Sappi Group
(Sappi Limited)
INTEGRATED REPORT FOR FISCAL YEAR 2023
FINANCIAL RESULTS
1 OCTOBER 2023

18 December 2023

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:

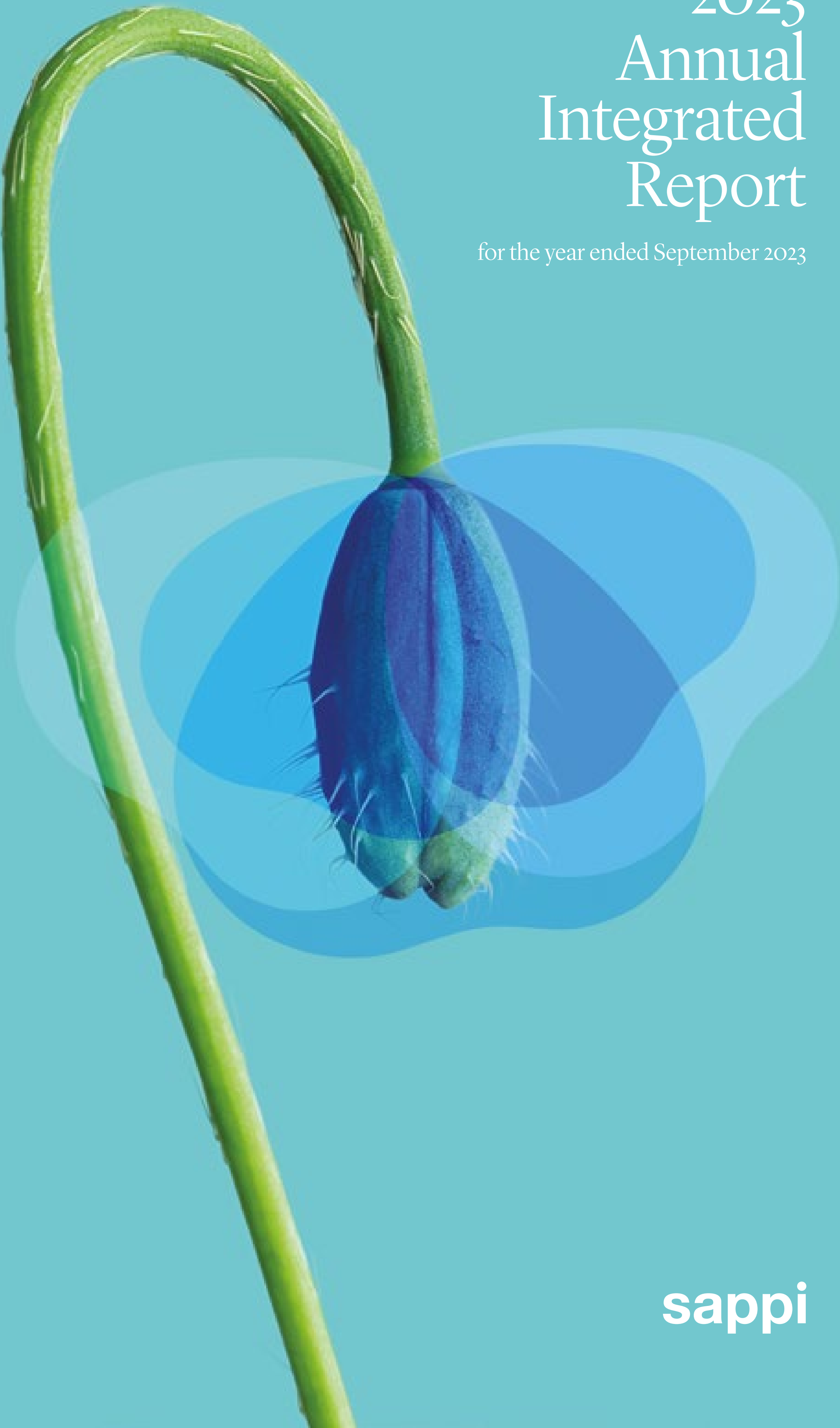
- the highly cyclical nature of the pulp and paper industry (and the factors that contribute to such cyclicality, such as levels of demand, production capacity, production, input costs including raw material, energy and employee costs, and pricing);
- the impact on our business of adverse changes in global economic conditions;
- 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.

2023 Annual Integrated Report

for the year ended September 2023



sappi

About this report

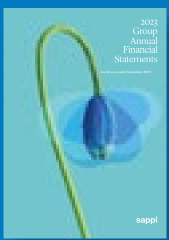
Our reporting suite

2023 Sappi Annual Integrated Report

www.sappi.com/annual-reports

Frameworks

- IR Framework
- Companies Act 71 of 2008 (as amended) of South Africa (Companies Act)
- Johannesburg Stock Exchange (JSE) Listings Requirements
- King IV Code on Governance™ for South Africa, 2016 (King IV)[1].



2023 Sappi Group Annual Financial Statements

www.sappi.com/annual-reports

Frameworks

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

2023 Sappi Group Sustainability Report

www.sappi.com/2023GSDR

Frameworks

- Global Reporting Initiative (GRI) standards
- United Nations Global Compact (UNGC)
- United Nations Sustainable Development Goals (UN SDGs).

For our standalone King IV application register and our risk report, please go to www.sappi.com/annual-reports

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

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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.

Contents

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

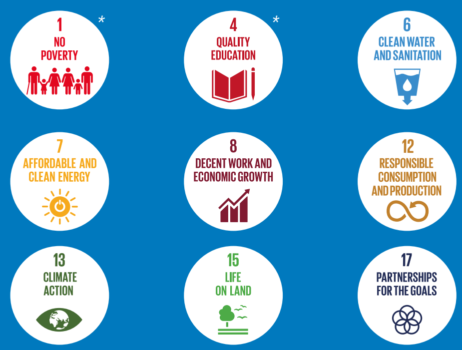
Thrive strategy

- 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 Galerie Silk 135 and 350 g/m².

Our **Annual Integrated Report** for the year ended 30 September 2023 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, our performance against financial and non-financial objectives and 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 group and regional sustainability reports address a wider audience with more detail on stakeholder engagement and key material issues. In addition to our Annual Integrated Report (pages 1 to 195), we have included supporting appendices (pages 196 to 222).

Ensuring holistic value creation

At Sappi, we take a holistic view of value creation. We understand that the long-term sustainability of our business will only be ensured by delivering sustained value for our stakeholders. Value for Sappi is not only about delivering returns to our shareholders, but 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.

In understanding our value creation process, we take an integrated approach, considering the resources and relationships upon which we depend and impact, either positive or negative, through our business activities. Our value creation process is articulated through the lens of Prosperity, People and Planet (the 3Ps) – an approach aligned with six capitals model of the International Integrated Reporting <IR> Framework (2021).

Integrated thinking and the 3Ps

Planet

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

Prosperity

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

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 capital.

People

Human capital
We require engaged and productive employees. We create a safe and healthy workplace for our people in which diversity is encouraged and valued, providing them with ongoing development opportunities. This enhances 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 our licence to trade and our competitive advantage, enabling shared value creation.

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. For more information on how we create value and our business model, refer to pages 24 to 27.

Materiality

The materiality of the information presented was determined based on extensive ongoing engagement with our stakeholders. It was assessed against the backdrop of current business operations and prevailing trends in our industry and the global economy. In line with the double materiality approach, our material issues aim to enhance our stakeholders' understanding of the impact of environmental and social issues on Sappi's enterprise value and the impact of our activities on the environment and society (refer to pages 68 to 84).

In determining our material matters and value creation over time, we consider the following timeframes:

Short term: One to two years, in line with immediate risks and opportunities

Medium term: Three to five years in line with management accounting's five-year financial forecast plan

Long term: Five to 30 years, taking 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 and the EU's plan for carbon neutrality by 2050.

Our Annual Integrated Report boundary

Our operating context (page 40)	Financial reporting entity • Sappi Europe • Sappi North America • Sappi Southern Africa (page 7)	Our SDG commitments (page 20)
Our strategy and value creation processes (page 11 and 24)		Our key relationships (page 52)
Our performance (page 106)		Our risks and opportunities (page 44)

Scope and boundary

This report covers the period from the beginning of October 2022 to the end of September 2023.

We aim to present material, comparable, relevant and complete information. 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.

Key to our materiality determination process is our reporting boundary. Our reporting boundary considers all our operations (refer to **Where we operate** on pages 6 and 7). In addition, we consider the risks and opportunities beyond our financial reporting boundary that may significantly affect our ability to create value. These include material matters arising from our operating context, strategy, stakeholder issues, opportunities, risk management processes and SDG commitments, among others.

Assurance

We obtained limited external assurance on selected sustainability key performance indicators in our 2023 Sappi Group Sustainability Report. The independent practitioner's limited assurance report is included in the 2023 Sappi Group Sustainability Report. Our sustainability information is 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 and reviewing reported information and supporting documentation. Most of our key operations undergo external verification, including the Eco-Management and Audit Scheme in Europe, ISO 50001 energy certification in Europe and South Africa and globally, ISO 45001 environmental certification, ISO 9001 quality certification and ISO 45001 health and safety certification. Some of our mills are certified to the ISO 22000 food safety management standard and EN 15593 management of hygiene in the production of packaging for foodstuffs.

We are 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 rating agency.

Collectively, these external assessments and certifications and 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.

Our financial information is verified by our external auditors. For information on the combined assurance framework relevant to the disclosure in this report and the independent auditors' report, see Group Annual Financial Statements on www.sappi.com/annual-reports

Board approval

The Sappi Limited board of directors (board) acknowledges its responsibility for ensuring the integrity of the Annual Integrated Report and, to the best of its knowledge and belief, the 2023 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 has been prepared in accordance with the IR Framework and speaks to Sappi's use of and effect on the 3Ps (addressing value creation, preservation and erosion), which are aligned with the six capitals.

The board thus approved the 2023 Sappi Annual Integrated Report on 08 December 2023.

Sir Nigel Rudd
Chairman

Steve Binnie
Chief Executive Officer (CEO)

Forward-looking statements

In line with the International IR Framework, this report contains forward-looking statements to enable users to understand the challenges and uncertainties Sappi is likely to encounter in pursuing its strategy. This information is included throughout the report.

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

Our 2023 reporting theme

As a company based on renewable resources, our 2023 Annual Integrated Report presents the beautiful, intricate shapes found in nature, reflecting the way we are continually shaping our business to achieve our vision of a thriving world.

There have been many challenges in recent times, including the Covid-19 pandemic and associated lockdowns which were swiftly followed by the Russia-Ukraine war.

This sent energy and food prices rising, igniting global supply chain and cost-of-living crises which in turn led to social unrest in many parts of the world. Extreme weather events in many parts of the world compounded uncertainty.

These connected events, together with generally subdued consumer sentiment, impacted the demand for many of our products.

However, while these developments may shape our world, they have increased our determination not just to react to our environment but to shape a bold, cohesive response. Based on our longstanding track record of renewing, revitalising and redefining our business and plans to continue our success, we are well positioned to do so.

There are no constant conditions in our operating environment, but there are some constants in our response: We will continue to focus on growing our business, sustaining our financial health, driving operational excellence and enhancing trust.

We will do so by creating career and personal development opportunities for our engaged, inspired employees and promoting sustainable livelihoods within our communities. Innovation will continue to be key to delivering profit and margin improvement, with sustainability and our priority United Nations Sustainable Development Goals (UN SDGs) an increasingly important core value and development platform.

By shaping our purpose with positive, creative force, we drive results sustainably, gain the trust of and serve our shareholders, customers, employees and society at large.

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.

Our raw material offerings (such as dissolving pulp (DP), wood pulp and biomaterials) and end-use products (packaging papers, speciality papers, graphic papers, casting and release papers, as well as forestry products) are manufactured from woodfibre sourced from sustainably managed forests and plantations, in production facilities which, in many cases use internally generated bioenergy. 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.

5.5 million tons
Paper production per year

2.6 million tons
Paper pulp production per year

1.5 million tons
Dissolving pulp production per year

Globally we have
12,329 employees[1]

400,000 ha
Owned and leased sustainably managed forests in South Africa

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

Where we operate

Europe

Employees

5,410

Sales offices	12
Production facilities	10

North America

Employees

2,073

Sales offices	6
Production facilities	4

South Africa

Employees

4,591

Sales offices	3
Production facilities	5

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

Hong Kong

México City

Johannesburg

Sydney

Nairobi

Shanghai

São Paulo

Sappi Europe

Capacity* ('000 tons)

Mills	Products produced	Paper[3] Packaging and speciality papers	Graphic papers	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	115	165	
Gratkorn Mill	Bleached chemical pulp for own consumption			250
	Coated woodfree paper and label paper, containerboard	100	880	
Kirkniemi Mill	Bleached mechanical pulp for own consumption			300
	Coated mechanical paper		750	
Lanaken Mill[1]	Bleached chemi-thermo mechanical pulp for own consumption			165
	Coated woodfree paper		530	
Maastricht Mill	Coated woodfree paper and paperboard	70	190	
Stockstadt Mill[1]	Bleached chemical pulp for own consumption and market pulp			145
	Coated woodfree paper and uncoated woodfree paper		220	
Total Sappi Europe		**720**	**2,735**	**1,120**
Total Sappi Europe excluding mills being closed		**720**	**1,985**	**810**
Other operation	**Products produced**		**Capacity* (million m²)**	
Rockwell Solutions	Coated barrier film and paper			100

Sappi North America

Capacity* ('000 tons)

Mills	Products produced	Paper[3] Packaging and speciality papers	Graphic papers	Pulp
Cloquet Mill	Dissolving pulp, bleached chemical pulp for own consumption and market pulp[2]			370
	Coated woodfree paper and label paper	70	270	
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 paper, paperboard and label papers	490	510	
Westbrook Mill	Converting for speciality casting and release paper	23		
Total Sappi North America		**583**	**780**	**1,180**

Sappi Southern Africa

Capacity* ('000)

Plantations[4]	Products produced	Hectares	Standing tons
KwaZulu-Natal	Plantations (pulpwood and sawlogs)[5]	165	10,992
Mpumalanga	Plantations (pulpwood and sawlogs)[5]	235	17,412
Total Sappi Forests (owned and leased supply)		**400**	**28,404**

Mills	Products produced	Capacity* ('000 m³) Timber	Capacity* ('000 tons) Paper[3] Packaging and speciality papers	Graphic papers	Pulp
Lomati Sawmill	Sawn timber	86			
Ngodwana Mill	Unbleached chemical pulp for own consumption				230
	Mechanical pulp for own consumption				110
	Kraft linerboard		240		
	Newsprint			85	
	Kraft papers		25		
Stanger Mill	Bleached bagasse pulp for own consumption				60
	Office paper and tissue paper		28	82	
Tugela Mill	Neutral sulphite semi chemical pulp for own consumption				170
	Corrugating medium		200		
Sappi ReFibre[6]	Waste paper collection and recycling for own consumption				75
Total Sappi Paper and Paper Packaging			**493**	**167**	**645**
Ngodwana Mill	Dissolving pulp				255
Saiccor Mill	Dissolving pulp				890
Total dissolving pulp					**1,145**
Total Sappi Southern Africa		**86**	**493**	**167**	**1,790**

* *Capacity at maximum continuous run rate per annum.*
1 *Mills to potentially be closed in FY2024.*
2 *The stated capacity is for dissolving pulp, the capacity for kraft pulp is 17% higher.*
3 *The split between graphic papers and packaging and speciality papers is what we believe is technically and commercially possible. Some mills have the capacity to swing between products.*
4 *Approximately 139,000 hectares of our land is set aside and maintained by Sappi Forests to conserve the natural habitat and biodiversity found there.*
5 *Plantations include owned and leased areas.*
6 *Sappi ReFibre collects waste paper in the South African market, which is used to produce packaging paper.*

Evolve

Very little in nature is static – everything is constantly changing and evolving. One miraculous example of this is the metamorphosis of the egg, the caterpillar (larva) and the chrysalis (pupa) into the adult butterfly. This process embodies fresh ideas, renewal and unexpected outcomes.

The caterpillar's new form as a butterfly opens new horizons, but also new risks, particularly in the form of climate change. Butterflies are particularly sensitive to environmental changes like climatic shifts. That is because they are strictly adapted to certain environmental conditions and their development depends on certain larval food plants and specific microhabitat structures.

In Sappi's case, climate change presents both risks and opportunities. We are addressing short- and long-term physical and transitional climate risks identified through processes outlined by the Task Force on Climate-related Financial Disclosures (TCFD) to build resilience. In addition, we are determined, as a socially responsible business, to play our part in ensuring a just transition in South Africa as the country faces the reality of reducing its dependence on coal.

We are also determined to accelerate our science-based decarbonisation trajectory which we see as an opportunity to future-proof our business. So too, are the opportunities presented by evolving customer needs and legislation – notably growing demand for sustainable packaging, based on low-carbon impact, together with demand for more sustainable textile fibres.

We cannot achieve our vision of a thriving world without an evolving response to climate change. By collaborating with a broad range of stakeholders we are working to achieve energy security and climate resilience and transform our vision into reality.

Our Thrive strategy

Sappi is an established global pulp and paper business with production facilities in South Africa, Europe and North America. We produce a wide range of products including dissolving pulp, graphic papers, packaging papers, speciality papers and biomaterials.

The markets we serve continuously change and develop and to this end we aim to adjust with these global trends. We invest in our people, facilities and processes to ensure we create value for all our stakeholders by creating products that are relevant, sustainable and in growing markets. Our clear advantages in diversification, global scale and local expertise help us to create prosperity through sustainable solutions.

We assume our responsibility to be a sustainability leader with pride and therefore produce our products from woodfibre sourced from sustainably managed forests and plantations.

We are thoughtfully sourcing materials, reducing material waste, abating carbon and carefully considering product end-of-life. We strictly monitor and control our use of energy, water and other raw materials and continually look to reduce our reliance on fossil fuels.

Our **Thrive** strategy is an iterative process seeking to implement opportunities to reduce cost and/or grow the business while sustaining a healthy balance sheet and enhancing relationships. A fine balance of continuous capital prioritisation.

Our **Thrive** strategy is executed by our people and therefore we are focused on growing our human potential, ensuring we have sustainably engaged people and are extending our positive influence to the communities where we operate around the world to create shared value.

Our **Thrive** strategy responds to various global forces and market trends. It is built on four main objectives with annual and longer-term actions and targets, some set for delivery by 2025 while others, including our Science Based Targets initiative (SBTi) commitments, are set for delivery beyond 2025.

Our strategy and performance

Our strategy

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

Grow our business

What this means	How we performed in 2023
• Grow DP capacity, matching market demand • Continue to expand and grow packaging and speciality papers in all regions • Commence commercialisation of biomaterials opportunities • Optimise graphic papers segment ensuring we balance supply and demand.	• Continued successful ramp up of DP expansion project at Saiccor Mill • Packaging and speciality papers constitute 26% of group sales volume (excluding forestry) • Packaging and speciality papers contribute 29% of group EBITDA* • Initiated the expansion and conversion of Somerset PM2 from graphic paper to packaging and speciality paper • Initiated the process for the further reduction of graphic paper capacity in Europe by the closure of Stockstadt Mill and potential closure of Lanaken Mill • Strong growth in lignin sales and favourable advancement of other biomaterials opportunities.

Sustain our financial health

What this means	How we performed in 2023
• 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 creation.	• Reduced net debt to US$1,085 million • Generated US$210 million cash • Focused capex on essential projects aligned to the strategy • Sustained our contributions on graphic paper notwithstanding weak demand • Declared a dividend of 15 US cents • Repurchased a portion of 2026 bond with a cash settlement of US$206 million thereby reducing interest cost • Signed the sale agreement to sell the Stockstadt Mill property.

Drive operational excellence

What this means	How we performed in 2023
• 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$115 million • Maximised the benefits of OneSappi to achieve cost advantages • Challenging macroenvironment resulting in weak trading conditions in the paper business and thus significant machine downtime • Ramped up Saiccor Mill production.

Enhance trust

What this means	How we performed in 2023
• Improve our understanding of – and proactively partnering with – all stakeholders • Drive sustainability solutions. Meet the changing needs of every Sappi employee.	• Performance against our science-based carbon emission reduction target was severely impacted by production curtailments • Actively supported local communities through community forums • Improved 2023 Employee Engagement Survey compared to 2021 • Expanded Supplier Code of Conduct compliance and EcoVadis supplier assessments • Sustained Level 1 BBBEE in South Africa • Actively promoting gender diversity.

* *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.

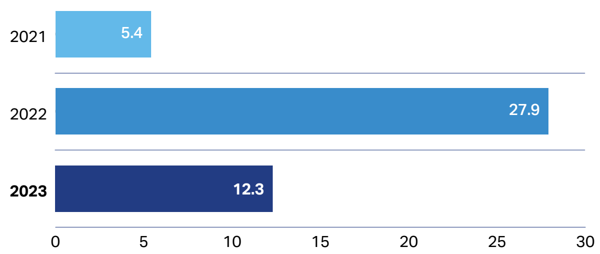
ROCE (%)

Self-assessment of 2023 performance ★

Link to **Thrive** strategy objectives

Link to 3Ps and 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.

Ⓡ Linked to executive remuneration

2024 objectives

- Grow volumes in all segments and improve cost position
- Optimise the packaging and speciality papers volumes in all regions
- Further reduce our exposure to graphic papers.

