by **14:00 (South African Standard Time) on Monday, 06 February 2023**, 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, 07 February 2023** or
- after **14:00 (South African Standard Time) on Monday, 06 February 2023** 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.

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, CSDPs or brokers; 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.**

Sappi shares held by a share trust or scheme

Sappi shares held by a share trust or scheme will not have their votes taken into account at the AGM for the purposes of resolutions proposed in terms of the JSE Listings Requirements.

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 submit questions in advance in writing to the Group Company Secretary so as to be received by **17:00 (South African Standard Time) on Friday, 27 January 2023** 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

15 December 2022

NOTES

1. Directors retiring by rotation who are seeking re-election

Michael Anthony Fallon (Mike) (64)
(Independent)

Qualifications: BSc Hons (First Class)
Nationality: British
Appointed: September 2011

Sappi board committee memberships
- Human Resources and Compensation Committee (Chairman)
- Nomination and Governance Committee

Skills, expertise, and experience
Mr Fallon retired as an executive director of Nippon Sheet Glass Company Limited (NSG Group) at the end of June 2012. Before retiring, Mr Fallon was President of NSG's Global Automotive division, with 17,500 employees, heading up all the glass and glazing operations in the key automotive regions across the world. With annual sales of around €6 billion, the NSG Group is one of the world's largest manufacturers of glass and glazing products for the building, automotive and speciality glass sectors. His management and leadership experience extends across a wide range of functions from plant management, sales and marketing and supply chain to general management, including mergers and acquisition experience. During his 30-year career in a highly competitive industry, he held several positions, including President of Pilkington operations in North America and director and Chairman of companies in the UK, New Zealand and Finland. In his last four years at NSG group, he was both a main board director and leader of its Global Automotive division. He was responsible for leading and developing the strategic direction and ultimately the performance and governance of this business. His leadership and experience covered all aspects of the business, from its research and development, sales and marketing, 30 manufacturing sites, supply chain, including 150 warehouses and distribution centres, purchasing, human resources and finance.

Nkateko Peter Mageza (Peter) (67)
(Independent)

Qualifications: FCCA (UK)
Nationality: South African
Appointed: January 2010

Sappi board committee memberships
- Audit and Risk Committee (Chairman)
- Human Resources and Compensation Committee

Other board and organisation memberships
- Anglo American Platinum Ltd
- RCL Foods Ltd
- Remgro Ltd

Skills, expertise, and experience:
Mr Mageza joined the Sappi board after holding senior executive positions across several industries. He is a former Group Chief Operating Officer and Executive Director of Absa Group Limited, assistant General Manager at Nedcor Limited and CEO of Autonet, the Road Passenger and Freight Logistics division of Transnet Limited. He was previously a director at MTN Group Limited.

Dr Bonakele Mehlomakulu (Boni) (49)
(Independent)

Qualifications: PhD (Chemical Engineering)
Nationality: South African
Appointed: March 2017

Sappi board committee memberships
- Social, Ethics, Transformation and Sustainability Committee
- Audit and Risk Committee

Other board and organisation memberships
- Hulamin Limited
- Yokogawa South Africa

Skills, expertise, and experience
Dr Boni Mehlomakulu holds a PhD in Chemical Engineering from the University of Cape Town. Her career started at Sasol before joining the Department of Science and Technology occupying various management roles. Her recent executive role was CEO of the South African Bureau of Standards; a position she held for nine years. In addition to her non-executive directorship at Sappi Limited, she also serves as a non-executive director at Hulamin Limited and Yokogawa South Africa. Her past directorships include PBMR (Pty) Limited, Nuclear Energy Corporation of South Africa, Eskom Holdings SOC Limited and the Technology Innovation Agency, she also served as the Deputy Chair of Unisa Council and was a country representative on the Council of International Organization for Standardization (ISO, Geneva).

Glen Thomas Pearce (59)
(Chief Financial Officer)

Qualifications: BCom, BCom Hons, CA(SA)
Nationality: South African
Appointed: July 2014

Sappi board committee memberships
- Expected to attend Audit and Risk Committee meetings by invitation

Skills, expertise, and experience
Mr Pearce joined Sappi Limited in June 1997 as Financial Manager and subsequently held various senior finance roles in South Africa and in Belgium before being promoted to Chief Financial Officer and executive director of Sappi Limited in July 2014. Prior to joining Sappi, he worked at Murray & Roberts Limited from 1992 to 1996.

2. Appointment and confirmation of directors

Mr Louis Leon von Zeuner (61)

(Independent)

Qualifications: BEcon (Economics)
Nationality: South African
Appointed: September 2022

Sappi board committee memberships

- Audit and Risk Committee

Other board and organisation memberships

- Telkom SOC, Independent Non-Executive Director, (Chair Audit & Risk)
- Transnet SOC, Independent Non-Executive Director, (Audit, Finance, and Investment, Risk member)
- FirstRand Group, Independent Non-Executive Director, (Chair REM)
- University of Free State, Council Member

Skills, expertise, and experience

Mr von Zeuner holds a Bachelor of Economics from the University of Stellenbosch and is a Chartered Director (SA). His role as board member, aside from the normal focus on strategy profitability and sustainability, has a key focus on governance status. Despite his role change from executive to non-executive, Mr von Zeuner has been able to continue to play a leadership role in the activities of various organisations and contribute to growing the businesses. He is results driven and supports growing customer relationships.

Ms Eleni Istavridis (65)

(Independent)

Qualifications: Bachelor of Arts (BA) (MBA) (MIA)
Nationality: American
Appointed: October 2022

Sappi board committee memberships

- Audit and Risk Committee

Other board and organisation memberships

- Sonoco Products Company, Independent Non-Executive Director (Financial Policy Committee, Employee and Public Responsibility Committee, Audit Committee)

Skills, expertise, and experience.