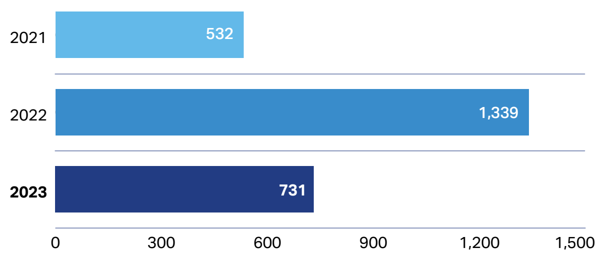
EBITDA (US$ million)

Self-assessment of 2023 performance ★★

Link to **Thrive** strategy objectives

Link to 3Ps and SDGs

Our strategic performance indicators



Why is this important?

EBITDA measures how we performed operationally as a company.

Ⓡ Linked to executive remuneration

2024 objectives

- Grow volumes in all segments and sustain contributions
- Manage costs to maximise profitability
- Focus on maximising cash generation through disciplined capital allocation and working capital management.

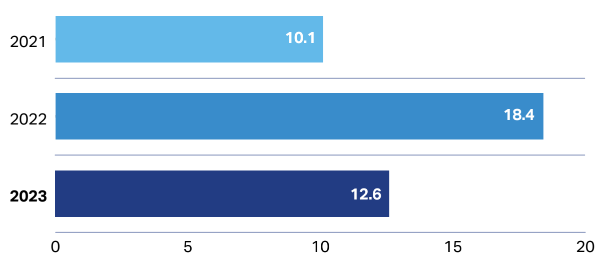
EBITDA margin (%)

Self-assessment of 2023 performance ★★

Link to Thrive strategy objectives

Link to 3Ps and 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.

2024 objectives

- Improve margins in all business segments
- Focus on reducing fixed and variable costs
- Reduce downtime and improve operating rates.

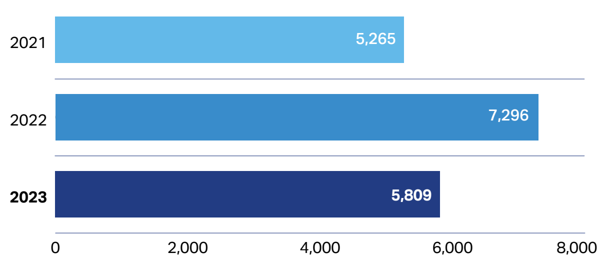
Sales (US$ million)

Self-assessment of 2023 performance ★★

Link to Thrive strategy objectives

Link to 3Ps and 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.

2024 objectives

- Continue to grow and optimise the packaging and speciality papers segments to fully operate our paper machine assets
- Consolidate graphic paper sales to improve margins
- Maximise DP volumes to capacity with increased volumes from Saiccor Mill.

Self-assessment	Strategic objectives	3Ps	SDGs
★★★ Outstanding	Grow our business	Prosperity	
★★ Satisfactory	Sustain our financial health	People	
★ Progress to be made/ongoing	Drive operational excellence	Planet	
	Enhance trust		Ⓡ Linked to executive remuneration Δ Identified sustainability goal

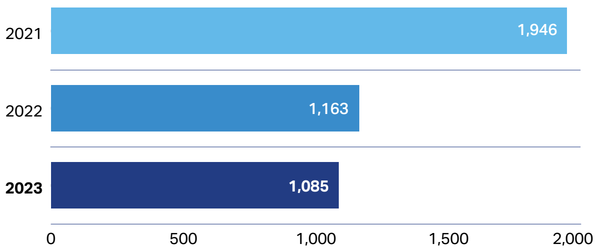
Net debt (US$ million)

Self-assessment of 2023 performance ★★★

Link to **Thrive** strategy objectives

Link to 3Ps and 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).

2024 objectives

- During 2024 we are targeting to spend an estimated US$500 million on capital projects which includes US$154 million of expansionary capex, resulting in increased net debt.

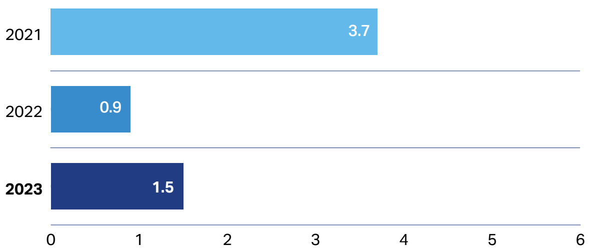
Net debt:EBITDA (ratio)

Self-assessment of 2023 performance ★★

Link to **Thrive** strategy objectives

Link to 3Ps and 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

2024 objectives

- With significantly reduced net debt targeting to sustain this ratio at 1.5x through the cycle.

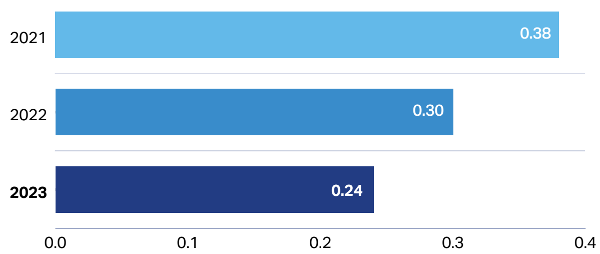
Lost-time injury frequency rate (LTIFR) (per million work hours)

Self-assessment of 2023 performance ★★

Link to Thrive strategy objectives

Link to 3Ps and SDGs

Our strategic performance indicators



Why is this important?

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

Ⓡ Linked to executive remuneration

Δ Identified sustainability goal[1]

2024 objectives

- Continue to reduce LTIFR and zero fatalities.

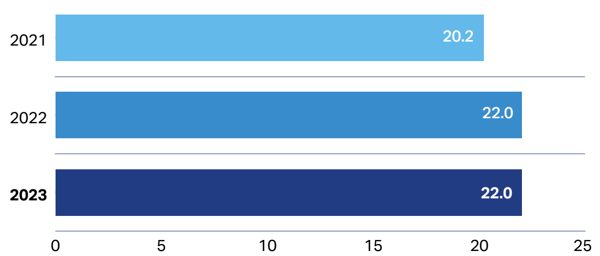
Gender diversity (%)

Self-assessment of 2023 performance ★★

Link to Thrive strategy objectives

Link to 3Ps and 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 senior positions.

Δ Identified sustainability goal[1]

2024 objectives

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

[1] *For this indicator, we have clear targets for 2025 that we are working towards. See our 2023 Sappi Group Sustainability Report for more information www.sappi.com/2023GSDR*

Self-assessment	Strategic objectives	3Ps	SDGs
★★★ Outstanding	Grow our business	Prosperity	
★★ Satisfactory	Sustain our financial health	People	
★ Progress to be made/ongoing	Drive operational excellence	Planet	
	Enhance trust		Ⓡ Linked to executive remuneration Δ Identified sustainability goal

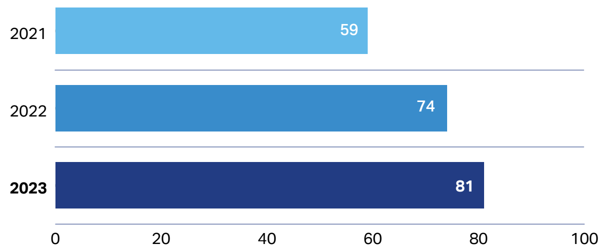
Supplier Code of Conduct (%)

Self-assessment of 2023 performance ★★

Link to Thrive strategy objectives

Link to 3Ps and 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 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.

Δ Identified sustainability goal[1]

2024 objectives

- Maintain 80% procurement spend with declared compliance with Supplier Code of Conduct.

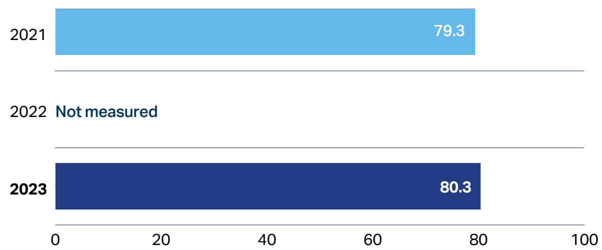
Sustainable engagement (%)

Self-assessment of 2023 performance ★★

Link to Thrive strategy objectives

Link to 3Ps and 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[1]

2024 objectives

- No survey will be done in 2024, but we will implement learnings to continue to improve our 2025 engagement score.

[1] *For this indicator, we have clear targets for 2025 that we are working towards. See our 2023 Sappi Group Sustainability Report for more information www.sappi.com/2023GSDR*

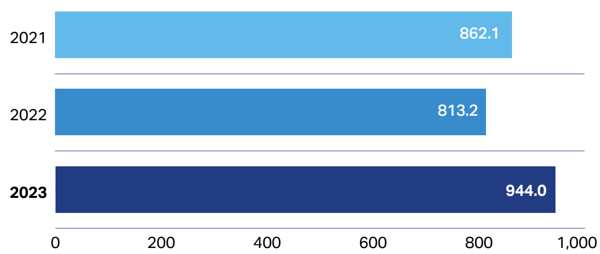
Specific GHG (Scope 1 and 2) emissions (kg CO_2e/adt)

Self-assessment of 2023 performance ★

Link to Thrive strategy objectives

Link to 3Ps and 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 approved 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.

Ⓡ Linked to executive remuneration

Δ Identified sustainability goal[2]

2024 objectives

- Stay on track to decrease specific greenhouse gas (GHG) emissions (Scope 1 and 2) by 18% by 2025 against base year 2019 (893.3 kg CO_2e/adt)
- Stay on track to decrease specific GHG emissions (Scope 1 and 2) by 41.5% by 2030 against a base year of 2019.

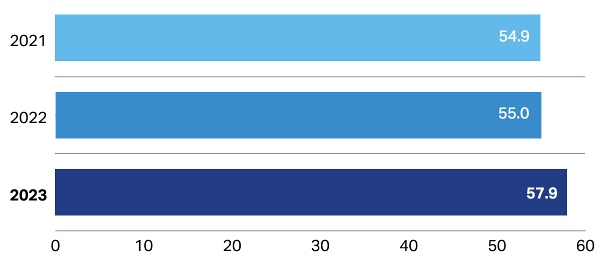
Share of renewable and clean energy (%)

Self-assessment of 2023 performance ★

Link to Thrive strategy objectives

Link to 3Ps and 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[1]

2024 objectives

- Stay on track to increase share of renewable and clean energy by 8% by 2025 against base year 2019 (53.5%).

[1] *For this indicator, we have clear targets for 2025 that we are working towards. See our 2023 Sappi Group Sustainability Report for more information www.sappi.com/2023GSDR*

[2] *For this indicator, we have clear targets for 2025 and 2030 that we are working towards. See our 2023 Sappi Group Sustainability Report for more information www.sappi.com/2023GSDR*

Self-assessment	Strategic objectives	3Ps	SDGs
★★★ Outstanding	Grow our business	Prosperity	
★★ Satisfactory	Sustain our financial health	People	
★ Progress to be made/ongoing	Drive operational excellence	Planet	Ⓡ Linked to executive remuneration
	Enhance trust		Δ Identified sustainability goal

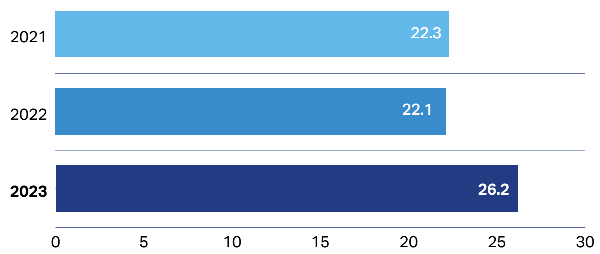
Energy intensity (GJ/adt)

Self-assessment of 2023 performance

Link to Thrive strategy objectives

Link to 3Ps and 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]

2024 objectives

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

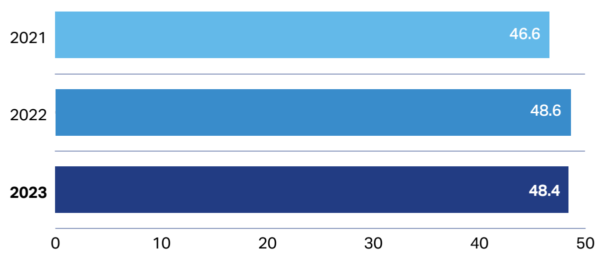
Specific process water usage (m^3/adt)[3]

Self-assessment of 2023 performance

Link to Thrive strategy objectives

Link to 3Ps and 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[1]

2024 objectives

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

[1] *For this indicator, we have clear targets for 2025 that we are working towards. See our 2023 Sappi Group Sustainability Report for more information www.sappi.com/2023GSDR*

[3] *This indicator applies to mills in South Africa, as they are at risk of experiencing operational water challenges.*

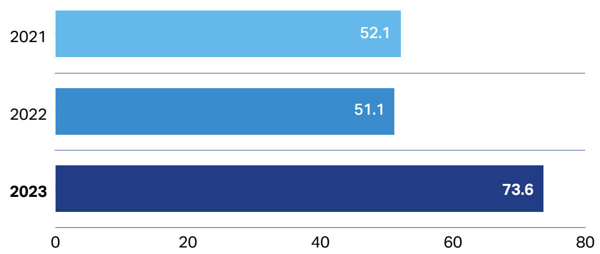
Specific landfilled solid waste (kg/adt)

Self-assessment of 2023 performance ★

Link to Thrive strategy objectives

Link to 3Ps and 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[1]

2024 objectives

- Stay on track to reduce specific landfilled solid waste by 15% by 2025 against base year 2019 (65.1 kg/adt).

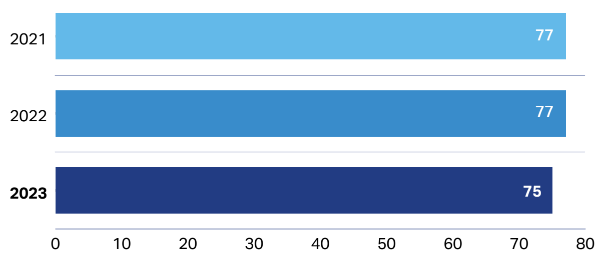
Certified fibre[4]

Self-assessment of 2023 performance ★★

Link to Thrive strategy objectives

Link to 3Ps and 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]

2024 objectives

- Maintain or improve percentage certified fibre above 75%.

[1] *For this indicator, we have clear targets for 2025 that we are working towards. See our 2023 Sappi Group Sustainability Report for more information www.sappi.com/2023GSDR*

[4] *The quantity of the total certified chips procured by Matane Mill for Q4 is incomplete. Subsequently, the certified fibre procurement percentage is lower and is expected to increase as all suppliers confirm their deliveries.*

Self-assessment		Strategic objectives	3Ps	SDGs
★★★	Outstanding	Grow our business	Prosperity	
★★	Satisfactory	Sustain our financial health	People	
★	Progress to be made/ongoing	Drive operational excellence	Planet	
		Enhance trust		Ⓡ Linked to executive remuneration Δ Identified sustainability goal

Sappi and the SDGs

"Embracing the UN SDGs is not just our commitment to a better world, it's our strategic investment in a future where social responsibility and business success converge thereby securing a sustainable legacy for generations to come."

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 **There has been a proliferation of sustainability standards and compliance requirements in recent years. These have been issued by bodies like the International Sustainability Standards Board (ISSB), the JSE, the European Financial Reporting Advisory Group (EFRAG) and are embedded in the German Supply Chain Act. Are these hindering or helping the achievement of the SDGs?**

On the one hand, the reporting obligations being placed on companies through these standards look set to become increasingly onerous. On the other hand, it appears that reporting bodies are looking to synchronise and align with pre-existing standards like the GRI. This clearly stands Sappi in good stead, as we have been reporting against the GRI since 2008.

One of the key common denominators of the new reporting standards is the concept of double materiality which acknowledges that a company should report simultaneously on sustainability matters that are firstly, financially material in influencing business value and secondly, material to the market, the environment and people. Sappi welcomes this approach and we are increasingly using it to drive our strategic sustainability work. Assessing the broader impacts of our operations enhances our reporting on both internal and external issues to various stakeholders. It also deepens our understanding of the risks and opportunities that amplify or detract from value in the broadest sense. This in turn means we can better plan strategic direction, develop tangible, measurable key performance indicators and link these to operational development.

Q2 The UN recently released its first Global Stocktake, an assessment of progress made toward mitigating global warming since the Paris Agreement in 2015. The key takeaway message is that we are not on track to meet the target of the Paris Agreement. What is your view on this?

The global economic crisis has meant that many countries, particularly in Europe, are scaling back on climate ambitions. While understandable, in the face of devastating climate events, the world should not lose sight of the urgent need to reduce GHG emissions. The report highlights the need to reduce GHG emissions from 2019 levels by 43%, 60% and 84% by 2030, 2035 and 2050, respectively, to limit global warming to 1.5°C.

Sappi's key countries of operation appear committed to their long-term GHG reduction goals. With reference to the 84% reduction in GHG emissions by 2050 outlined by the Global Stocktake, Canada and the European Union have committed to net zero by the same date, as has South Africa in its Nationally Determined Contribution (NDC) submission (updated in 2021). The US has set an economy-wide goal of net zero emissions by no later than 2050[1].

Unfortunately, in our own operations, production curtailments significantly impeded our operational efficiency in FY2023, causing us to fall short of several of our energy-related targets which are intensity based. We remain committed to meeting our science-based decarbonisation targets and intend reducing our emission intensity by 41.5% by 2030. We have developed a robust transition plan with associated capital allocation. Our view is that decarbonisation is not a choice, but an essential component of our long-term success and viability as a business.

Among the actions proposed to achieve these targets, the Stocktake recommends preserving forests and addressing non-CO_2 emissions: Agriculture, Forestry and Other Land Uses were responsible for 22% of global GHG emissions in 2019. About half of these emissions are attributable to deforestation. This means we can expect greater global focus on deforestation, which gives us a competitive advantage, as our woodfibre supply chains are deforestation-free.

Q3 Sappi reports transparently against SDG-related 2025 targets in the Group Sustainability Report, disclosing whether targets are on track or not. Has there been any fallout from stakeholders when targets are not met?

One of Sappi's strategic fundamentals is 'enhance trust'. Reporting as we do strengthens our relationship with our stakeholders. Our customers in particular need to know they can rely on the information we provide as they look to meet the needs of eco-conscious consumers around the world and promote sustainability in their own supply chains. This is particularly important because consumers are faced with a wealth of claims on the 'green' nature of products. This has become such a problem that there are regulations pending around the world – like the European Commission's directive on green claims – aimed at counteracting 'greenwashing'.

In FY2023, while we made significant strides in achieving our People targets and attained our best ever safety performance, we fell behind in our planet targets. We acknowledge that sustainability is a journey and that unexpected external and internal challenges will impede our progress. Through our focus on innovation and agility we will adapt where necessary to ensure continuous improvement. Our firm view is that transparency heightens engagement and builds loyalty and that our stakeholders understand that we are steadfast in our commitment to meet or exceed all our **Thrive** (2025) sustainability goals.

[1] *The goal is on a net basis, including both sources of emissions and removals. It does not include emissions from international aviation or international shipping.*

Q4 Which of the Planet targets have been the most difficult to meet?

As discussed on the previous page, production curtailments during the year have severely impacted our planet targets which are based on an intensity metric (performance per mass unit of product produced). These include energy intensity, GHG emission intensity and solid waste intensity. Notwithstanding the fact that our performance against these targets was poor, our absolute GHG emissions and solid waste sent to landfill were in fact lower than the prior year with emissions substantially lower. This is of course due to our low operating rates which had an adverse impact on our profitability and is not at all sustainable for our business. This clearly demonstrates the interconnectivity and trade-offs between Prosperity and Planet. Absolute and intensity targets represent two different approaches to setting goals for environmental sustainability. Each approach has its trade-offs, and the choice between them depends on various factors, including the nature of the business, the industry and the desired environmental outcomes. Ultimately, the choice between absolute and intensity sustainability targets depends on the specific goals of the organisation, the industry context and the desired balance between overall impact reduction and efficiency improvements. Our underlying ambition is to reduce our impact on nature while maintaining a sustainable balance between People, Prosperity and Planet by doing more with less. We have therefore selected intensity metrics as the appropriate measure for some of our Planet indicators which drives us to grow our circular and renewable product solutions with an unrelenting focus on operational efficiencies.

Q5 Has aligning with the SDGs amplified enterprise value?

The SDGs can be difficult to grasp and not everyone realises there are many sub-indicators underpinning each SDG. For example, the indicators under *SDG8: Decent Work and Economic Growth* are broad, ranging from the promotion of a safe working environment; to equal pay for equal work and annual growth rates of gross domestic product (GDP) per capita; among others. Before aligning with priority SDGs and establishing our related targets, we established a global working group which analysed each SDG and associated sub-indicators.

Following this approach has helped to shape our response to key material issues and made the concept of sustainability more tangible for our own people and our external stakeholders.

It has also helped to build our brand and enhance our reputation. A recent study by Deloitte indicates that one in four consumers (26%) are prepared to pay more to protect biodiversity or for sustainable products and packaging (24%) or for products or services of suppliers that respect human rights or commit to ethical working practices (25%).[1]

In a changing talent landscape, articulating our sustainability journey through the SDGs is important for attracting millennials (those born between the early 1980s and the late 1990s) and Gen-Zs (those born from 1997 onwards) to the workforce. This is highlighted by another Deloitte study which found that Gen-Zs and millennials continue to demand greater climate action from their employers and believe some have deprioritised sustainability strategies in recent years. They also see a critical role for employers to provide the necessary skills training to prepare the workforce for the transition to a low-carbon economy.[2] Overall, aligning with the SDGs has helped to mature our sustainability strategy as we have transitioned from compliance and reactive measures to protect our licence to operate to a more purpose-driven position. This has anchored the Sappi culture and business model in sustainable thinking.

Taking a broader view, our world today is battling with the lingering effects of Covid-19, a high cost of living, geopolitical instability and extreme weather events. This means it is more important than ever before to be united by a common framework and universal set of goals if we are to achieve a thriving world.

[1] *https://www2.deloitte.com/uk/en/pages/consumer-business/articles/sustainable-consumer-what-consumers-care-about.html*

[2] *https://www2.deloitte.com/content/dam/Deloitte/si/Documents/deloitte-2023-genz-millennial-survey.pdf*

Our business model

Our business model is underpinned by **our purpose:** Sappi exists to build a thriving world by unlocking the power of renewable resources to benefit people, communities and the planet. This is reinforced by our ongoing engagement with our stakeholders (pages 52 to 63) and an in-depth understanding of our operating context (pages 40 to 43), both enabling more tangible business creation.

Our six capital inputs are the basis of our value streams ...

SDGs

8
12
17

Financial capital

- Total assets: **US$5,796 million.**

Intellectual capital

- **Technology** centres around the world
- Research and development (R&D) investment: **US$44 million**
- Leading-edge **tree improvement programmes**
- World-class **digital transformation strategy.**

Manufactured capital

- **19** production facilities
- **28** paper/packaging machines.

SDGs

1
4
8
17

Human capital

- 12,329 employees
- 10,000 contractor employees
- Strong safety culture.

Social and relationship capital

- Ongoing stakeholder engagement
- Corporate social investment: SEU €100,000, Sappi North America (SNA) US$417,500, Sappi Southern Africa (SSA) ZAR54 million.

SDGs

6
7
12
13
15
17

Natural capital

- 400,000 ha owned and leased plantations. Approximately one-third is unplanted and managed for biodiversity conservation
- Energy purchased: 72,213,507 GJ/annum
- Energy generated on site: 59,364,623 GJ/annum
- Renewable energy: 57.9%, of which 67.2% own black liquor
- Process water extracted: 220 million m^3 (absolute), 44.1 m^3/adt (specific)
- Certified fibre used: 75%.

Our values: As OneSappi, we do business safely with integrity and courage, making smart decisions which we execute with speed.

Our SDGs

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

Leveraging these value streams ...

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

Manufacturing excellence

- We focus on enhancing machine efficiencies, digitising our processes to make the smart factory a reality, reducing variable costs through new logistics and procurement practices and 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, furfural, lignosulphonates and bioenergy. Extracting more value from each tree is at the core of our business model.

Pulp

- Our dissolving pulp (DP) 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.

Speciality papers

- Our customers use our speciality papers to add value to niche markets and enable product differentiation. Our focus on innovation helps our customers to meet and anticipate the challenges of changing market dynamics.

Packaging papers

- Our packaging solutions offer environmentally conscious consumers an alternative to fossil-fuel-based packaging.

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.

enables the realisation of our strategy ...

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

and generates certain outputs

Products:

- 4,988,309 tons of saleable production.

Waste:

- 1,432,165 tons of waste generated, of which 1,064,482 tons (74.3%) diverted from disposal.

Emissions:

- 3.5 million tCO_2e absolute direct (Scope 1) GHG, in specific terms: 0.70 tCO_2e/adt.

Monitoring and reporting on our ambitious SDG-related 2025 goals aligns with our Thrive strategy of being a trusted partner to all our stakeholders. See our 2023 Sappi Group Sustainability Report for more information www.sappi.com/2023GSDR

Our business activities create, preserve and erode value, leading to certain key outcomes ...

which we work to enhance in the following ways:

- EBITDA excluding special items **US$731 million** (Value created)
- Net debt: **US$1,085 million** (Value preserved)
- **US$992 million paid** to employees as salaries, wages and other benefits (Value created)
- **US$540 million reinvested** to grow the business (Value created)
- **US$106 million paid** to governments as taxation (Value created)
- **US$97 million paid** to lenders of capital as interest (Value preserved)
- **US$85 million paid** to shareholders as dividends (Value created)
- **New products launched** to meet evolving market demands. (Value created)

- **Lowest debt level** in 30 years positions us well for growth
- **New software was introduced** to create a OneSappi approach to R&D and ideation
- **Digital transformation strategy** is progressing well
- **New warehouse** at Carmignano Mill enables the mill to offer a complete in-house solution for sublimation papers
- **Modernisation** (PM11 at Gratkorn Mill will allow us to continue to serve the print market profitably)
- **US$418 million investment** at Somerset Mill to convert PM2 to solid bleached sulphate paperboard (SBS) on track
- **Capacity expansion and environmental upgrade** at Saiccor Mill had an improved climate impact on the lyocell, viscose and pharmaceutical DP grades produced at the mill.

- The most recent **Employee Engagement Survey** showed an increased participation rate and an increase in the percentage of engaged employees (Value created)
- **Zero** fatalities (Value preserved)
- **Improvement in the LTIFR** across all regions (Value preserved)
- **Global training average** (weighted) of 50.39 hours per employee (FY2022: 46.89 hours) (Value created)
- **Productivity** 4.9 hours worked per ton of saleable production (FY2022: 3.8 hours) (Value eroded)
- **Maintained our Level 1 BBBEE** contributor status. (Value preserved)

- Central **action tracker facilitates** the resolution of issues identified in the Employee Engagement Survey
- **Global safety performance** exceeded the target
- **Global target to increase** proportion of women in management roles on track
- **Revised Code of Ethics launched** to all employees in line with our strong governance culture.

- **Increase** in specific GHG Scope 1 and 2 emissions (Value eroded)
- **Increase** in global specific energy usage (Value eroded)
- Specific **process water usage** in SSA not achieved (Value eroded)
- 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 (Value preserved)
- **Lighter-weight packaging products** – lighter carbon footprint (Value created)
- **75% certified fibre** supplied to mills enhances our competitive advantage. (Value created)

- **Sappi Chair** in Climate Change and Plantation Sustainability at the University of the Witwatersrand **will provide more accurate climate models** and replicable, workable methodologies which will **benefit Sappi and the industry**
- Our **World Wildlife Fund (WWF) Water Stewardship** project in the uMkhomazi catchment near Saiccor Mill extended for another four years
- **Sappi Rare, Threatened and Endangered Species Stewardship Programme** expanded with three new trees.

Value created Value preserved Value eroded

Our trade-offs

These are detailed throughout this report, with the key trade-offs detailed below.

- We have stopped the development of Sappi Symbio, a natural composite material combining high-quality cellulose from wood with thermo-plastics, due to slow growth in demand. We are now investing our resources into projects showing greater short- and medium-term promise.

Risks

- **Risk: 6** Evolving technologies and consumer preferences
- **Risk: 10** Liquidity.

- In response to market overcapacity and in line with our strategy of reducing exposure to graphic paper markets, we are closing Stockstadt Mill and initiated a consultation process for the potential closure of Lanaken Mill shortly after year-end. This could potentially impact employees and morale.

Risks

- **Risk: 9** Employee relations.

- Production curtailments significantly impeded our operational efficiency, causing us to fall short of our planet-related targets for the year. For example Scope 1 (direct) and Scope 2 (indirect) GHG emissions intensity increased by 16.1% year-on-year. However, we remain steadfast in our commitment to meet and surpass all our **Thrive** (2025) sustainability goals.

Risks

- **Risk: 4** Sustainability expectations
- **Risk: 5** Climate change.

Letter to the stakeholders from the Chairman and CEO

Sir Nigel Rudd
Chairman

Operating review

"Against a backdrop of a volatile and challenging macroeconomic environment, Sappi delivered EBITDA excluding special items of US$731 million for the year ended September 2023. The widespread disruption caused by ongoing geopolitical instability, weak global economic growth, rising interest rates and an underperforming Chinese economy negatively impacted markets for our products."

The unfavourable trading conditions faced in 2023 were further exacerbated by a prolonged period of downstream inventory destocking as buyers slowly worked through inventories that had been built up in the second half of 2022. In response to these headwinds, we concentrated on preserving selling prices, efficiently managed our capacity and inventories to optimise working capital and implemented various cost-saving initiatives across our operations, all of which positively contributed to the earnings performance.

Despite 2023 being one of the most challenging downcycles experienced in the pulp and paper industry, with demand for our paper products falling below that of the Covid-19 pandemic years, we achieved some significant milestones. The South African business delivered record EBITDA (in SA Rand) and North America the second highest ever EBITDA. Additionally, the group generated significant cash enabling a further reduction of net debt at year-end to US$1,085 million, the lowest level in 30 years.

Safety

Safety is intricately woven into our strategic framework as a non-negotiable core value and embedded in our values statement: As OneSappi, we do business safely, with integrity and courage, making smart decisions that we execute with speed. We recognise that a culture of safety is paramount to our success and have incorporated it into every facet of our operations. This commitment to safety is an integral and ingrained element of Sappi's overarching **Thrive** strategy, aligning with our broader goals of sustainability, operational excellence and stakeholder trust.

We are very pleased to report that there were no work-related fatalities during the year and all regions achieved their best ever LTIFR performance. The relentless focus on robust safety training programmes, regular audits, hazard assessments and proactive risk management combined with reward and recognition programmes are essential to ensuring the wellbeing of our employees and the communities in which we operate. A number of noteworthy milestones were achieved during the year; Ehingen Mill achieved 2 million zero lost-time man hours, Stockstadt Mill achieved 1 million zero lost-time man hours, Somerset Mill achieved 5 million zero lost-time man hours, Ngodwana Mill achieved 3 million zero lost-time man hours and Sappi Forests' Zululand Coastal business unit continued with their record-breaking safety performance achieving 7 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.

Steve Binnie
CEO

Markets

Graphic paper demand declined sharply and remained weak throughout the year due to weak consumer confidence related to the slowing global economy and an inventory destocking cycle which took longer than anticipated. Sales volumes declined 38% year-on-year and production curtailments were required to manage these weak demand dynamics. Selling prices were 14% higher than the prior year and remained resilient. However, cost inflation and operational inefficiencies associated with low capacity utilisation significantly eroded profitability. The prolonged market weakness with no immediate signs of a meaningful rebound suggests a substantial erosion of underlying demand for graphic papers. As a result, industry operating rates fell to an unsustainable level. In response to the market overcapacity and in line with Sappi's strategy to reduce exposure to graphic paper markets, we made the difficult decision to close the Stockstadt Mill and initiated a consultation process for the potential closure of the Lanaken Mill shortly after year-end.

The packaging and speciality papers segment faced similar weak trading conditions related to high levels of downstream inventory and muted consumer demand. Positive year-on-year pricing gains of 7% were insufficient to offset input cost inflation and a 22% reduction in sales volumes leading to a decline in the segment's profitability.

The same market dynamics of elevated stock levels and negative consumer sentiments dampened demand and pricing for textile fibres in the early part of the year. However, viscose staple fibre (VSF) operating rates in China improved steadily as economic activity resumed from the third quarter onwards. Operating rates in the VSF industry remained at a high level through the remainder of the year and downstream VSF inventories dropped below historical levels, which supported demand for DP. The hardwood DP market price fell more than US$200 from the elevated levels of last year to reach a low of US$840 in August. The movement was driven primarily in the early part of the year by high-retail inventories and weak consumer sentiment and then in the latter part of the year by relatively subdued VSF pricing and the weak Chinese Renminbi exchange rate against the US Dollar. Sales volumes for the pulp segment increased by 7% compared to the prior year but profitability was adversely impacted by the lower average pricing and cost inflation.

Strategic review

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.

Sappi's **Thrive** strategy underscores the company's commitment to creating a sustainable future. Anchored in sustainability, innovation and transparency, **Thrive** aims to position Sappi as a trusted and innovative partner in building a biobased circular economy. **Thrive** embodies Sappi's dedication to long-term growth, responsible resource management and the wellbeing of our workforce and the communities in which we operate, ultimately reflecting the company's mission to thrive while advancing the principles of a sustainable, circular economy.

Our **Thrive** 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.

Initiatives and actions undertaken in 2023 to support our strategic objectives are outlined below.

Grow our business

The substantially reduced debt levels provide us with the necessary headroom to navigate any market headwinds and provide us with flexibility to accelerate our investments in higher-margin businesses while reducing our exposure to declining paper markets.

In 2023, the packaging and speciality paper segments constituted 29% of group EBITDA and represented 26% of sales volumes (excluding forestry). Within the context of the challenging market conditions, this was a satisfactory performance and demonstrates the resilience of the segment. The long-term outlook for packaging and speciality paper products remains favourable and we will continue to maximise profitability by growing our capacity and optimising our product mix. The conversion and expansion of Somerset PM2 from coated woodfree graphic paper to solid bleached sulphate paperboard commenced during the year and is progressing well. The US$418 million investment is fully aligned with our strategy to reduce exposure to graphic papers and grow in the higher-margin packaging papers segment. The project is on track for commissioning in 2025 and will add 470,000 tpa of capacity to our packaging papers segment.

We made good progress in expanding our packaging and speciality papers portfolio during the year with the development of a number of new products.

We expanded our portfolio of wet-glue label papers with the development of a new wet-strength, alkali-resistant Parade Label Pro WS, produced at Gratkorn Mill. The product is suitable for high-quality labels for returnable containers in the beverage and food industry, such as returnable glass and polyethylene bottles. Following successful technical validation with selected customers, the product is scheduled for full commercialisation in 2024. 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 in 2022 to produce barrier papers at the speciality paper mill, Alfeld, in Germany. In 2023 we made good progress on collaborations with key customers to qualify our new functional papers which support the shift away from fossil-based materials towards renewable, paper-based packaging solutions that also provide exceptional product protection.

In South Africa, the upgrade of the containerboard machine at Ngodwana Mill was completed at the end of 2022. The start up after the upgrade was challenging, which negatively impacted production volumes in the early part of 2023 but operations stabilised in the second half of the year. The investment has allowed us to extend our product range to the lightweight grades which allowed us to optimise our portfolio to better meet the needs of our customers.

Containerboard demand in South Africa is projected to grow, driven by robust growth in the fruit export markets which represents a strategic growth opportunity in the future. The PrimePak Unbleached kraft bag product produced at Ngodwana Mill has begun to generate pleasing results. Launched towards the end of FY2020, sales growth and market penetration have been impressive, and in FY2024 it will represent more than 25% of the capacity of the newsprint machine. The product has been particularly successful in the South African quick service restaurant (QSR) segment and retail bag applications have also begun to yield some successes as the migration away from plastics continues. In February 2023 we commissioned two machines for the production of bagasse-based compostable thermo-moulded food-grade bowls and plates at Stanger Mill. Commercial sales in South Africa are progressing well and we will soon be expanding the portfolio to fast food containers and exploring opportunities in international markets.

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. In 2023 we made further progress in the application of Valida (fibrillated cellulose) in our own paper products where it is used to enhance the functionality and performance of our Sappi paper and tissue products. Our manufacturing capacity has been significantly increased and now covers multiple sites in Europe and South Africa. Late in 2022, we commissioned our furfural pilot plant at Saiccor Mill. The pilot plant has successfully demonstrated that Sappi's furfural technology produces high-quality furfural from hemicellulose sugars present in the spent sulphite cooking liquor. The furfural produced in our pilot plant has been tested by the market and meets even the most stringent requirements. We have initiated a class 10 engineering design and costing project for a potential commercial furfural plant which would position Sappi as one of the largest producers of furfural globally. The value of our lignin business continued to grow from the strong performance of last year and we have accelerated the development and commercialisation of higher value lignin-based solutions. We progressed development of Viscowell, our lignosulphonate-based product used in oil-well drilling for mud thinning, fluid loss and as a retarder for well cementing.

Sustain our financial health

Despite the challenging operating environment, we continued to generate cash and reduced net debt to US$1,085 million (FY2022 US$1,163 million). This was after taking into account a negative currency translation effect on our Euro-denominated debt being converted at a higher rate, which increased net debt by US$76 million for the year, and the US$107 million returned to shareholders through the dividend and share buyback programmes. The closing net debt level is the lowest since the early 1990s when the company embarked on its global merger and acquisition strategy.

Net finance costs for the year were significantly lower than the prior year due predominantly to lower debt levels. We repurchased US$206 million of the aggregate principal amount of the 2026 bonds in a tender offer in the first quarter, which yielded a capital gain of US$15 million (reflected in net finance costs) and reduced interest payments by US$6 million. We also settled the South African SSA07 bond for US$60 million in the third quarter. There are no significant maturities due before 2026 and we remain comfortable with the maturity profile of our debt.

Our capital investment programme is focused on operational efficiencies, enhancing our product offerings, improving our environmental footprint and growing our packaging business. Capital expenditure in FY2023 of US$382 million included US$100 million for the conversion and expansion of Somerset PM2 to packaging grades. Capital expenditure for FY2024 is estimated to be in the region of US$500 million including approximately US$154 million for the Somerset PM2 project.

The stronger balance sheet with a significantly reduced debt profile and healthy cash reserves provides us with the flexibility to navigate the headwinds of cyclical downturns and positions the business well to deliver on our **Thrive** strategy to reduce exposure to graphic paper markets while investing for growth in our target markets.

Drive operational excellence

Operational excellence is of paramount importance to Sappi, as it serves as a foundational pillar for our success and long-term sustainability and is the key to meeting the evolving needs of customers while maintaining a competitive edge in a dynamic market. By optimising operational processes, we can enhance efficiency, reduce costs and minimise environmental impacts, reinforcing our commitment to sustainability. Moreover, operational excellence enables us to consistently deliver high-quality products and services to our customers, enhancing trust. This focus on excellence also contributes to a safe and motivated workforce, further reinforcing Sappi's reputation as a responsible corporate citizen. In a rapidly changing world, operational excellence equips Sappi to adapt, innovate and stay ahead in the industry, ultimately driving growth and delivering value to both its shareholders and society at large.

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 significant cost inflation in our raw materials experienced in FY2022 receded slowly during the year but variable costs still remain elevated compared to historical levels. We set ourselves a target of a US$61 million reduction in third-party expenditure compared to 2022 through efficiency and raw material usage improvements and delivering savings through various procurement initiatives. We are pleased to report that savings of US$115 million were realised, which helped offset the significant increase in purchased pulp, chemicals and energy costs. In 2024 we are targeting approximately US$60 million in variable cost savings.

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'. In FY2023, of our 28 paper/packaging assets, 13 improved performances year-on-year. This is remarkable within the context of the low capacity utilisation, stop/starts and reduced operating rates (speed) in North America and Europe. We continue to monitor performance to enhance understanding of grade changes, quality issues, sheet-breaks and mix impacts to ensure continuous improvement.

Our decarbonisation programme aligned with our science-based targets continued in 2023. Kirkniemi Mill took a big leap forward in 2023 completely exiting coal and instead became powered by renewable bioenergy. The modernisation of the Gratkorn Mill power plant boiler in 2022 enabled the shift from coal to a combined approach of biomass and natural gas. In 2023, the mill embarked on the next step, enhancing its infrastructure and therefore capacity to handle the delivery, sorting and processing of increased biomass levels. The improved biomass handling system at the mill as well as decentralised intermediate storage terminals within the surrounding regions will enable the boiler to transition completely to renewable biomass over time.

We completed a modernisation project on Gratkorn Paper Machine 11 (PM11), which included extensive modernisation of automation and electrical equipment including drives, control systems, quality control and inspection systems as well as upgrades to the coating profile and other areas. Gratkorn PM11 is the largest coated woodfree paper machine in Europe and maintaining its competitive cost position is critical to our graphic papers strategy. Our investment ensures that we can continue to serve the commercial print market profitably.

We have several information technology (IT) projects which are critical for addressing both the risks and opportunities offered by Industry 4.0 in progress. We anticipate piloting a new manufacturing execution system (MES) in 2024 which will enhance operational excellence and will support the various advanced analytics projects 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. Our commitment to conducting business with the utmost integrity and responsibility is underpinned by a strong ethical framework. 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 and extends to every aspect of our operations, from environmental stewardship and responsible sourcing of raw materials to creating a diverse and inclusive workforce and engaging with customers and local communities. Our ethics training initiatives incorporate relevant and practical examples and have been implemented to inculcate the correct ethical behaviour and responses while avoiding a tick-box approach to ethics.

Sappi aims to strengthen trust with our stakeholders through a comprehensive approach that prioritises transparency and active engagement. Through open communication of our operating performance and sustainability initiatives, we demonstrate our commitment to transparency, fostering trust among investors, customers and the wider community. Simultaneously, our people strategy places a strong emphasis on leadership development and the cultivation of a unifying culture that embodies the spirit of 'OneSappi'. We seek to enhance our organisational capabilities to meet both present and future needs and enhance overall employee engagement, thus reinforcing our commitment to excellence and sustainable growth.