Ms Istavridis is a seasoned leader with international experience, including 17 years in the United States and 22 years in Asia in Financial Services and Manufacturing. She has deep expertise in strategy, finance and global operations. Most recently she was Executive Vice President at Bank of New York Mellon as Head of Global Client Management for Asia and later Head of Investment Services, Asia Pacific. Earlier she served in a variety of senior leadership roles including, President and COO of Tristate, an Asia based manufacturer, and Managing Director at Bankers Trust Company. She is currently an Independent board member of two public companies and has committee assignments focused on Audit, Financial Policy, Employees and Public Responsibility areas.

Mr Nkululeko Leonard Sowazi (59)

(Independent)

Qualifications: Master's Degree in Urban Planning
Nationality: South African
Appointed: October 2022

Sappi board committee memberships

- Audit and Risk Committee

Other board and organisation memberships

- Grindrod Limited, Lead Independent Non-Executive Director, (Member of Remuneration), (Member of Investment), (Member of Social & Ethics), (Member of Risk)
- MTN Group, Independent Non-Executive Director, (Member of Nominations), (Remuneration and Human Resources Member), (Finance Member), (Chair of S&E), (Climate Change member)
- Sanlam Private Equity Fund (Investment Committee Chair)
- Tiso Foundation (co-founder and Trustee)

Skills, expertise, and experience.

Mr Sowazi has over 30 years' senior executive and investment management experience and has served on numerous boards of both listed and unlisted companies. Mr Sowazi has a strong commercial and entrepreneurial business track record and presents with an impeccable reputation in the market.

Shareholders' diary

Annual General Meeting	08 February 2023
First quarter results released	February 2023
Second quarter and half-year results released	May 2023
Third quarter results released	August 2023
Financial year end	September 2023
Preliminary fourth quarter and year results	November 2023
Annual Integrated Report posted to shareholders and posted on website	December 2023

Proxy form

FOR THE ANNUAL GENERAL MEETING

Sappi Limited

(Registration number: 1936/008963/06)
JSE code: SAP
ISIN code: ZAE000006284
(Sappi or the company)

For use **only** by shareholders who:

- hold shares in certificated form, or
- hold dematerialised shares (i.e., 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 (i.e., 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-sixth (86th) Annual General Meeting of the company to be held at **14:00 (South African Standard Time) on Wednesday, 08 February 2023** at Sappi's registered office, in the Oxford Room, Ground Floor, 108 Oxford Road (entrance on Ninth Street) Houghton Estate, Johannesburg, 2198, Republic of South Africa and 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, 06 February 2023**. 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 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 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 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
Re-election of the directors retiring by rotation in terms of Sappi's MOI			
Ordinary resolution number 1 – Re-election of Mr MA Fallon as a director of Sappi			
Ordinary resolution number 2 – Re-election of Mr NP Mageza as a director of Sappi			
Ordinary resolution number 3 – Re-election of Dr B Mehlomakulu as a director of Sappi			
Ordinary resolution number 4 – Re-election of Mr GT Pearce as a director of Sappi			
Election of directors appointed since the last annual general meeting			
Ordinary resolution number 5 – Election of Mr LL von Zeuner as a director of Sappi			
Ordinary resolution number 6 – Election of Ms E Istavridis as a director of Sappi			
Ordinary resolution number 7 – Election of Mr NL Sowazi as a director of Sappi			
Election of Audit and Risk Committee members			
Ordinary resolution number 8 – Election of Mr NP Mageza as a member and chairperson of the Audit and Risk Committee			
Ordinary resolution number 9 – Election of Ms ZN Malinga as a member of the Audit and Risk Committee			
Ordinary resolution number 10 – Election of Dr B Mehlomakulu as a member of the Audit and Risk Committee			
Ordinary resolution number 11 – Election of Mr RJAM Renders as a member of the Audit and Risk Committee			
Ordinary resolution number 12 – Election of Mr LL von Zeuner as a member of the Audit and Risk Committee			
Ordinary resolution number 13 – Election of Ms E Istavridis as a member of the Audit and Risk Committee			
Ordinary resolution number 14 – Election of Mr NL Sowazi as a member of the Audit and Risk Committee			
Ordinary resolution number 15 – Re-appointment of KPMG Inc as auditors of Sappi for the financial year ending 30 September 2023 and until the conclusion of the next annual general meeting of Sappi			
Ordinary resolution number 16 – Non-binding endorsement of remuneration policy			
Ordinary resolution number 17 – Non-binding endorsement of remuneration implementation report			
Special resolution number 1 – General authority to repurchase shares			
Special resolution number 2 – Non-executive directors' fees			
Special resolution number 3 – Loans or other financial assistance to related or inter-related companies and to any person related to the company or any such company or corporation			
Ordinary resolution number 18 – Authority for directors and Group Company Secretary to sign all documents and do all such things necessary 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 alternative proxies of the shareholder's choice in the space provided, provided that, in the case of concurrent proxies, this form of proxy must clearly state 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 waives 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, 06 February 2023**:

   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 a form of proxy to the transfer secretaries to be received by that time, such shareholder will nevertheless be entitled to email 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.

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

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 MOI 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 MOI 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
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Group Head Corporate Affairs
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Andre.Oberholzer@sappi.com

Investor relations
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Group Head Investor Relations and Sustainability
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JSE Sponsor
RAND MERCHANT BANK
(A division of FirstRand Bank Limited)
Registration number: 1929/001225/06
1 Merchant place, corner Rivonia Road and Fredman Drive
Sandton, 2146, South Africa

PO Box 786273
Sandton
2146
www.rmb.co.za

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