In 2023 we conducted our biennial employee engagement survey. More than 85% of the actions that were raised in the previous survey in 2021 were closed out ahead of the current survey. We are very pleased to report that both employee participation and employee engagement improved compared to 2021. Our participation rate of 94% was noted by our service provider as the highest they have seen to date and gives us confidence that our employee feedback is both comprehensive and representative. The wealth of data obtained through the process will allow us to craft employee solutions specific to regions, workplaces and levels. We made good progress in our objective to increase gender equality and continue to actively nurture emerging talent and create inclusive growth opportunities.

Recognising that we are part of the communities beyond our fence lines and that their prosperity and wellbeing are linked to our own, we strive to make a purpose-driven, meaningful contribution towards the wellbeing and development of our neighbouring communities. We work to create positive social impact by jointly identifying and leveraging opportunities, aligning with and supporting business priorities and needs, considering feedback from our stakeholders. The underlying goals of our social impact programme are to create a stronger social licence to operate; enhance customer loyalty, attract talent and advance our priority UN SDGs (seven globally and two in South Africa). Our Sappi Khulisa tree-farming scheme in South Africa is a good example of positive social impact and shared value and in 2023 we celebrated 40 years of success. The programme is an integral part of our woodfibre supply chain, enhancing the security of fibre supply, while uplifting rural communities by equipping them to become sustainable participants in the forestry value chain.

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 2023 we made further progress towards our supplier engagement target with 81% of suppliers in compliance and thus we are well-positioned to exceed our 2025 target of 80%. Our partnership with EcoVadis continued to gain momentum in 2023 with 796 suppliers sharing their EcoVadis scorecards with us and another 400 in progress to disclose on the platform. The EcoVadis methodology allows us to assess the sustainability performance of our suppliers and identify risks within our supply chain.

Sustainability

Sappi recognises the impact of its operations on the environment and communities. By prioritising sustainability, we not only mitigate our environmental footprint but also ensure the long-term viability of our business. Sappi's commitment to responsible resource management, reduced carbon emissions and ethical practices solidifies our position as a forward-thinking and socially responsible industry leader. As we navigate the challenges of decarbonising our value chain, we recognise that collaboration is a critical element of our journey. We actively participated in the work of the World Business Council for Sustainable Development (WBCSD) Forest Solutions Group (FSG), progressing Net Zero and Nature Positive roadmaps that are appropriate for the Forest sector. In addition, we were active participants in the development process for the new Green House Gas Protocol: Land sector and removals guidance.

In 2023 our operational efficiency was severely hampered by production curtailments that were implemented in response to the challenging market conditions. The result is that we regrettably significantly exceeded our carbon emission and waste intensity targets. Despite this poor performance, we remain confident that our climate strategy and capital investment programme are on track to deliver our 2025 and 2030 commitments.

We are making good progress towards our **Thrive** 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 to the future, we are committed to consistently generate lasting value for our stakeholders through our unwavering focus on execution of our **Thrive** strategy with delivery against clear actions and targets continuing beyond 2025. Against the backdrop of an unpredictable macroeconomic and geopolitical landscape, our proactive risk management places risk appetite and tolerance at the heart of our decision-making processes. This approach guarantees that both our management and board possess a well-rounded perspective on risks and opportunities, enabling them to make informed strategic decisions and ultimately deliver sustainable value to our stakeholders.

We recognise that persistent global macroeconomic challenges and generally subdued consumer sentiment continue to impact the demand for many of our products.

DP markets appear more positive as VSF operating rates continue to be strong and the differential between cotton and VSF pricing remains supportive. Hardwood DP market pricing has increased in recent weeks to US$900 per ton. Additionally, paper pulp pricing has also moved into an upward trajectory, which will benefit our high-yield pulp (HYP) sales. DP sales volumes in the first quarter will, however, be lower than the prior quarter due to scheduled maintenance shuts at all three of our DP mills.

It has become apparent that demand for graphic papers has experienced a permanent structural decline. Sappi remains committed to our stated strategy to reduce exposure to graphic paper markets and will proactively manage overcapacity through conversion and expansion of the Somerset PM2 graphic paper asset to solid bleached sulphate paperboard in the US in 2025 and rationalisation of the European capacity through closure of the Stockstadt Mill and potential closure of the Lanaken Mill. It is anticipated that strategic action in the European region will significantly improve the capacity utilisation of the graphic paper assets and improve the fixed cost position of the business in the second half of the year.

The long-term favourable outlook for our sustainably produced packaging and speciality paper products remains unchanged, however, in the short term challenges persist. The destocking process in the segment is taking longer than expected and the macroeconomic landscape remains unpredictable, which is likely to continue to weigh on consumer sentiment. We therefore do not expect any meaningful recovery in the first quarter of the financial year. Sappi is well positioned to benefit from the turn in the cycle.

Variable costs have reduced from the peak in the first half of the 2023 financial year but remain high relative to historical levels. Global pulp prices have started rising in recent weeks and wood costs remain elevated. Additionally, recent heightened geopolitical issues may cause additional volatility in energy markets. Cost inflation is therefore a risk in the coming quarters. We continue to proactively implement cost containment initiatives to mitigate the risk of higher costs. In the first quarter, the Ngodwana, Saiccor and Cloquet Mills will take scheduled maintenance shuts, which will have an estimated US$40 million impact on group profitability.

Capital expenditure for FY2024 is estimated to be in the region of US$500 million including approximately US$154 million for the Somerset PM2 project.

Deleveraging of our balance sheet has been material and combined with substantial cash reserves we are well-positioned to navigate any market challenges in the coming year. We remain encouraged by the increasing resilience of our business and opportunities for growth in our packaging and pulp segments. Through our **Thrive** strategy we are committed to strengthening our competitive position and delivering sustained shareholder value.

Notwithstanding the gradual recovery in pulp and paper markets and taking into consideration the impact of the scheduled maintenance shuts, we anticipate that the EBITDA for the first quarter of FY2024 will be below that of the fourth quarter in FY2023.

Appreciation

Sappi expresses deep gratitude to its diverse stakeholders, recognising their valuable contributions and support in guiding the company's actions and decisions. This includes customers with whom Sappi collaborates to provide sustainable biobased products, employees whose wellbeing and dedication are pivotal to the company's success and a wide range of stakeholders whose ideas and feedback enrich Sappi's role as a responsible corporate citizen. Sappi values these relationships and appreciates the role each stakeholder plays in its development and performance.

Sappi acknowledges and highly values the efforts and contributions of its board. The company recognises the crucial role played by the board in guiding its strategic decisions and overall governance. Sappi expresses deep appreciation for the dedication, expertise and leadership provided by its board members in steering the company toward success and sustainable growth.

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 07 February 2024.

Changes to the board

Sir Nigel Rudd will retire as independent Chairman of the board and from all other board positions including his role as Chairman of the Nomination and Governance Committee at the AGM on 07 February 2024. Sir Nigel was appointed to the board in April 2006 and served as the Lead Independent Director before being appointed Chairman on 01 March 2016. The board extends their sincere appreciation to Sir Nigel for his leadership which has enabled Sappi to drive its growth strategy through expanded packaging and speciality papers capacity and increased share of earnings while reducing exposure to declining graphic paper markets alongside a period of significant debt reduction which enabled Sappi to weather the storms of Covid-19, high inflation and interest rates, as well as macroeconomic disruptions.

Mr Nkateko (Peter) Mageza will retire as an Independent Non-executive Director (NED) of the board and Chairman of the Audit and Risk Committee (ARC) at the AGM on 07 February 2024. Mr Mageza was appointed to the board in January 2010 and was appointed to the ARC in February 2010, serving as Chairman since February 2018. The board extends their gratitude to Mr Mageza for his significant contribution and support to the company.

Further to these retirements, the board has appointed Mr Nkululeko Sowazi, who joined the board as Independent NED with effect from 03 October 2022, as independent Chairman of the company with effect from 08 February 2024. Mr Sowazi will resign as a member of the ARC. In addition, Ms Zola Malinga is appointed as Chairperson of the ARC as of 08 February 2024, subject to the approval by shareholders of Ms Malinga's re-appointment to the board and the ARC. Ms Malinga joined the Sappi board in October 2018 and has been a member of the ARC since then.

Mr Mohammed (Valli) Moosa, a longstanding member of the board currently serving as Lead Independent Director, Chairman of the SETS Committee and member of the Nomination and Governance Committee has indicated that he would like to retire. The board and Mr Moosa have agreed that he should continue in his role until his retirement at the AGM in February 2025 to ensure a smooth transition to his successor.

A personal message from the Chairman, Sir Nigel Rudd

Reflecting on my tenure of seventeen years with the Sappi board, the last seven as Chairman, I am struck by the number of significant internal and external challenges that we navigated during this period. I have been blessed to serve alongside exceptional board members and wish to thank all of them, past and present, for their support. I have also had the privilege during my tenure of visiting almost all of Sappi's facilities and meeting the many people who make Sappi the excellent company that it is. I wish to thank them for the commitment, loyalty and hard work. South Africa is a country I have come to love over these past 20 years and I am so pleased to have been able to play a small part in establishing Sappi's bright future as a global company with roots sunk deep in the African soil. Very many projects have been undertaken during the past 17 years across all three operating regions, but I would be remiss in not mentioned the largest ever expansion and upgrade investment project in South Africa – the 'Vulindlela project' at our Saiccor Mill in KwaZulu-Natal, South Africa. I was able to spend some quality time with President Cyril Ramaphosa discussing the strategic importance to South Africa of Sappi and the forest products industry and hosted him at the ribbon cutting podium and plaque unveiling ceremonies in September 2022. Equally, I feel a great sense of satisfaction that management, with the guidance and support of the board has been able to change the strategic direction of the company in response to fundamental changes in market demands and consumer preferences. I retire from a diversified woodfibre company rather than the narrow graphic paper focused company I joined in 2006. The demand and preference for natural, sustainable and renewable resource-based products shows no sign of ending with Sappi continuing to invest to secure an ever-larger share across a wide variety of market segments, both paper (such as flexible packaging and paperboard) and non-paper (such as Verve DP and lignosulphonates). Any such change leads to disruption as capacity in declining product segments is either converted to growth segments or closed down, with the unavoidable but regrettable impact on loyal and competent employees. At the same time capital requirements increase which elevate debt levels and the investment case is sometimes not clear to external stakeholders over the short term. On each of these challenges I am satisfied that I leave a company in very good health. We have demonstrated how the diversification strategy can deliver real enterprise value as is evident through the transformation of the North American business. Strategic investments and acquisitions have helped position the company for growth, while astute financial management has reduced debt to record low levels and enabled the company to resume dividend payments, all bolstering the long-term investment case for Sappi through sustainable shareholder returns. I wish the board and the entire Sappi family well on their journey to a thriving world.

Q&A with the CEO

Steve Binnie
CEO

"Our graphic papers markets faced significant challenges in 2023 due in part to an extended destocking cycle. In hindsight, the extraordinary surge in demand we experienced in 2022, which nearly reached pre-Covid-19 levels, included a significant element of forward buying by our customers."

Q1 Graphic paper demand was extremely weak in 2023 necessitating widespread production curtailments across the industry. What is Sappi's view of demand in 2024 and how will you address overcapacity?

Our graphic paper markets faced significant challenges in 2023 due in part to an extended destocking cycle. In hindsight, the extraordinary surge in demand we experienced in 2022, which nearly reached pre-Covid-19 levels, included a significant element of forward buying by our customers. The rebound in economic activity in 2022, coupled with severely constrained supply chains created a worldwide paper shortage. Against this backdrop of volatile and uncertain global logistics, customers increased their orders well beyond underlying demand levels. However, as macroeconomic conditions deteriorated and supply chains normalised late in 2022 our customers experienced a substantial increase in inventory. The subsequent destocking combined with weak global macroeconomics led to a material decline in demand for graphic paper which persisted throughout FY2023.

The historical rate of decline for graphic paper was approximately 6% per annum. Taking this trajectory into account and considering the demand rebound in 2022 to almost 2019 levels, demand in 2023 should have been approximately 25% below that of 2022. However, sales volumes for our graphic papers segment in FY2023 declined by 38% year-on-year, which necessitated widespread production curtailments in our European and North American operations. While the extent of the demand weakness can be partially attributed to the destocking cycle, graphic paper markets continue to remain subdued, particularly in Europe. This suggests that there has been an accelerated decline and a permanent erosion of demand that is unlikely to return. Order activity has improved slightly in recent months, indicating a modest recovery, but our fundamental assumption is that demand for graphic paper in FY2024 will be 30% below FY2022 levels.

With this anticipated level of demand, we continue to be faced with significant overcapacity necessitating extended periods of costly commercial downtime. Recognising these low operating rates are unsustainable and aligned with our strategy to reduce exposure to graphic paper markets, we will proactively manage overcapacity. In the short term, we will rationalise our graphic paper capacity in Europe through closure of the Stockstadt Mill and potential closure of the Lanaken Mill. This will remove approximately 750,000 tpa (~30%) of our European graphic paper capacity in FY2024, which will significantly improve the utilisation of our remaining graphic paper assets and improve the fixed cost position of the business in the second half of the year. We are confident that we can shift the current sales volumes to our other assets. Over the medium term, our conversion and expansion of Somerset PM2 to solid bleached sulphate paperboard will remove 235,000 tpa (~ 30%) of our North American graphic paper capacity in 2025. Furthermore, the project at our Gratkorn Mill in Europe to expand our label paper capability will displace a further 200,000 tpa of graphic paper. Through these actions, we will proactively reduce our graphic paper capacity to match declining demand and in so doing ensure that our assets are fully utilised generating cash. We continue to evaluate further opportunities to reduce our exposure to graphic paper through sale of assets or for potential conversion opportunities to packaging and speciality paper grades. Our strategic objective is to reduce graphic paper to less than 30% of our sales volumes by 2027.

Q2 Has the demand weakness in packaging and speciality papers segment in FY2023 altered your long-term view on growth projections? Is there any impact on the investment case and timing of the Somerset conversion and expansion project?

The packaging and speciality papers segment faced weak trading conditions related to high levels of downstream inventory and muted consumer demand in FY2023. The destocking process is taking longer than anticipated but all indicators point to normalisation of inventories within our value chains early in FY2024. The macroeconomic landscape, however, remains unpredictable, which is likely to continue to weigh on consumer sentiment in the short term as some of our packaging and speciality papers are linked to discretionary consumer goods. Nevertheless, our long-term favourable outlook for our sustainably produced packaging and speciality paper products remains unchanged. Paper-based packaging offers a myriad of environmental sustainability and functionality benefits. Our low-carbon, renewable and circular packaging products, derived from responsibly managed forests and deforestation-free supply chains, offer consumers a more environmentally friendly choice compared to non-renewable alternatives. As industries and consumers increasingly prioritise sustainability, the benefits of paper-based packaging align with these values, making it a compelling and responsible choice for packaging solutions.

The short-term macroeconomic pressures on consumer sentiment have not altered our investment case for the conversion and expansion of our Somerset PM2 machine to solid bleached sulphate paperboard and we remain on track for commissioning in mid-2025. Our folding carton paperboard products are particularly versatile and allow for exceptional print quality that enhances creative design and brand visibility for luxury beverages, cosmetics and perfumes, health and beauty care and consumer electronics. Furthermore, demand for food service board grades for disposable cups, plates and fast food packaging continues to grow as the industry responds to consumer and legislative pressures to switch from fossil-based products. Our conservative market growth assumption of 2% per annum remains unchanged and excludes the potential growth opportunities based on substitution of fossil-based packaging.

There have been a number of capacity closures in the North American paperboard market during 2023, which we estimate reduces solid bleached sulphate paperboard capacity by approximately 7%. While some of the capacity exiting the market is in areas such as liquid packaging where we do not currently compete, we believe the overall impact is positive and tightens the market ahead of our Somerset expansion. In addition, one of our peers has reported that they will not make a decision on the conversion of a graphic paper asset to paperboard by the end of 2023 as previously announced, which further extends the timeline for additional capacity entering the North American market. The Somerset PM2 project will add 470,000 tpa of SBS capacity in 2025, which will double our market share. Sappi is well positioned to benefit from the demand growth for paperboard in North America and our anticipated returns on the investment are expected to exceed a 20% internal rate of return (IRR).

Q3 Sappi's capital expenditure is expected to increase over the next two years as you expand the packaging capacity at Somerset Mill. Should investors be concerned about debt levels in 2024?

Despite 2023 being one of the most challenging downcycles experienced in the pulp and paper industry, with demand for our paper products falling below that of the Covid-19 pandemic years, we continued to generate significant cash which enabled a further reduction of net debt at year-end to US$1,085 million, the lowest level in 30 years. This was after taking into account a negative currency translation effect on our Euro-denominated debt being converted at a higher rate, which increased net debt by US$76 million for the year, and the US$107 million returned to shareholders through the dividend and share buyback programmes. Our strategic focus on sustaining our financial health through disciplined capital allocation and a strong emphasis on cash generation has materially repositioned our balance sheet over the last two years.

The significantly lower debt profile and healthy cash reserves provide us with flexibility to navigate the headwinds of cyclical downturns and have allowed us to begin the next phase of investments for growth in our target markets with the conversion and expansion of Somerset PM2 to solid bleached sulphate paperboard. In line with our disciplined approach to capital allocation, we will proactively manage cash flows by phasing the US$418 million capital expenditure for the Somerset PM2 project over three years (US$100 million FY2023, US$154 million FY2024 and US$164 million FY2025). Maintaining our existing operations and improving our environmental footprint is also a high-level priority and is a strategic investment in our existing assets to ensure future safe, efficient and sustainable operations. We anticipate capital expenditure will be in the region of US$500 million for the next two years, which includes the expansionary capex as outlined above together with maintenance and sustainability capex of approximately US$350 million per annum. We have no other large capital projects planned during this period. We have committed to returning value to our shareholders and declared a dividend of 15 US cents for FY2023, which will result in a cash outflow of approximately US$85 million in the second quarter of FY2024. We will also potentially incur closure and restructuring costs of approximately US$159 million for the closure of the Lanaken Mill. The fixed costs benefit of the restructuring will be partially realised in FY2024 and therefore we anticipate a net cash outflow for FY2024. In the short term, we anticipate our net debt will rise slightly from the FY2023 level but our commitment to our target of US$1 billion remains intact and we are confident that our strategic actions to reduce our graphic paper exposure and grow our packaging business will enhance our future cash generation and improve profitability of our business.

Q4 New sustainability and environmental, social and governance (ESG) regulations have been legislated in Europe and globally ESG reporting expectations are rapidly expanding. How is Sappi responding?

ESG reporting is crucial in today's business landscape as it serves as a fundamental tool for companies to communicate their commitment to sustainable and responsible business practices. By disclosing information on environmental impact, social responsibility and governance structures, we not only enhance transparency but also build trust among stakeholders, including investors, customers, employees and the broader community. The ESG reporting landscape has undergone a rapid and transformative evolution over the last few years, reflecting a paradigm shift in corporate consciousness and stakeholder expectations. In recent times, the landscape has witnessed a remarkable mainstreaming of ESG considerations. Governments, regulatory bodies and stock exchanges around the world have increasingly recognised the importance of ESG disclosure, establishing guidelines and frameworks to standardise reporting practices. Simultaneously, investors have recognised the material impact of ESG factors on financial performance and risk management, driving a surge in demand for comprehensive and comparable ESG data. As a result, ESG reporting has transitioned from a voluntary initiative to a critical component of corporate governance, risk management and strategic decision-making, illustrating a broader recognition of the connection between sustainability and long-term business success.

As a company committed to environmental stewardship, social responsibility and sound governance practices, transparency serves as a cornerstone of our **Thrive** strategy. Transparent reporting on key ESG metrics not only aligns with Sappi's values but also allows our stakeholders to make informed decisions. Ultimately, for Sappi, transparency is not just a compliance requirement but a strategic imperative that enhances our reputation, fosters long-term relationships and contributes to the company's sustainable growth. We have for many years used the GRI framework for our ESG disclosures and more recently aligned our climate reporting with the Task Force on Climate-related Financial Disclosures (TCFD) framework. In addition, our CDP (formerly the Carbon Disclosure Project) responses to climate, forests and water are publicly available for stakeholder review. The new European Union's Corporate Sustainability Reporting Directive (CSRD) went into force in January 2023. With our large European footprint, we will be classified as a company headquartered outside the EU operating in the region subject to the CSDR and therefore plan to align with the European Sustainability Reporting Standards (ESRS) for our FY2025 annual reporting period. Based on the high level of interoperability between GRI and ESRS and our comprehensive CDP disclosures, we are well placed to adopt these new standards.

Posture

Beauty and confidence. Pride and upright posture. These attributes have meant that many cultures over the ages have associated peacocks with royalty and power.

This image is appropriate to Sappi because we too, can stand tall with pride when we consider our past achievements and drive to create not just enterprise value, but value for our people and for communities.

We have achieved enterprise value through our ability to be nimble and optimise profitability in ever-changing markets, reshaping our products and processes to create value and growth for our own business and our customers. We continue to offer our customers a broad range of solutions based on the power of renewable resources that enable them to achieve their sustainability goals and contribute to the low-carbon, circular economy. In doing so, we have continued to focus on treading more lightly on the Planet.

Creating value for our people and communities is underpinned by the structures and programmes we have established which facilitate open, authentic communication, by our ongoing investment in training, development and transformative community programmes, as well as by our collaborative partnerships focused on workable solutions to industry challenges.

Our commitment to delivering sustainable value to our stakeholders is based on our focus on living our values at all times: *At Sappi we do business safely with integrity and courage, making smart decisions which we execute with speed.*

Our operating context

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

Logistics problems in South Africa

Context	Our response
There are deep-rooted problems in South Africa's state-owned ports and rail companies related to a shortage of freight trains, rail infrastructure and inefficient ports. It is estimated that the negative impact of rail and port's poor performance equates to 5 – 6% of the country's GDP, thereby diminishing South Africa's competitiveness in the global supply chain. Sappi Southern Africa (SSA) exports the majority of the dissolving pulp (DP) produced in the region and relies heavily on the Durban port. The region has also traditionally moved a large proportion of both raw material and finished product by rail. The unstable rail system was further compromised following widespread floods in KwaZulu-Natal in April 2022 – multiple railway line bridges between Durban and Umkomaas where our Saiccor Mill is situated became unusable. These have still not been repaired and according to authorities, the earliest we can expect the 95-year-old Illovo bridge south of Durban to be operational is at the end of 2025.	On an operational level and in the face of robust demand for our DP, we adjusted to these challenges by increasing road transport routes, working with our logistics partners to contain costs and shipping DP from Ngodwana Mill to the port of Maputo in Mozambique, rather than the port of Durban. In addition, we opened a bonded warehouse for DP in China, with the first shipment taking place in March this year. We are also deploying performance-based standard (PBS) road haul vehicles to mitigate the impact on timber deliveries from the northern part of KwaZulu-Natal. At a strategic level, at the opening of the Saiccor Mill capacity expansion and environmental enhancement project in September 2022, the Chairman of Sappi Limited raised the issue of port inefficiencies and failing rail infrastructure with South African President Cyril Ramaphosa. In addition, in February this year on the eve of the State of the Nation address, the Sappi Limited CEO called for urgent Government intervention to halt the negative effect of these issues on Sappi's business operations and the entire value chain. In August, the national Government established a National Logistics Crisis Committee (NLCC) with a direct reporting line to President Ramaphosa. The committee, which will report to the President every six weeks, has been tasked with overseeing short- and long-term interventions to fix South Africa's freight logistics system and formulate a logistics road map. Sappi is an active participant in this committee, which is focused on immediate operational improvements in the logistics system as well as longer-term reforms to improve efficiency and competitiveness.

Plastic pollution

Context

According to the Organisation for Economic Co-operation and Development (OECD), currently, the world produces 430 million metric tons of plastics each year of which over two-thirds are short-lived products which soon become waste (approximately one-third after single use). The OECD also points out that plastic production is set to triple by 2060 if 'business as usual' continues. Increasingly, stakeholders around the world are aware of the unintended consequences of the current linear packaging system and are looking for alternatives.

Against this backdrop, in a historic decision at the fifth UN Environment Assembly in March 2022, all 193 UN Member States decided to end plastic pollution. Negotiations regarding a binding legal agreement by 2024 are underway.

Our response

The global move away from plastic-based packaging offers Sappi significant growth opportunities and is in line with our **Thrive** strategy of creating responsibly sourced and sustainable solutions as viable alternatives to fossil-based products.

We are capitalising on consumer preferences and legislative shifts towards environmentally sustainable packaging solutions in various ways. One of these is our US$418 million investment at Somerset Mill to convert Paper Machine 2 from coated woodfree graphic paper to solid bleached sulphate paperboard (as described on page 113). We continue to expand our range of compostable, recyclable packaging solutions and to bring innovations like bagasse-based compostable thermo-moulded food-grade bowls and plates (see page 30), to market.

Quantifying nature-related risk and opportunity

Context

Reports indicate that the planet's biological diversity is shrinking so rapidly that it threatens to undermine the broader climate agenda and enterprise value creation. In fact, the World Economic Forum indicates that US$44 trillion of economic value generation – over half the world's total GDP – is moderately or highly dependent on nature and its services and consequently, exposed to risks from nature loss[1]. In September this year the Taskforce for Nature-related Financial Disclosures (TNFD) published a comprehensive document with recommendations and guidance which builds on the work of the TCFD, the ISSB and the GRI. The document is based on the premise that nature-related risks are a reality today in the cash flows and balance sheets of businesses and in the capital allocation portfolios of financial institutions.

Our response

As a company based on the power of renewable natural resources, we recognise that our ability to create and maintain value is linked to our interaction with healthy ecosystems throughout our value chain. At the 15th Conference of the Parties to the UN Convention on Biological Diversity (COP 15), 190 nations agreed on a historic package of measures known as the Kunming-Montreal Global Biodiversity Framework. This is deemed critical to addressing the dangerous loss of biodiversity and restoring natural ecosystems.

Sappi's work to incorporate the TCFD requirements and our longstanding alignment with GRI indicators has given us a strong foundation for incorporating TNFD recommended disclosures, including the LEAP approach:

- Locate where in the own operations and along the value chain the interface with nature takes place
- Evaluate the pollution-related dependencies and impacts
- Assess the material risks and opportunities and
- Prepare and report the results of the materiality assessment.

Sappi Forests has assessed (and continues to assess) – nature-related risks and opportunities, taking into consideration different scenarios. The TNFD has provided guidance on scenario analysis and we will be using this going forward. In addition, we have a biodiversity target related to important conservation areas (ICAs) in South Africa which incorporates defined assessments.

[1] *https://www.weforum.org/press/2020/01/half-of-world-s-gdp-moderately-or-highly-dependent-on-nature-says-new-report/*

Transitional climate developments

Context	Our response
As the world experiences extreme weather events in every region, governments are intensifying their efforts to mitigate climate change through carbon-related legislation.	**SEU:** The EU hopes to both exert global influence on combatting climate change and addressing potential carbon leakage concerns through the implementation of a Carbon Border Adjustment Mechanism Regulation (CBAM) under the Fit for 55 package. The CBAM, which came into effect on 01 October 2023, is designed to counter the risk of carbon leakage. This is achieved by imposing a charge on the embedded carbon content of certain imports that is equal to the charge imposed on domestic goods under the European Trading Scheme, with adjustments being made to this charge to take into account any mandatory carbon prices in the exporting country. To ensure that there is no double benefit afforded to EU producers, the CBAM will replace the free Emissions Trading Scheme (ETS) allowances currently granted to EU producers assessed to be at high risk of carbon leakage. Currently, the CBAM covers aluminium, cement, energy, fertilisers, hydrogen, iron and steel. We are monitoring developments closely to ensure that there are no unintended consequences for developing countries like South Africa which is a significant exporter of citrus – packed in Sappi products – to Europe. **Sappi North America (SNA):** In the USA, the Inflation Reduction Act (IRA) offers generous tax credits, rebates and subsidies to producers of green technology – provided manufacturing takes place on North American soil. SNA continues to look for opportunities to apply for both federal funding under the IRA and local funding within our operating states. We received a US$1 million grant from the Maine Technology Institute's Forestry Recovery Initiative (FRI) in December 2022 to improve productivity and reduce energy at Somerset Mill. The grant funds are being used to improve pulp yield in at the mill, specifically through a new chip treatment process that will improve productivity, lower energy consumption and reduce the use of pulping chemicals. **SSA:** To date, we have been governed by the Carbon Tax Act which came into effect on 01 June 2019. The first phase from 01 June 2019 to 31 December 2022 applied to activities that directly emit greenhouse gas (GHG) emissions. The tax includes various allowances in the first phase, including a 100% allowance for forestry. We engaged with the Department of Forestry, Fisheries and Environment (DFFE) to recognise carbon sequestration and the department has validated our carbon sequestration calculation. Government then extended the first phase of South Africa's carbon tax by three years to 31 December 2025 to support businesses in their clean transition endeavours. SSA's carbon tax liability for the 2022 calendar year was zero. (Carbon tax works in calendar years, so we only submit data for CY2023 in March 2024.) We are now monitoring the Climate Change Bill, ambitious legislation which the National Assembly voted to pass shortly after year-end. The adopted version of the Bill will now go to the National Council of Provinces (NCOP) for consideration. Recognising that human-induced climate change represents an urgent threat to human societies and the planet, the Bill seeks to enable an effective climate change response and to ensure a just transition to a low-carbon and climate-resilient society.

Community unrest in South Africa

Context	Our response
South Africa has one of the highest rates of social inequality globally, with unemployment and poverty levels exacerbated by Covid-19, the escalating cost of living and the global economic downturn. SSA supports local communities in 60 of the country's 278 municipalities. These comprise primary (within a 30km radius of Sappi operations) and secondary communities (within a 50km radius of Sappi's operations), many of whom have expectations of Sappi to resolve social demands. While the risk of community unrest and potential disruptive impact on our operations has stabilised, as the country prepares for 2024 national elections, political activities can be expected to intensify. This could have potentially negative consequences for some of our operations.	We maintain close relationships with communities through our Integrated Community Forums (ICFs) which incorporate a range of stakeholders from both Sappi and local communities. The ICFs' overarching focus is on building social capital and strengthening community relationships. This is achieved through skills development, enterprise and social development, as well as social responsibility programmes, in line with SSA's overall social impact strategy. In addition, Community Management Committees at each mill identify shared value opportunities which help identify and support local entrepreneurs, as well as promote the sourcing of goods and services from local suppliers where possible. Community Service Officers also play a key role in strengthening community relationships, as do extension officers who work with Sappi Khulisa farmers. Our focused Enterprise Supplier Development (ESD) department aligns with this approach by working to incorporate small and medium enterprises (SMEs) into the mainstream economy. In FY2023, SSA spent just over ZAR316 million with SMEs, exceeding our annual target by ZAR160 million. In the process, 587 jobs were sustained. Over and above this amount, through collaboration with our established contractors, a total of ZAR27 million was spent with SMEs through a sub-contracting arrangement and a further ZAR712,000 was invested in SME training and development interventions. Our most significant ESD initiative through which we strengthen participation in the forestry value chain is Sappi Khulisa (described on page 78).

The rise of artificial intelligence

Context	Our response
In recent years, artificial intelligence (AI) has been advancing at an exponential pace, with artificially intelligent machines able to sift through and interpret massive amounts of data from various sources to carry out a wide range of tasks. AI is part of our daily lives as consumers, often providing services and support without us realising it. AI is also being used by organisations to undertake repetitive tasks, to analyse and summarise large quantities of data, identify trends and patterns which are used to improve production, planning, auditing and other functions. Generative AI (GenAI) is one small part of the overall AI landscape, but it has become publicly prominent with the launch of ChatGPT from Microsoft and OpenAI and Bard from Google.	We have adopted AI as part of our digital strategy, where multiple use cases exist using machine learning and computer vision. Sappi is also leveraging the benefit from AI solutions embedded in the solutions we use across our business functions. Some of our staff have tested these GenAI tools and have asked to be allowed to explore how using GenAI could benefit their work. Our preference is to enable and allow the use of GenAI rather than to ban it as some other companies have done. Accordingly, we have published guidelines for the use of AI including GenAI within Sappi to protect our confidential information. We are also working on a comprehensive enterprise AI strategy which will ensure that both risk and opportunities are appropriately addressed as GenAI capabilities are deployed.

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.

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	Cyclical macroeconomic factors
3	Cyber security
4	Sustainability expectations
5	Climate change
6	Evolving technologies and consumer preferences
7	Supply chain disruption
8	Uncertain and evolving regulatory landscape
9	Employee relations
10	Liquidity

Group board

Assumes overall responsibility for risk governance

Group Audit and Risk Committee (ARC)

Mandated to assist the board in carrying out its risk management responsibilities at group level

Line management in each region, business unit and operation

Responsible for implementing regional risk management processes

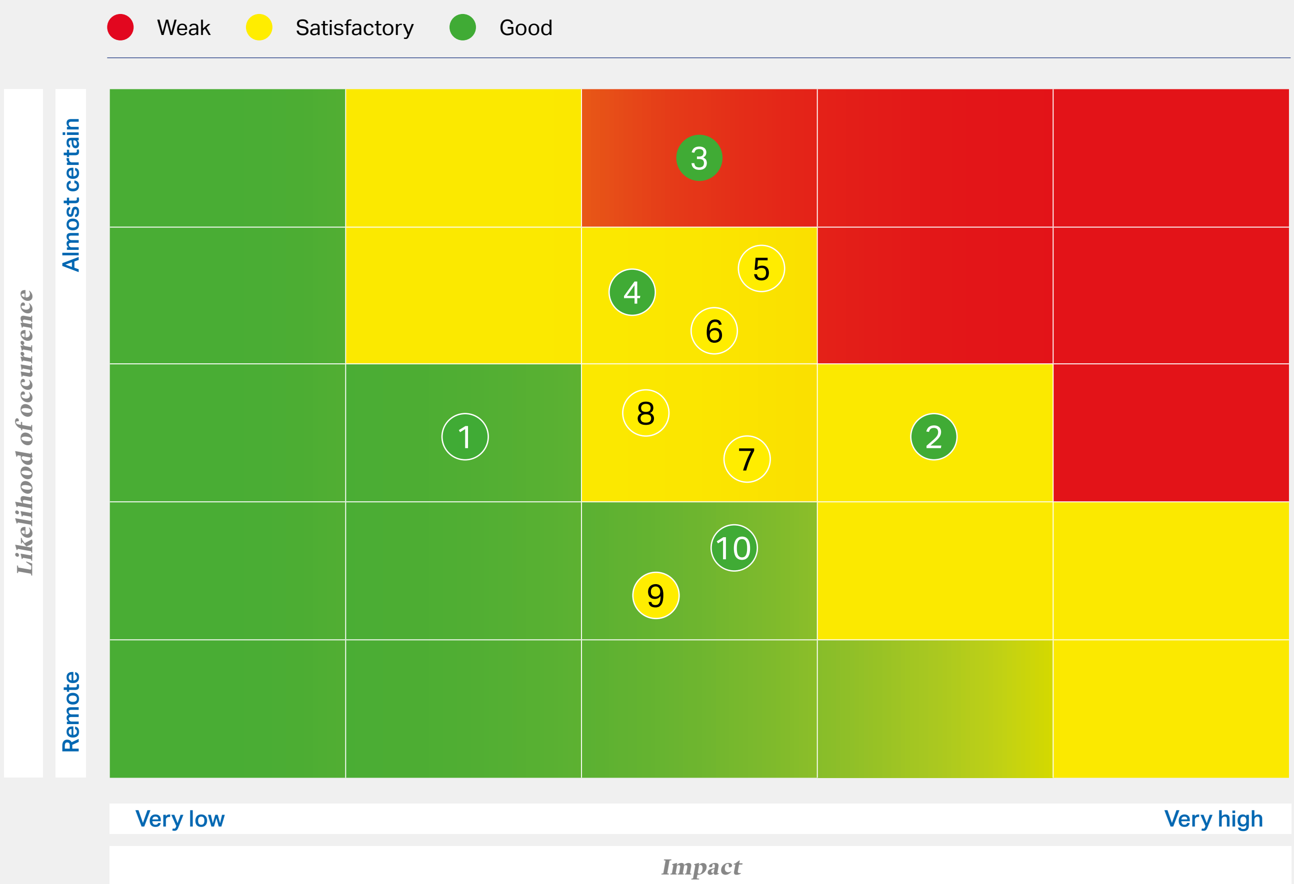
Group internal audit

Provides independent assurance on the risk management process

For an analysis of the principal financial risks we are exposed to, refer to note 32 of the **2023 Sappi Group Annual Financial Statements** at www.sappi.com/annual-reports

Our 2023 **Risk Management Report** provides a detailed discussion of the group's risk factors and can be accessed at www.sappi.com/annual-reports

Strength of current mitigations



1 Safety

(2022: 1)

Root cause

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

Thrive 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

- Employee and contractor safety
- Sappi talent
- Labour relations.

2 Cyclical macroeconomic factors

(2022: 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.

Thrive 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

- Agility and operational efficiency
- Innovation and collaboration
- Low-carbon, circular bioeconomy.

3 Cyber security

(2022: 2)

Root cause

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

Thrive 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

- Ethical behaviour and compliance
- Sappi talent.

4 Sustainability expectations

(2022: 3)

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.

Thrive strategy objectives impacted

3Ps impacted	Capitals impacted

Mitigating actions

- Utilise product certifications
- Enhance 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 fibre certification
- Communicate our social and environmental credentials through all media channels
- Leverage environmental, social and governance (ESG)-related covenants.

Related material issues

- Responsible procurement
- Innovation and collaboration
- Low-carbon, circular bioeconomy
- Biomaterials
- Sustainable woodfibre
- Renewable energy and climate change
- Water stewardship
- Circular bioeconomy and minimal waste
- Biodiversity.

5 Climate change

(2022: 5)

Root cause

Climate change will have 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.

Thrive strategy objectives impacted

3Ps impacted	Capitals impacted

Mitigating actions

- Source pulp and woodfibre from a variety of sources and regions
- Invest in fire, pests and disease prevention protocols in South Africa, as well as site species matching to withstand abnormal weather events and reduce our water footprint in this region
- SSA has engaged National Treasury via Paper Manufacturers' Association of South Africa (PAMSA) to motivate taking into account carbon sequestration by companies that own their own forests when calculating carbon tax
- Group-wide decarbonisation initiatives.

Related material issues

- Low-carbon, circular bioeconomy
- Sustainable woodfibre
- Renewable energy and climate change
- Water stewardship
- Circular bioeconomy and minimal waste
- Biodiversity.

6 Evolving technologies and consumer preferences

(2022: 6)

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.

Thrive 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

- Responsible procurement
- Agility and operational efficiency
- Innovation and collaboration
- Low-carbon, circular bioeconomy
- Sustainable woodfibre
- Renewable energy and climate change.

7 Supply chain disruption

(2022: 4)

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 condition.

Thrive strategy objectives impacted

3Ps impacted	Capitals impacted

Mitigating actions

- Implement documented business continuity plans
- Operate via multiple transportation modes
- Utilise multiple ports for shipments, as well as alternative modes of shipping
- Communicate with key stakeholders, including Government
- Fine-tune internal processes to enhance coordination between departments
- Negotiate longer lead times.

Related material issues

- Responsible procurement
- Agility and operational efficiency
- Renewable energy and climate change.

RESPONDING TO OUR CONTEXT

8 Uncertain and evolving regulatory landscape

(2022: 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.

Thrive strategy objectives impacted

3Ps impacted | **Capitals impacted**

Mitigating actions

- Remain up to date on changes to applicable legislation
- Continue to enhance 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
- Cooperate across regions to apply best practices in sustainability.

Related material issues

- Responsible procurement
- Employee and contractor safety
- Agility and operational efficiency
- Ethical behaviour and compliance
- Renewable energy and climate change
- Circular bioeconomy and minimal waste
- Water stewardship
- Biodiversity.

9 Employee relations

(2022: 9)

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.

Thrive 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

- Employees and contractor safety
- Sappi talent
- Labour relations
- Social impact.

10 Liquidity

(2022: 10)

Root cause

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

Thrive strategy objectives impacted

3Ps impacted | **Capitals impacted**

Mitigating actions

- Continue to implement cost-saving initiatives
- Re-prioritise various strategic initiatives
- Take commercial downtime to match supply to demand
- Defer non-critical capex projects.

Related material issues

- Agility and operational efficiency.

Our key relationships

17 PARTNERSHIPS FOR THE GOALS

Our overarching aim is to partner proactively with our stakeholders as we unlock the power of trees and their limitless potential to accelerate the solutions a thriving world requires. In addition to responsiveness, our approach to engagement is based on the principles of inclusivity, materiality, relevance and completeness.

Highlights in FY2023

- Actively engaged in the projects of the Forest Solutions Group of the World Business Council on Sustainable Development (WBCSD) which we joined in FY2022.
- Ongoing levels of involvement in strategic initiatives for our industry such as the World Resources Institute's GHG Protocol Carbon Removals and Land Sector Initiative Project which benefit the forestry industry as a whole.
- Sappi Southern Africa (SSA) launched the Sappi Chair in Climate Change and Plantation Sustainability at the University of the Witwatersrand (Wits) in Johannesburg, South Africa.
- Under the auspices of Business Leadership South Africa, our group CEO joined CEOs from over 115 of South Africa's leading corporations in signing a pledge committing to help achieve sustainable, inclusive economic growth in South Africa.
- Sappi's Cloquet Mill was the recipient of the American Forest & Paper Association's (AF&PA) 2023 Leadership in Sustainability Award for Water Management as part of its Better Practices, Better Planet 2030 Sustainability Awards program
- SNA won two Gold Awards in the MUSE Creative Awards – one for our Somerset Mill video in the Branded Content – Recruitment category which focused on dispelling outdated perceptions of the paper industry and another for the Ideas that Matter grant programme in the Corporate Responsibility category. The latter programme also won a Seal award.
- Shortly after year end, Volume 7 of The Standard, a Sappi publication won Gold in the print promotion category of the Graphis 2024 design awards (see page 56) for further details.
- Our LinkedIn community has grown to over 200,000 followers.
- First-ever global forestry research review attended by participants in all regions.
- Launch of Group Water Stewardship policy, Global Product Safety policy and revised Group Human Rights policy.

Read more: Ethical behaviour and compliance on page 69 and see our 2023 Sappi Group Sustainability Report www.sappi.com/2023GSDR for more information on this material issue.

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

We establish and maintain proactive dialogue with our stakeholders. In doing so we recognise that stakeholder needs are dynamic, that we need to challenge the status quo and be responsive to an evolving stakeholder landscape. One such example – within the context of South Africa's volatile socio-economic context – is a study we commissioned related to key political scenarios for the national elections in 2024.

In determining those issues most material to our stakeholders, as set out in this report, we have intensified our focus on the impact of our activities on people and the planet, in addition to enterprise value and in line with double materiality.

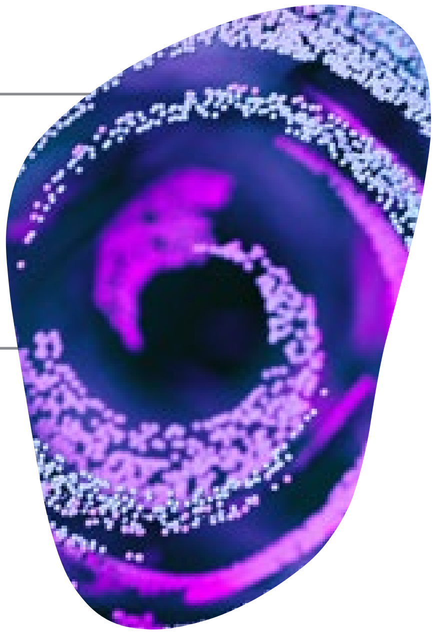
We assess the quality of our relationships both informally, as set out on the following pages and formally – through regular employee engagement and customer surveys, community forums and Greenlight Movement community surveys in South Africa.

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.

A thriving world is not possible without an ethical culture underpinning our everyday activities. Accordingly, 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.

We regularly review our activities in terms of the 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 in Sappi with regards to compliance with the Convention and Guidelines either externally or internally. In FY2023, we also assessed the countries in which we operate according to the Corruption Perception Index 2022 which ranks 180 countries and territories by their perceived levels of public sector corruption. The index draws on 13 expert assessments and surveys of business executives. None of the countries in which we operate are below the average global score.

Our stakeholder engagement is also guided by our work towards the realisation of the United Nations Sustainable Development Goals (UN-SDGs), in particular our priority SDGs. We have a long-standing membership of the United Nations Global Compact (UNGC) which we joined in 2008. The importance of this is demonstrated by the fact that over the last 20 years, the UNGC has grown from a group of 44 businesses into the world's largest corporate sustainability initiative and a global movement of more than 17,000 businesses and 3,000 non-business stakeholders across 160 countries.



Employees

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

Our strategic fundamentals

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

Why we engage

As we position Sappi to be future-fit, our task is to meet the changing needs of every Sappi employee within a diverse, inclusive, safe workplace where they can develop their full personal and career potential. We recognise that our wellbeing and financial prosperity are inextricably linked to our employees and the communities in which we operate.

Shared priorities

- A safe workplace
- Focused wellness and wellbeing
- Effective recognition
- Connection with Sappi's strategic goals and high levels of engagement
- Understanding of Sappi's commitment to sustainability which underpins our strategy
- Training and development that benefits Sappi and our employees
- Promotion of our industry
- Employee volunteerism.

Safety awareness at Saiccor Mill

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-Zs
- By establishing an ethical culture in which 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
- Reluctance of younger generations to take up employment in the industry
- Loss of institutional memory as older employees retire.

Unions

Self-assessment of quality of relationships: **Fair to good**

Our strategic fundamentals

- Drive operational excellence
- Enhance trust

Why we engage

A workplace where people feel they have been heard and in which they can make a meaningful contribution enhances trust, helps to drive our safety-first culture and enhances overall efficiency, productivity and stability. Our constructive relationships with our employees and their representatives are based on mutual respect and understanding.

Shared priorities

- Freedom of association, collective bargaining and disciplined behaviour
- Safety and wellness initiatives
- Remuneration, working hours and other conditions of service
- Resolving grievances
- Engaging on strategy and the long-term growth of the company.

UN GLOBAL COMPACT

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

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

Opportunities for value creation

- Constructive 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 engaged with Sappi, leading to positive benefits all round.

Challenges for value creation

- Multi-union landscapes, particularly in North America and Europe, add to complexities in the labour environment
- Lack of employee understanding relative to appropriate practice regarding wage and benefits.

Customers and partners

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

Our strategic fundamentals

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

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.

Shared priorities

- New or enhanced products that meet rapidly changing market demand
- More climate-friendly raw materials for textiles, such as Verve, Sappi's dissolving pulp
- Events, initiatives and conferences to encourage the use of our paper, packaging and biomaterial solutions and promote our innovation and environmental credentials
- Information about the fibre sourcing and production processes behind our brands
- Technical information and product safety.

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
- Advance our customers' own sustainability journeys
- Promote the power of haptics and thereby, the power of print in line with our approach to optimising our graphic papers segment
- Provide transparent information in line with our strategic pillar of 'enhancing trust'
- Leverage our position as a solution provider for a low carbon and biobased economy to support customers and policy making
- Showcase our products and promote the Sappi brand.

The Standard 7: Providing guidance on the power of packaging perceptions

Sappi's Volume 7 of The Standard series explores the growing importance of haptics and sensory packaging in heightening brand experience and driving sales. For over a decade, each edition of The Standard has focused on a single aspect of the printing and design process, allowing for a closer, more comprehensive look at each phase.

Printed on Spectro, Sappi's sustainably manufactured premium paperboard, the publication highlights the importance of sensory packaging in creating a memorable and profitable brand experience.

Today, brand loyalty is not only a competitive advantage but a necessity. Against the backdrop, The Standard 7 equips brands with specialty techniques to stand out from the crowd and foster customer connection. It represents Sappi's ongoing investment in paper and packaging as a tool to enhance brand image for any company.

The Standard 7 examines how packaging has become the pivotal touchpoint that reinforces all the marketing efforts that preceded it. Brands of any tier, from value to luxury, must appeal to customers beyond cerebral logic. As customers form their opinions on the quality, care and trustworthiness of a brand, it is imperative that marketers understand the subconscious drivers of choice and preference. The book dives into how brands big or small can leverage the power of neuroscience to captivate audiences and build emotional connections through multisensory elements in packaging.

The Standard 7 continues to explore the value of touch and feel within the consumers purchasing experience. This volume represents part of Sappi's continued commitment to creating unique and valuable educational resources for professionals in the print business.

Challenges for value creation

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

Communities and neighbours

Self-assessment of quality of relationships: **Fair to good**

Our strategic fundamentals

Enhance trust

Why we engage

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

Community engagement meetings take various formats in our mills in the regions where they 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.

Shared priorities

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

Opportunities for value creation

- Enhanced licence to operate and thrive
- Promoting socioeconomic 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

- In South Africa, 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, many of whom look to us to take on Government's role.

Industry bodies, related memberships and organised business

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

Our strategic fundamentals

Drive operational excellence

Enhance trust

Why we engage

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.

An important element of our strategy for achieving our business objectives is to enhance and support collaboration across the forest-based sector to enhance responsible forestry and promote forest certification. Our aim is to be present in multi-stakeholder conversations, support effective advocacy with policymakers and Government leaders, and support supply chain initiatives. Close engagement is maintained through the industry organisations CEPI (Confederation of European Paper Industries) AF&PA (American Forest and paper Association), PAMSA (Paper Manufacturers Association of South Africa) and FSA (Forestry South Africa).

Shared priorities

- Ethics and governance
- Decarbonisation and net zero
- Nature and biodiversity
- Issues that affect the sustainability of our industry and initiatives that promote sustainability, awareness and understanding
- Regulatory issues
- Enhanced forestry management
- Combatting deforestation and promoting certification
- Ensuring the integrity of natural resources like water
- Product development and innovation.

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.

Shareholders, bondholders and banks

Self-assessment of quality of relationships:
Good to excellent

Our strategic fundamentals

Grow our business | Sustain our financial health | Enhance trust

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, as well as our plans to achieve our growth ambitions, thereby facilitating informed decisions.

Shared priorities

- Understanding Sappi's strategy
- Understanding Sappi's performance
- Return on investment
- Transparent information about our 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.

Opportunities for value creation

- Understanding of and commitment to our strategic direction
- Enhanced reputation
- Greater investment confidence
- Easier financing.

Challenges for value creation

- Uncertainty about certain environmental regulations.

Government and regulatory bodies

Self-assessment of quality of relationships: **Fair to good**

Our strategic fundamentals

- Grow our business
- Enhance trust
- Drive operational excellence

Why we engage

Dialogue with members of governments and regulatory authorities is an opportunity for all stakeholders involved to better understand all aspects of the issue at hand. 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 approach supports 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 63.

Shared priorities

- The social and economic benefits of our industry nationally as well as at a local level
- Energy issues and carbon taxation
- Emerging regulations
- Enhancing sustainable forest management and land use
- Progress towards the UN SDGs
- Transformation in South Africa.

Opportunities for value creation

- Promoting understanding of issues and challenges as well as 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 biobased energy into account nor recognise the important carbon sequestration role played by the sustainably managed forests and plantations from which we source woodfibre
- Uncertainty about certain regulatory developments like carbon tax (global) and dams (South Africa)
- Administrative and licensing delays.

Suppliers and contractors

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

Our strategic fundamentals

- Grow our business
- Enhance trust
- Drive operational excellence

Why we engage

Our suppliers are a core component of our business. We aim to establish mutually respectful, value-based relationships with them 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.

Shared priorities

- Robust safety procedures and a strong culture of safety
- Transparency into the value chain
- Security of fibre supply
- Certification
- Income generation and job creation.

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 woodfibre
- 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 relationships: **Good**

Our strategic fundamentals

Enhance trust

Why we engage

We maintain an open relationship with the media.

We continue to update the media on our belief that it is 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.

Shared priorities

- Business developments
- The future of our industry
- Our impacts on our communities
- Protecting the environment.

Opportunities for value creation

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

Challenges for value creation

- Misunderstanding of our environmental impacts.

Our key memberships and commitments

Our memberships at group level are set out below. Details of our key regional memberships are detailed in the **Our key relationships** section. See our 2023 Sappi Group Sustainability Report www.sappi.com/2023GSDR for more information.

Sappi Limited

Name of organisation	Focus
African Business Leaders Coalition	In the build-up to COP27 in Egypt, the United Nations Global Compact launched the African Business Leaders Coalition, to advance Africa's sustainable growth, prosperity and development by mobilising a coalition of Africa's business leaders to engage on the continent's most pressing issues as an organised, innovative, forward-looking, principles-based, and unified voice. Our group CEO joined 56 other business leaders from African companies and signed the Africa Business Leaders' Climate Statement ensuring that African business had a collective voice to contribute to the outcome.
Business for Nature #MakeitMandatory	We signed up to this campaign, which calls on all large businesses and financial institutions to assess and disclose their impacts and dependencies on biodiversity.
Business Leadership South Africa (BLSA)	BLSA promotes engagement between South Africa's business leaders and key players in South African society, including Government, civil society and labour, to exchange ideas in our national interest and to create effective dialogue.
Circular Bio-economy Alliance	Aims to accelerate the transition to a circular bioeconomy that is climate neutral, inclusive and prospers in harmony with nature.
EcoVadis	We 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. In FY2023, we held a platinum rating (the highest level) for all three regions.
Ethics Institute of SA	As we are headquartered and listed in SA, we belong to this institute.
FSC International	Both SNA and SSA belong to this international, non-governmental organisation dedicated to promoting responsible management of the world's forests
National Economic Development and Labour Council (Nedlac)	Sappi Limited is an active participant in the 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 Social and Ethics Board Committees.
Paris Pledge for Action	We signed this pledge in 2015 to add our voice to global calls to limit global temperature rise to well below 2 degrees Celsius – and pursue efforts to limit the increase to 1.5 degrees Celsius.
Programme for the Endorsement of Forest Certification (PEFC) – International Stakeholder Member	PEFC is an independent, non-profit, non-governmental organisation, which promotes sustainably managed forests through independent third-party certification.
Sustainable Apparel Coalition (SAC)	A global, multi-stakeholder non-profit alliance for the consumer goods industry, this advocacy group is supported by the Federation of European Sporting Goods Industry and Global Fashion Agenda. We use the SAC's sustainability measurement suite of tools, the Higg Index, to evaluate materials, products, facilities, and processes based on environmental performance, social labour practices, and product design choices (see page 72 for further details).
Technical Association of the Pulp and Paper Industry	An international NGO of about 14,000 member engineers, scientists, managers, academics and others involved in the areas of pulp and paper.
The Textile Exchange (TE) and TE man-made cellulosic fibre roundtable and climate sub-committee	The TE launched their Climate+ Strategy in 2019, with a goal to reduce GHG emissions in the textile value chain by 45% by 2030, while addressing other climate-related impact areas, like water, biodiversity and soil health. Sappi was an advisory partner in the development of the TE's biodiversity benchmarking module and participated in the pilot launch of the tool. We also participate in the cellulosic roundtable and climate sub-committee.
WBCSD	The organisation has three imperatives with climate being a primary focus, in addition to nature and equity. The Forest Solutions Group (FSG) is a sector specific working group under the WBCSD umbrella. One of the FSG key deliverables is developing a net zero roadmap for the sector. We contributed to phase 1 of the development of FSG's roadmap which describes the imperative for climate action in the forest sector. It then introduces the three main levers for the forest sector to enable this transition: • Reduce GHG emissions in operations and across the value chain • Increase carbon removals through sequestration in sustainable working forests and storage in forest products • Grow the circular bioeconomy through the substitution of non-renewable and fossil-based materials with forest products.

Vigour

Lizards are estimated to have been around for 240 million years. Little wonder, given that they make use of a variety of antipredator adaptations, including venom, camouflage, reflex bleeding and the ability to sacrifice and regrow their tails. What's more, as with other reptiles, the skin of lizards is covered in overlapping scales made of keratin, providing protection from the environment and reducing water loss through evaporation. This characteristic enables them to thrive in some of the driest deserts on earth.

Vigour, strength and adaptability have ensured lizards' ability to thrive over the course of time.

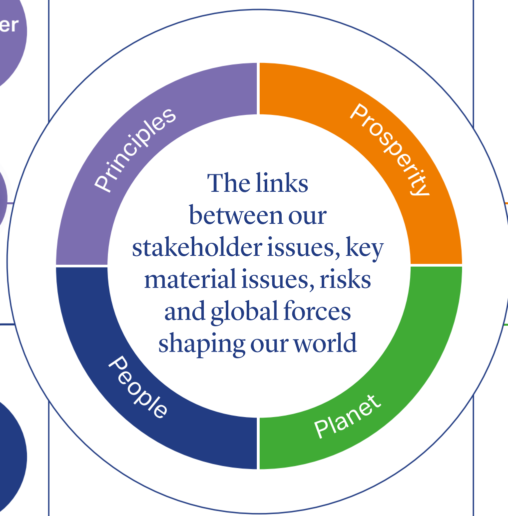
So, too, at Sappi, our commitment to growing our business and maintaining a healthy balance sheet, has sustained us for almost 90 years. We are vigorous in our commitment to deliver on our **Thrive** strategy, including by reducing exposure to graphic paper markets while investing for growth in our target markets and capitalising on our leadership position in pulp supply to the lyocell market.

Integrating our key material issues

Risk	• Cyber security • Uncertain and evolving regulatory landscape • Employee relations.	• Sustainability expectations • Evolving technologies and consumer preferences • Supply chain disruption.
Key material issue	Ethical behaviour and compliance	Responsible procurement
Stakeholder issue	• Workplace culture.	• Responsible procurement.

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



Risk	• Safety • Employee relations.	• Employee relations.	• Safety • Cyclical macroeconomic factors.	• Cyclical macroeconomic factors • Employee relations.
Key material issue	Employee and contractor safety	Sappi talent	Labour relations	Social impact
Stakeholder issue	• Safety as a core value.	• A 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.

- Changing consumer and employee behaviour
- Deglobalisation, polarisation and increased geopolitical tensions
- Rapid pace of technological innovation and threat, including cyber risks
- Shifting demographics.

Risk	• Cyclical macroeconomic factors • Evolving technologies and consumer preferences • Supply chain disruption • Liquidity.	• Cyclical macroeconomic factors • Sustainability expectations • Climate change • Evolving technologies and consumer preferences.	• Cyclical macroeconomic factors • Sustainability expectations • Evolving technologies and consumer preferences • Liquidity.	• Sustainability expectations • Climate change • Evolving technologies and consumer preferences.
Key material issue	Agility and operational efficiency	Low carbon circular bioeconomy	Biomaterials	Innovation and collaboration
Stakeholder issue	• Return on investment.	• Keeping abreast of market developments • Products based on renewable resources • Making the most of every tree harvested.	• Climate concerns • Circular economy Resource use.	• Reduced environmental impact • Circular economy • New or enhanced products that meet rapidly changing market demand • Responsible consumption.
	8 Decent work and economic growth 12 Responsible consumption and production	7 Affordable and clean energy 12 Responsible consumption and production 13 Climate action 15 Life on land	7 Affordable and clean energy 12 Responsible consumption and production 13 Climate action 15 Life on land	12 Responsible consumption and production 13 Climate action 15 Life on land

Risk	• Sustainability expectations • Climate change • Supply chain disruption.	• Sustainability expectations • Climate change • Evolving technologies and consumer preferences.	• Sustainability expectations • Climate change • Evolving technologies and consumer preferences.	• Sustainability expectations • Climate change • Evolving technologies and consumer preferences.	• Sustainability expectations • Climate change.
Key material issue	Sustainable woodfire	Renewable energy and climate change	Water stewardship	Circular bioeconomy and minimal waste	Biodiversity
Stakeholder issue	• Deforestation.	• Reduction of fossil fuel usage • Global warming.	• Water quality and quantity.	• Resource scarcity.	• Biodiversity loss.
	12 Responsible consumption and production 13 Climate action 15 Life on land	7 Affordable and clean energy 12 Responsible consumption and production 13 Climate action 17 Partnerships for the goals	6 Clean water and sanitation 12 Responsible consumption and production 13 Climate action 15 Life on land	6 Clean water and sanitation 12 Responsible consumption and production 13 Climate action 15 Life on land 17 Partnerships for the goals	6 Clean water and sanitation 12 Responsible consumption and production 13 Climate action 15 Life on land 17 Partnerships for the goals

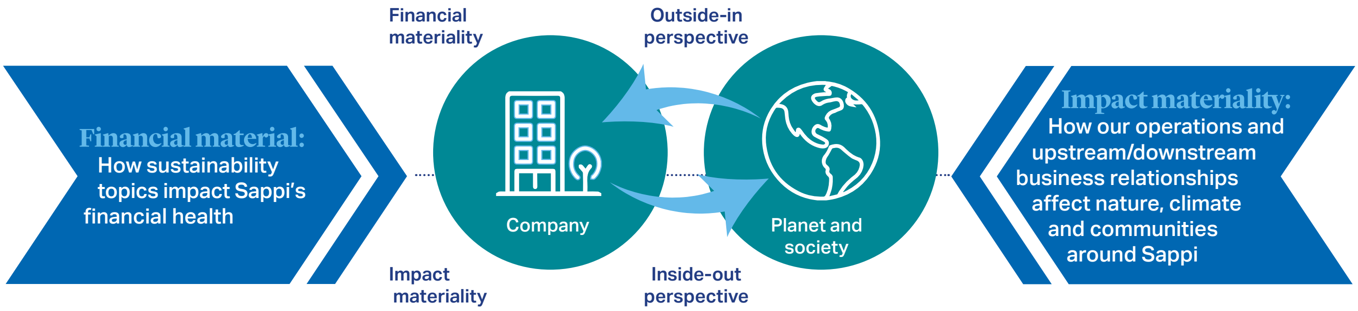
Our key material issues

Our key material issues are those that we believe underpin our strategic risks and opportunities and have the highest potential impact – negative and positive – on stakeholder value.

The following pages set out a summary of why we believe these issues are material to Sappi, both in financial and impact terms, as well as their links to other aspects of our business, FY2023 highlights and the developments that present opportunities for value creation.

A comprehensive background to each material issue, together with key developments in FY2023 can be found in our 2023 Sappi Group Sustainability Report www.sappi.com/2023GSDR

Our double materiality approach



Principles

Ethical behaviour and compliance

Financial materiality	Impact materiality
Our strong ethical culture underpins our reputation, built up over many years. However, just one breach of ethics could destroy our reputation and negatively erode stakeholder value. Accordingly, we place a high premium on adherence to ethical behaviour as encapsulated in our Code of Ethics.	Sappi's objective is to be a 'trusted partner to all our stakeholders'. We cannot achieve this unless we all 'live' our values of integrity and courage and act when these values are threatened. In doing so, we protect the viability of our business and the interests of all our stakeholders.

How this issue links to other aspects of our business

Our global priority SDGs

Our strategic fundamentals

The global forces shaping our Thrive strategy

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

Our top 10 risks

3 Cyber security

8 Uncertain and evolving regulatory landscape

9 Employee relations

Our highlights

- **Comprehensive ethics training**
- **Ethics issues incorporated** into employee engagement survey.

Opportunities for value creation

We constantly strive to develop and update relevant policies to support our efforts to maintain and improve our high ethical standards. The group whistle-blowing policy has been carefully reviewed and updated to align with the latest global standards and best practices.

These policies will help to drive value creation by strengthening our commitment to transparency, integrity and ethical conduct and are critical components of your ethical framework, empowering employees to report any concerns or suspected violations of policies, laws, or moral standards without fear of reprisal.

See our 2023 Sappi Group Sustainability Report for more information www.sappi.com/2023GSDR

Principles continued

Responsible procurement

Financial materiality

With over 16,000 suppliers, maintaining a well-organised supply chain is integral to our business and key to meeting our strategic pillars which include growing our business, sustaining our financial health and driving operational excellence. It also underpins our licence to operate.

Impact materiality

In today's environmentally and socially conscious world, ethical supply chains are a key concern. By avoiding negative sourcing impacts, giving our customers and consumers transparent insight into our supply chain and collaborating with our suppliers to promote responsible business, we are enhancing trust – the fourth pillar of our strategy – and working towards our vision of a thriving world.

How this issue links to other aspects of our business

Our global priority SDGs

Our strategic fundamentals

The global forces shaping our Thrive strategy

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

Our top 10 risks

4 Sustainability expectations

6 Evolving technologies and consumer preferences

7 Supply chain disruption

Our highlights

- **81% of our global eligible procurement** spend covered by a signed Supplier Code of Conduct
- In terms of procurement spend, in **SEU 72%** of spend was covered by suppliers on EcoVadis, **37% in SNA** and **48% in SSA**.

Opportunities for value creation

In a survey of approximately 27,000 global customers published in September 2021, approximately 88% of the participants said they would prioritise purchases from companies that implement ethical sourcing practices. Around 83% of them are ready to pay extra for a product that has a guaranteed ethical source. Moreover, close to 64% of 18 to 24-year-olds, representing almost two-thirds of the youngest adult buyers, mentioned that they would not buy from a company again if it was accused of engaging with unethical suppliers.[1]

As we continue to expand our responsible sourcing practices, so we are honing our competitive advantage across global markets.

See our 2023 Sappi Group Sustainability Report for more information www.sappi.com/2023GSDR

[1] *This research was conducted by 3Gem in April 2021. Commissioned by OpenText, 27,000 consumers were anonymously surveyed globally, across the UK, Germany, France, Spain, Italy, USA, Canada, Brazil, Japan, India, Australia and Singapore.*

Prosperity

Agility and operational efficiency

Financial materiality

Within the context of a persistent global economic downturn characterised by depressed markets, geopolitical instability and weak economic growth, acting boldly by being agile and prioritising operational efficiency are more important than ever before. With a keen focus on maintaining shareholder value, we continue to diligently manage working capital through production curtailments and by adapting our product and market mix to match demand. This aligns with our long-term **Thrive** strategy, which focuses on growing our portfolio in packaging and speciality papers, pulp and biomaterials. By investing in our business to pursue growing areas of demand, we can remain profitable and competitive in the global marketplace. As an example of the opportunities this represents, the global sustainable packaging market is predicted to grow at a compound annual growth rate (CAGR) of 7.7% between 2023 and 2031[1]. Shareholder value is also enhanced by our focus on operational efficiency and making more with less where implementation of best available technology maintains our competitive cost position.

Impact materiality

By enhancing our operational efficiency and making more with less, we reduce the environmental impacts of our operations. Consumers, retailers and brand owners all over the world are looking for sustainable paper-based packaging solutions for their products, while eco-conscious consumers and shoppers are pressuring brand owners for more biodegradable, recyclable and compostable packaging, all reflecting a more circular economy. In addition, the environmental impact of packaging production, use and disposal continues to come under increasing scrutiny from regulators. We meet these needs by offering a broad range of paper-based sustainable solutions as an alternative to non-renewable-based packaging in many of our product segments.

How this issue links to other aspects of our business

Our global priority SDGs

Our strategic fundamentals

The global forces shaping our Thrive strategy

- Changing consumer and employee behaviour
- Shifting demographics.

Our top 10 risks

- 2 Cyclical macroeconomic factors
- 6 Evolving technologies and consumer preferences
- 7 Supply chain disruption
- 10 Liquidity

Our highlights

- **Inaugurated a new warehouse** at Carmignano Mill
- **Modernised PM11** at Gratkorn Mill
- **Completed debottlenecking** on PM1 at Somerset Mill
- **Initiated the conversion and expansion** of Somerset PM2 from CWF to SBS
- Accelerated our **digital transformation journey.**

Opportunities for value creation

Currently, all sodium sulphite (Na_2SO_3) used in South Africa is imported. Tugela Mill relies on this imported sodium sulphite for its NSSC digester with limited affordable domestic supply. To mitigate these supply risks and lower costs of production, the mill initiated a project aimed at in-house sodium sulphite production. This project is in its final stages and is scheduled for commissioning in early 2024. This project is perfectly aligned with Sappi's **Thrive** strategy to reduce cost of production and de-risk raw material supply. It also will have the added advantage to supply product into various South African markets.

See our 2023 Sappi Group Sustainability Report for more information www.sappi.com/2023GSDR

[1] *https://straitsresearch.com/report/sustainable-packaging-market*

Prosperity continued

Low-carbon, circular bioeconomy

Verve

Financial materiality	Impact materiality
As global textile demand grows, driven by population growth, fashion and rising wealth in developing economies, the need to develop more climate-friendly solutions, derived from renewable materials will drive increasing market share for dissolving pulp (DP), particularly wood-based cellulosics for which the bulk of Sappi's DP is used.	By improving traceability in the textile value chain and lowering the carbon footprint of Verve, we can help to grow a healthier planet and increase consumer confidence in the products they purchase.

How this issue links to other aspects of our business

Our global priority SDGs

7 Affordable and clean energy; 12 Responsible consumption and production; 13 Climate action; 15 Life on land

Our strategic fundamentals

The global forces shaping our Thrive strategy

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

Our top 10 risks

2 Cyclical macroeconomic factors
4 Sustainability expectations
5 Climate change
6 Evolving technologies and consumer preferences

Our highlights

- **Progressed collaborative textile value chain partnerships** to develop circular solutions for fashion
- **Publicly disclosed our Higg Facility Environmental Management (FEM) and Facility Social & Labour Module (FSLM) scores** for Cloquet Mill and Saiccor Mill respectively
- **Progressed the water stewardship project** with WWF-SA in the uMkhomazi catchment near Saiccor Mill and extended the partnership for another four years.

Opportunities for value creation

In FY2024 we will be launching a campaign in South Africa spearheaded by a top local fashion designer and focused on positioning Verve as the Fibre of Choice for the more sustainable portfolio of fibres, ie lyocell and sustainable viscose fibres.

The campaign is underpinned by our focus on sustainability (including the aspect of traceability) as a key value differentiator. In addition, it aligns with the South African Government's clothing, textiles, footwear and leather (CTFL) master plan which aims to stimulate the value chain feeding into South Africa's major CTFL retailers.

See our 2023 Sappi Group Sustainability Report for more information www.sappi.com/2023GSDR

About Higg

Developed by the Sustainable Apparel Coalition (SAC), the Higg FEM is part of a suite of tools that enables manufacturing facilities of all sizes to measure and score their environmental performance against a standard set of criteria, allowing for meaningful and credible performance benchmarking in the apparel and textile sector. Across topics such as water use, carbon emissions and waste management, the Higg Index can be used by consumer goods brands, retailers, manufacturers, governments, NGOs and consumers to inform their individual sustainability strategies and drive collective industry transformation.

The Higg FSLM measures the social impact of manufacturing across areas such as wages, working hours, health and safety, and employee treatment.

Higg Index

Biomaterials

Financial materiality	Impact materiality
Under our **Thrive** strategy, one of our stated objectives is to pursue circular ecosystems and economies – including utilising 100% of each tree we harvest. Our innovative technology enables us to derive biochemicals and biomaterials from the parts of the tree which are not used for pulp and papermaking, thereby creating additional revenue generation opportunities.	By harnessing the unique properties of wood acids, wood sugars and wood lignin to provide a range of biobased products, we are enhancing environmental sustainability to the benefit of people and the planet.

How this issue links to other aspects of our business

Our global priority SDGs

7 Affordable and clean energy; 12 Responsible consumption and production; 13 Climate action; 15 Life on land

Our strategic fundamentals

The global forces shaping our Thrive 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 top 10 risks

2 Cyclical macroeconomic factors
4 Sustainability expectations
6 Evolving technologies and consumer preferences
10 Liquidity

Our highlights

- **Progressed development of Viscowell**, our lignosulphonate-based product used in oil-well drilling for mud thinning, fluid loss and as a retarder for well cementing
- **Commissioned a furfural plant** at Saiccor Mill, with plans for a commercial plant at the same mill well advanced.

Opportunities for value creation

We support the drive to improve the impact of everyday products on the environment, particularly on precious water resources. Our biomaterials such as Valida offer unique opportunities for the manufacturers of home and personal care products to significantly reduce the negative consequences of daily use products which deposit unrecoverable and non-biodegradable particles into the soil, ocean and freshwater resources. Ever-increasing controls and pending legislative changes regarding the use of harmful chemicals in pesticides will create further opportunities for our lignin, furfural and Valida products which are being tested in a range of products aimed at reducing the impact of agriculture on the environment.

See our 2023 Sappi Group Sustainability Report for more information www.sappi.com/2023GSDR

About furfural

Furfural is produced from C5 sugars (sugar derived from non-food biomass) in hemicellulose through hydrolysis and dehydration. Essentially, it 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. A large component of the world's furfural production is converted to furfural alcohol for furan resins.

Prosperity continued

Innovation and collaboration

Financial materiality	Impact materiality
Technology is a core pillar of competitive advantage in our industry and relevant, ongoing technology investments are key to maintaining and amplifying enterprise value.	By developing new, competitive technologies we can lower energy consumption and increase our use of renewable energy, expand product lifecycles and reduce waste. We work to meet market supply and demand and grow profitability while respecting the boundaries of the planet.

How this issue links to other aspects of our business

Our global priority SDGs

12 Responsible consumption and production; 13 Climate action; 15 Life on land

Our strategic fundamentals

The global forces shaping our Thrive strategy

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

Our top 10 risks

4 Sustainability expectations | 5 Climate change | 6 Evolving technologies and consumer preferences

Our highlights

- **The top three finalists' entries in the Technical Innovation Awards** represent a five-year net present value (NPV) of US$34.3 million at a 100% probability of success rate
- **Launch of new** wet-strength, alkali-resistant Parade Label Pro WS
- **Commercialisation of** bagasse-based compostable thermo-moulded food-grade bowls and plates
- **Collaboration with Xeikon** – a company focused on digital printing engines, both toner-based and inkjet, for a variety of packaging applications – to develop printed, recyclable paper-based flexible packaging
- **New cloud-based Stage-Gate R&D platform** rolled out across the group.

Opportunities for value creation

The Decarbonisation and Future Technology 1.5 team has been exploring carbon capture initiatives as part of the road to decarbonisation. Feasibility studies for a few selected mills are under evaluation. As the pulping process is energy and water intensive, this team has also been exploring low energy pulping technologies for the future. An alternative pulping technology is being evaluated with the potential to increase yield, reduce cooking time, increase pulp strength and reduce water usage.

See our 2023 Sappi Group Sustainability Report for more information www.sappi.com/2023GSDR

About our Stage Gate process

New software was introduced to create a OneSappi approach to R&D and ideation. It uses a structured Stage Gate process to develop technologies, deliver products to market, and process improvements to the mill, ensuring positive financial contribution or cost savings. The software was designed to fit Sappi's existing approach to R&D and adapted to cater for future improvements recommended by the group technology management team. The platform incorporates forecasts for financial value delivery and using the NPV (net present value) metric for every R&D project.

The process assesses the viability of projects in small steps using a cross-functional team of individuals to decide whether to progress the project to launch. The process is designed to fail-fast early, improve the success rate of launching projects that deliver financial value delivery and shorten time to market. Using a standard set of in-house questions, the platform was designed to ensure that only projects that align with Sappi's strategy for growth, improved environmental performance and meet the voice of the customer, are progressed to launch. The project risk is assessed across several elements to create a project scorecard to inform decision-making.

People

Employee and contractor safety

Financial materiality	Impact materiality
Entrenching a strong safety culture is the moral responsibility of every employer. However, a strong safety culture also makes good financial sense. If a worker is injured on the job, it costs the company in terms of lost working hours, increased insurance costs, workers' compensation premiums and potential legal action.	Productivity and morale suffer when workplaces are unsafe. When a workplace is safe, employees feel more engaged and connected with the company. We strive to ensure that all our people have a 24/7 safety mindset, inculcating this through various initiatives and leading by example.

How this issue links to other aspects of our business

Our global priority SDGs

8 DECENT WORK AND ECONOMIC GROWTH

Our strategic fundamentals

The global forces shaping our Thrive strategy

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

Our top 10 risks

1 Safety

9 Employee relations

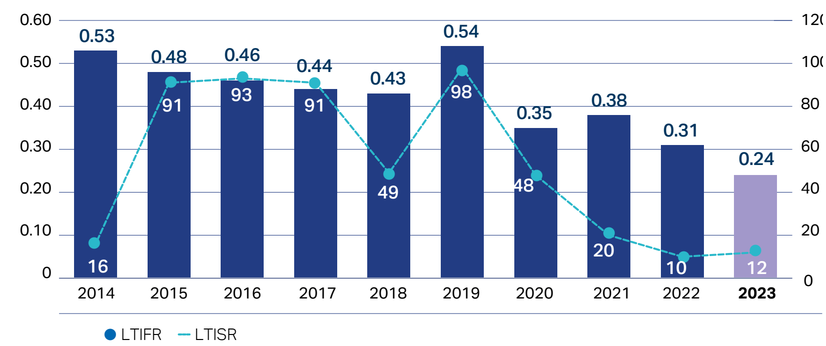
Our highlights

- **Zero fatalities**
- **Continuous improvement** in the lost-time injury frequency rate (LTIFR) across all regions
- **Safety recognition awards launched** in SNA
- **Safety awards in SSA extended to include environmental awards**, thereby gaining higher visibility.

Opportunities for value creation

Based on the success of similar programmes in SNA and SSA, in FY2024, we will be rolling out a safety award in SEU to recognise proactive initiatives that improve safety culture and enhance employee engagement related to safety.

Sappi group – LTIFR and LTISR combined



Note: *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.*

*LTISR is the lost-time injury severity rating and in a similar manner to the frequency rate, is calculated by dividing the product of the number of days lost to the injury and the group-wide standard hours by the unit's man hours, ie LTISR = Number of days lost * 200,000/actual man hours.*

See our 2023 Sappi Group Sustainability Report for more information www.sappi.com/2023GSDR

People continued

Sappi talent

Financial materiality

Companies that are diverse, equitable and inclusive are better able to respond to challenges, win top talent, and meet the needs of different customer bases. Accordingly, we strive to create a diverse, inclusive working environment that establishes a sense of belonging among employees and shared sense of purpose. In addition, our people are encouraged and supported to upgrade their job-related skills and knowledge to improve their job performance and abilities for future career growth. These approaches further entrench our strategic pillar of 'trust' and lead to greater levels of retention, connection and productivity, translating directly into improved performance and stronger business results and profits.

Impact materiality

Developing potential in a diverse, inclusive working environment is important for both business performance and individual wellbeing. A workplace which encourages people to reach their full potential is not only more productive, but employees are likely to be more engaged and fulfilled.

How this issue links to other aspects of our business

Our global priority SDGs

Our additional SSA priority SDGs

Our strategic fundamentals

The global forces shaping our Thrive 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 top 10 risks

9 Employee relations

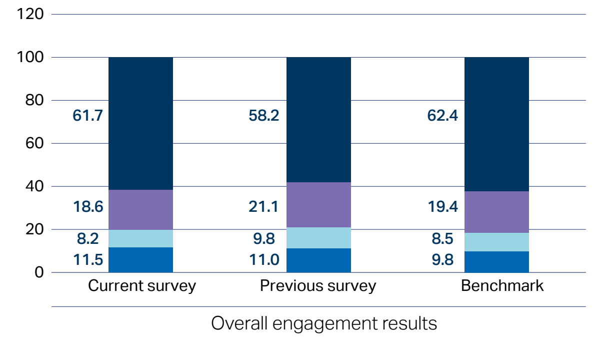
Our highlights

- **Exceptional participation** in the employee engagement survey
- **Progress** in revised human resources (HR) strategy
- **Two new simpler**, more modern management training programmes launched
- **Significant uptake** of advanced training and performance development system.

Opportunities for value creation

The richness in data of the engagement survey will allow us to craft HR solutions specific to regions, workplaces and levels.

Group employee engagement levels, 2021, 2023 comparison and benchmark comparison (%)



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

See our 2023 Sappi Group Sustainability Report for more information www.sappi.com/2023GSDR

Labour relations

Financial materiality

Sound labour relations based on trust – one of our strategic fundamentals – are important in maintaining the smooth running of our operations and reputation, as well as enhancing productivity. These factors, in turn, drive financial value.

Impact materiality

Effective communication underpins sound labour relations. Understanding Sappi's strategic direction and purpose helps to elevate engagement, while transparent, constructive discussions related to issues, opportunities and challenges reduce the possibility of conflict and create a positive working environment.

How this issue links to other aspects of our business

Our global priority SDGs

8 DECENT WORK AND ECONOMIC GROWTH
17 PARTNERSHIPS FOR THE GOALS

Our strategic fundamentals

The global forces shaping our Thrive strategy

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

Our top 10 risks

1 Safety
2 Cyclical macroeconomic factors
9 Employee relations

Our highlights

- **Good labour relations** in all regions
- Across the group, the **FY2023 collective bargaining process was stable**
- **Development plans were compiled** for 36 shop stewards in SSA.

Opportunities for value creation

The labour market has become very competitive in all regions and the healthy relationships we have established with organised labour will help to ensure retention of critical technical skills.

See our 2023 Sappi Group Sustainability Report for more information www.sappi.com/2023GSDR

People continued

Social impact

Financial materiality	Impact materiality
Our focus on profit with purpose in alignment with our vision of a thriving world drives us in our creation of economic value for Sappi and value for society.	By investing in communities, we promote socio-economic growth and establish mutually beneficial relationships.

How this issue links to other aspects of our business

Our global priority SDGs

8 Decent work and economic growth; 17 Partnerships for the goals

Our additional SSA priority SDGs

1 No poverty; 4 Quality education

Our strategic fundamentals

The global forces shaping our Thrive 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 top 10 risks

2 Cyclical macroeconomic factors

9 Employee relations

Our highlights

- **Ongoing success** of Ideas that Matter initiative in SNA
- **Highly successful** enterprise and ESD programme in SSA.

Opportunities for value creation

Given the proven causal link between early childhood development (ECD) and success and wellbeing later in life, we expect positive outcomes from our ECD programmes in SSA, and are planning to launch a 'Follow the Child' tracking initiative. This will give us greater understanding of our ECD programmes, allowing us to recalibrate if necessary.

Corporate social investment spend	FY2023
SEU	€100,000
SNA	US$417,500
SSA	ZAR54 million

See our 2023 Sappi Group Sustainability Report for more information
www.sappi.com/2023GSDR

Sappi Khulisa: Celebrating 40 years of success

Our Sappi Khulisa tree-farming scheme, initiated in 1983 is a good example of positive social impact and shared value: It is an integral part of our woodfibre supply chain, enhancing security of fibre supply, while uplifting rural communities by equipping them to become sustainable participants in the forestry value chain.

Initially, the programme focused on supporting subsistence farmers with access to one to 20 hectares of land to grow trees. First known as Project Grow and starting with only three beneficiaries in the Zululand South area, in 2013, Sappi Khulisa expanded to include community forestry projects and forestry projects handed to land-reform beneficiaries. Today the project stretches from the far north of the KwaZulu-Natal province to the far south and into Mpumalanga and the Eastern Cape. Today the total area managed is 37,269 hectares (ha). In 2023, under this programme, 318,116 tons of timber worth some ZAR332.6 million was delivered to our operations. Since 1995, a total volume of 5,187,906 tons to the value of ZAR3.334 billion has been purchased from small growers under this programme. In 2013, Sappi Khulisa expanded to include community forestry projects and forestry projects handed to land-reform beneficiaries.

Currently, the programme involves 4,143 growers and approximately 942 small, medium and micro enterprises (SMMEs) who are involved in silviculture, harvesting, loading, short on and long-haul activities.

We offer training at three Khulisa Ulwazi ('Growing knowledge') to all value chain participants, including land-reform beneficiaries and cover all aspects of forestry, including core operational skills as well as safety, legal compliance and business management. During 2023, Ulwazi trained 471 individuals on 20 different courses related to forestry business management.

Shortly after year-end, The Sappi Khulisa team was honoured with The Trialogue Strategic CSI award.

Planet

Sustainable woodfibre

Financial materiality

To meet our Thrive business strategy and maintain returns to shareholders, we need to secure a reliable supply of sustainably sourced woodfibre that enables us to offer products to our customers around the world that carry no risk of deforestation or forest degradation. This is particularly important not only given stakeholder concerns, but also within the context of legislative requirements such as the new EU Deforestation Regulation (EUDR). See box on page 80.

Impact materiality

By ensuring forests and plantations are sustainably managed through high levels of certification and prioritising traceability, we can help to combat climate change and enhance the ecosystems services that contribute to greater levels of economic, social and environmental wellbeing.

How this issue links to other aspects of our business

Our global priority SDGs

12 Responsible consumption and production; 13 Climate action; 15 Life on land

Our strategic fundamentals

The global forces shaping our Thrive strategy

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

Our top 10 risks

4 Sustainability expectations

5 Climate change

7 Supply chain disruption

Our highlights

- **Progressing PEFC**[1] – endorsed South African Forestry Assurance Scheme (SAFAS) forest certification in South Africa
- **Meeting our performance against** our fibre certification target within the context of challenging global markets.

Opportunities for value creation

Based on the success of our use of bagasse as a fibre source, we are looking at non-woodfibre sources such as grasses, cereal straws, maize stalks and bamboo. The Sappi Technology Centre in Tshwane, South Africa has evaluated wheat straw and were able to produce good quality pulp with comparable yield and bleachability to bagasse, under the same cooking and bleaching conditions. The wheat straw pulp also demonstrated certain key strength properties, including tensile, burst and tear strength.

Following trials at Stanger Mill, we are now assessing other alternative plants that could be grown close to the mill in collaboration with Khulisa farmers. This offers opportunities not only in terms of expanded fibre sources, but also in the form of expanded income generation for Khulisa farmers. Alternatives like Bana Grass and Elephant grass are still being sourced for further testing.

See our 2023 Sappi Group Sustainability Report for more information www.sappi.com/2023GSDR

[1] *Programme for the Endorsement of Forest Certification (PEFC).*

Planet continued

The EU's new deforestation regulation

The EUDR, which came into force in June 2023, aims to minimise deforestation and forest degradation. It states that relevant products placed on the EU market, or exported from the EU, must demonstrate that their supply chains have not contributed to the destruction of forests around the world.

What is Sappi doing?

Sappi is firmly committed to zero deforestation and thus shares the aims of the EUDR. With the new regulation leaving several important issues related to its practical implementation open, Sappi is working alongside other stakeholders and peers to ensure a robust yet workable implementation of the regulation. We are working together especially within the community of Confederation of European Paper Industries (CEPI) to build a common understanding and approach to EUDR across the value chain.

Forest certification systems will, of course, continue to play a key role in helping to oversee and validate supply chains. Sappi already has in place measures to ensure that its supply chains are deforestation-free – which is why, Sappi's mills are certified in most cases by both PEFC and FSC Chain of Custody. We also employ our own due diligence systems to monitor woodfibre sourcing. Everything that enters our mills must at least meet the requirements of the FSC Controlled Wood Standard and PEFC Controlled Sources.

Renewable energy and climate change

Financial materiality

Climate change: Climate change has the potential to have a significant impact on our woodfibre supply. In both Europe and Southern Africa, the changing climate is impacting the health and resilience of the forests and plantations from which we source woodfibre. Increased drought, floods, wind, pest and disease outbreaks and wildfires are all accelerating risks and potentially, higher costs. In addition, the urgent need to address GHG emissions affects our operations globally. Tackling climate change is one of the biggest and most daunting challenges of our time – and we are committed to taking positive action by mitigating both physical and transitional risks.

Renewable energy: According to the United Nations, fossil fuels – coal, oil and gas – are by far the largest contributor to global climate change, accounting for over 75% of global GHG emissions and 90% of all carbon dioxide emissions. While we recognise the need to increase our use of renewable energy, our business is highly capital intensive and implementing additional and modified machinery that facilitates the use of renewable energy takes time and money. Nevertheless, we are committed to meeting our science-based GHG emission reduction targets (approved by the SBTi in FY2022). We have identified capital projects within our existing five-year plan as well as further longer-term interventions, to facilitate the required emissions reduction. The global capital expenditure between FY2021 to FY2030 required to achieve the targets is estimated to be US$60-70 million per annum. While significant, these costs should be considered within the context of the competitive advantage created by reduced GHG emissions and higher levels of renewable energy.

Impact materiality

The use of fossil fuels and climate change has negative impacts on ecosystems, water, biodiversity and human health. It is our responsibility to decrease our use of fossil fuels, the emission intensity of our products and do our part towards climate change mitigation.

How this issue links to other aspects of our business

Our global priority SDGs

7 Affordable and clean energy; 12 Responsible consumption and production; 13 Climate action; 15 Life on land

Our strategic fundamentals

The global forces shaping our Thrive strategy

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

Our top 10 risks

4 Sustainability expectations

5 Climate change

6 Evolving technologies and consumer preferences

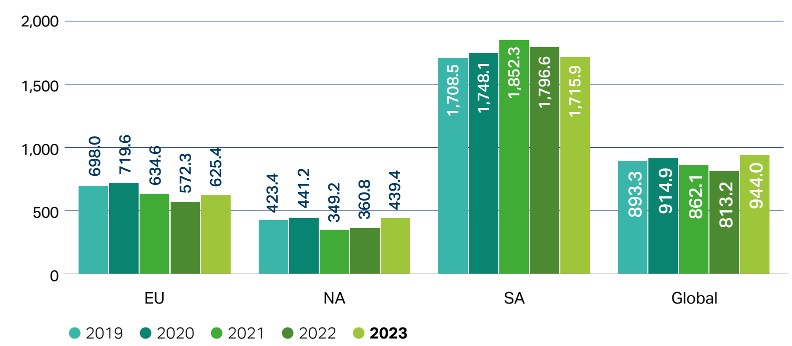
Our highlights

- **SNA continues to operate** with a high level of renewable energy – 78% in FY2023
- **Ongoing decarbonisation and renewable energy projects in SEU**
- **Launch of the Sappi Chair in Climate Change and Plantation Sustainability at the University of the Witwatersrand.** Given that forestry is a long-term crop, we need to know well in advance where to direct our resources and investment. The work by Wits will facilitate this by providing more accurate climate models and replicable, workable methodologies
- **Project at Saiccor Mill to generate steam** from pellets made from wood shavings and other wood waste left over from the mill's manufacturing processes.

Opportunities for value creation

In South Africa we are looking into biodiesel opportunities in KwaZulu-Natal province.

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



Note: *Regrettably, in FY2023 our emissions intensity increased significantly. The rise can be attributed to a significant reduction in energy efficiency associated with the high levels of production curtailment that were required throughout the year due to challenging market conditions. The fluctuating start-stop operations and the need to maintain equipment heating during cold winter months, even when production was halted, significantly hampered our operational efficiencies. Despite the poor performance relative to our targets, we remain confident that our decarbonisation strategy and capital investment programme is on track to deliver our 2025 and 2030 commitments.*

See our 2023 Sappi Group Sustainability Report for more information www.sappi.com/2023GSDR

Planet continued

Water stewardship

Financial materiality

Direct use of freshwater is vital in our manufacturing operations and for our nurseries in South Africa. Our 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; pulp cooking, washing and screening; and paper machines; process cooling, generating steam for process use and onsite power generation. In terms of indirect use, both our plantations in South Africa and the forests from which we source woodfibre are dependent on rainfall.

To sum up: Water is integral to achieving our long-term strategic business objectives. All our mills use and treat water in accordance with comprehensive environmental permits. These play a key role in achieving our strategy of growing our business, sustaining our financial health and enhancing trust. To drive operational excellence, water management is included in our operational environmental management plans, which are reviewed and updated annually. Operational excellence is also based on water-related risks – both internal and external developments, together with climate change trends – and opportunities being built into our opex and capex plans and overall long-term strategic objectives.

Impact materiality

Climate change is exacerbating both water scarcity and water-related hazards (such as floods and droughts), as rising temperatures disrupt precipitation patterns and the entire water cycle. This is impacting socioeconomic growth, food security and health. Recognising the pressure on a finite resource that is core to our processes, we focus on identifying opportunities to save water throughout our pulp and papermaking production process, recycling extensively within these processes and improving the quality of the wastewater (effluent) we discharge. Globally, 93% of our water intake is treated and returned to the watershed from which it came.

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

Our strategic fundamentals

The global forces shaping our Thrive strategy

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

Our top 10 risks

4 Sustainability expectations

5 Climate change

6 Evolving technologies and consumer preferences

Our highlights

- **Group Water Stewardship Policy** approved
- **Cloquet Mill honoured** with 2023 AF&PA Leadership in Sustainability Award for Water Management
- **Water reduction projects implemented** at SEU mills
- Globally, **total water withdrawal decreased** by 8% year-on-year in FY2023 and by 7% over five years.

Opportunities for value creation

Under South African legislation, commercial forestry is defined as a stream flow reduction activity and thus a water use licence for planting is required, even though our plantations are not irrigated. Research indicates that commercial forestry accounts for only 3% of South Africa's water use, while irrigation/agriculture account for 60%.

We continue to engage with national and local government and communities to accelerate afforestation in KwaZulu-Natal and the northern region of the Eastern Cape. Development in the rural areas of these provinces is limited and expansion of plantations in these regions would promote socioeconomic development in line with the South African Government's ambitions and the Forestry sector master plan.

See our 2023 Sappi Group Sustainability Report for more information www.sappi.com/2023GSDR

Circular bioeconomy and minimal waste

Financial materiality	Impact materiality
Establishing a more sustainable production and consumption model in which raw materials are kept longer in production cycles and can be used repeatedly, therefore generating much less waste has both environmental and economic benefits.	Minimising waste and promoting sustainable use of natural resources through smarter product design, longer use and innovative waste minimisation, can help solve other complex challenges such as climate change and biodiversity loss, with positive benefits for people and the planet.

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 strategic fundamentals

The global forces shaping our Thrive strategy

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

Our top 10 risks

4 Sustainability expectations

5 Climate change

6 Evolving technologies and consumer preferences

Our highlights

- **Successful waste sludge project** at Carmignano Mill
- **SSA mills continue to actively pursue beneficiation opportunities** specifically for ash, fibre sludge and biomass with a beneficiation increase of 5% in FY2023, year-on-year, and reduction of specific waste to landfill of 12%.

Opportunities for value creation

SNA is planning to launch LusterFSB Compostable in FY2024. The new certified compostable paperboard will be used for paper plates and bowls.

See our 2023 Sappi Group Sustainability Report for more information www.sappi.com/2023GSDR

RESPONDING TO OUR CONTEXT

Planet continued

Biodiversity

Financial materiality

Sappi's view is that nature and biodiversity-related risks are financial risks and must be seen as a strategic risk management priority which, if handled correctly, is a source of competitive and commercial advantage.

Impact materiality

People around the world are reliant on the ecosystem services that nature provides including pollination, carbon sequestration, erosion control, flood and storm protection, disease control and soil quality. Ecosystem services are essential for human health and survival, from freshwater to food and fuel.

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 strategic fundamentals

The global forces shaping our Thrive strategy

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

Our top 10 risks

4 Sustainability expectations

5 Climate change

Our highlights

- **The SFI® Maine Committee** was the winner of the 2023 SFI Implementation Committee Achievement Award
- **Expansion of the Sappi Rare, Threatened and Endangered Species Stewardship Programme** which began with the *Warburgia salutaris*, (the pepper-bark tree or 'isibhaha' in isiZulu). The next phase of the project, after consultation with local communities and conservation agencies, focuses on *Prunus africana* (African Cherry), *Ocotea bullata* (Black Stinkwood) and *Curtisia dentata* (Assegai tree).

Opportunities for value creation

In 2024, a formal reassessment of all ICAs will provide an updated rating to be compared with from the initial assessment rating in 2021-2022, thereby giving us a more accurate overview of the success – or lack thereof – of our interventions.

See our 2023 Sappi Group Sustainability Report for more information www.sappi.com/2023GSDR

The SFI Maine Committee, of which Sappi is an active member and supporter, was honoured with the **2023 SFI Implementation Committee Achievement Award**. The committee was selected for its collaborative leadership in addressing key enhancements to the SFI Forest Management and Fibre Sourcing Standards related to climate smart forestry, fire resilience and forests of exceptional conservation value. In terms of the latter, the Maine Committee worked with the Maine Natural Areas Program, the Maine Department of Inland Fisheries and Wildlife, and Maine's Certified Logging Professionals program to assess forests of exceptional conservation value – a new requirement of the SFI Fibre Sourcing Standard. The assessment produced a map of these forests and a list of nearby towns. A video explaining steps to take if forestry activities intersect with forests of exceptional conservation value was developed and shared broadly with Maine's community of loggers, foresters, and landowners. The list of forests of exceptional conservation value will be revisited annually.

Climate Action: TCFD disclosure

The Task Force on Climate-related Financial Disclosures (TCFD) reporting plays a pivotal role in fostering financial transparency and resilience in the face of climate change.

As we navigate an era marked by environmental challenges, TCFD reporting provides a framework for us to disclose our climate-related risks, opportunities, and strategies. By doing so, we provide stakeholders with the assurance that we are proactively responding to the evolving landscape of climate-related risks and opportunities and building a more sustainable and resilient business which integrates climate considerations into our decision-making processes as we transition to a low-carbon future.

TCFD recommendations and disclosures

	Disclosure location	Further information links
Governance (a) Describe the board's oversight of climate-related risks and opportunities.	pages 87 – 88	**Corporate governance** pages 148 – 168
(b) Describe management's roles in assessing and managing climate-related risks and opportunities.	pages 87 – 88	**Corporate governance** pages 148 – 168
Strategy (a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	pages 89 – 101	**Our strategy and performance** pages 10 – 19
(b) Describe the impact of climate-related risks and opportunities on the organisation's business, strategy and financial reporting.	pages 89 – 101	**Our strategy and performance** pages 10 – 19
(c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios including a 2ºC or lower scenario.	pages 89 – 93	**Our strategy and performance** pages 10 – 19
Risk management (a) Describe the organisation's processes for identifying and assessing climate-related risks.	pages 94 – 95	**Risk management** pages 44 – 51 Separate Risk report on www.sappi.com/annual-reports
(b) Describe the organisation's processes for managing climate-related risks.	pages 94 – 95	**Risk management** pages 44 – 51 Separate Risk report on www.sappi.com/annual-reports
(c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the overall risk management.	pages 94 – 95	**Risk management** pages 44 – 51 Separate Risk report on www.sappi.com/annual-reports
Metrics and targets (a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	pages 102 – 103	2023 Sappi Group Sustainability Report www.sappi.com/2023GSDR
(b) Disclose Scope 1, Scope 2 and if appropriate Scope 3 GHG emissions, and related risks.	page 103	2023 Sappi Group Sustainability Report www.sappi.com/2023GSDR
(c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	page 102	2023 Sappi Group Sustainability Report www.sappi.com/2023GSDR

Governance

In order to unlock the power of renewable resources to benefit people, communities, and the planet, we need to do so from a foundation of trust. This foundation is reinforced by our robust sustainability governance framework summarised below.

Sappi Sustainability Governance Framework

Sappi board

		Other board committees				
Committees	**Social, Ethics, Transformation and Sustainability (SETS) Committee**	**Audit and Risk**	**Remuneration and Compensation**	**Executive Management Committee (EXCO)**	**Group Sustainable Development Council (GSDC)**	**Regional Sustainability Councils**
	Chaired by an Independent Non-executive Director (NED)	Chaired by an Independent NED	Chaired by an Independent NED	Chaired by the group CEO	Chaired by the Group Head: Sustainability and Investor Relations	Chaired by regional CEOs and sustainability leads
Purpose	Oversees the group's sustainability strategy, commitments, policies performance	Oversees the group's corporate financial reporting, internal control systems, risk management and relationship with the external auditor	Ensures that incentives drive the appropriate behaviours that deliver our strategy	Management responsibility for execution of sustainability strategy and policies guided by the SETS Committee	Provides expert insights and support to the business on sustainable development matters	Oversees the integration of sustainable development into the operations
Responsibility	Responsible for the governance of matters related to sustainable development including: environment, climate change, biodiversity, product stewardship, labour, human rights, diversity and transformation and ethics. Ensures alignment to best practice and disclosure standards	Oversees the group's corporate financial reporting. Oversees the risk management process including sustainability risks. Monitors effectiveness of internal control systems including hotline reporting platform	Aligns remuneration to performance against key sustainability targets and focus areas	Prioritises capital allocation and ensures business unit line management holds primary responsibility and accountability for sustainability performance	Keeps abreast of best practice and regulatory compliance requirements. Develops sustainability related strategy and policies for the group	Develops action plans aligned with strategy and policies and monitors progress towards sustainability targets and commitments. Ensures integration of sustainability requirements into operational systems and processes
	Oversight			Accountable	Advisory	Execution

The **Social, Ethics, Transformation and Sustainability (SETS) Committee** has an independent role with accountability to the board and comprises a majority of independent non-executive members, whose duties are delegated to them by the board in compliance with a board-approved terms of reference. The role of the SETS Committee, is to assist the board with the oversight of sustainability matters within the company, including climate-related issues, and to provide guidance to management's work in respect of its duties. The SETS Committee provides oversight on the group's sustainable development strategies, policies, objectives and targets and public disclosures. The committee addresses issues relating to environmental impact and climate change, corporate social investment, ethical conduct, diversity, transformation and empowerment and ongoing sustainability initiatives. Their responsibilities include monitoring the company's ESG activities, having regard to any relevant legislation, other legal requirements and prevailing codes of best practice.

The SETS Committee meets three times per year and the Chairman of the committee reports back to the board after every meeting. Progress against our **Thrive** sustainability targets is an integral component of the SETS Committee agenda and is reviewed twice per year. Each of the three regions and Sappi Forests presents a detailed report on progress against regional **Thrive** targets as well as feedback on key initiatives, action plans and challenges relating to sustainability and climate-related matters. Additionally, a detailed climate report is presented to SETS annually outlining the company's progress according to the TCFD framework. Further details on the activities of the SETS Committee can be found on page 158.

Audit and Risk Committee (ARC) provides additional governance oversight on climate-related matters. The ARC oversees the group's corporate financial reporting and annual planning process, and the group's internal controls and risk assessment process, which includes sustainability and specifically climate-related risks. Further details on the activities of the ARC can be found on page 152.

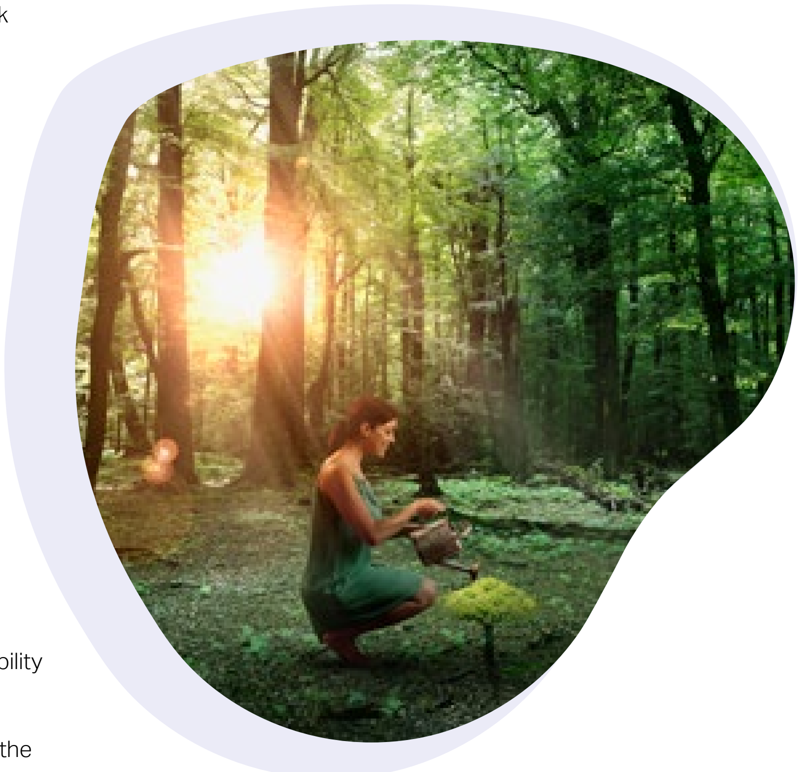
The **Human Resources and Compensation Committee** is responsible for ensuring that incentive schemes drive the appropriate behaviours that deliver our sustainability strategy, including the alignment of remuneration to performance against our key **Thrive** sustainability commitments and targets. Further details on how climate action is incorporated into incentive schemes can be found on page 171.

The **Executive Management Committee (EXCO)**, chaired by the group CEO, is accountable for delivery of the sustainability strategy and responsible for ensuring that the strategic objectives and goals of the organisation are achieved. The committee is responsible for ensuring that capital allocation is aligned with business and sustainability objectives and prioritised appropriately to ensure timely delivery against our public commitments. The EXCO regularly reviews progress against our sustainability and climate commitments and targets. In addition, sustainability matters of a strategic nature, including those relating to climate change, are reviewed and discussed by the EXCO prior to submission to the SETS Committee. This allows the EXCO to provide their strategic input and ensures that there is complete management alignment on sustainability matters.

The **Group Sustainable Development Council (GSDC)** reviews key global and regional trends and developments and makes recommendations on strategy and policy that are fed through to the EXCO, the SETS Committee and ultimately, to the Sappi Limited board of directors. The Group Head of Sustainability and Investor Relations and the Group Head Technology are responsible for coordinating actions related to the group's climate change-related risks and opportunities and providing reports to the EXCO to enable it to discharge its responsibility.

The GSDC meets quarterly and reviews progress against **Thrive** sustainability targets at each meeting. Additionally, other climate-related topics such as regulatory changes and trends, sustainable procurement, SBTi, TCFD, TNFD and forestry related issues are discussed at the majority of the meetings. All climate change-related matters of strategic importance are raised by the Group Head of Sustainability and Investor relations at EXCO meetings for input and guidance. Additionally, the progress against our science-based decarbonisation targets, regional climate transition action plans and capital allocation is reviewed in detail by EXCO annually with the budget setting programme.

The group's **Regional Sustainability Councils (RSCs)**, in Europe, North America and South Africa, are responsible for establishing and implementing our on-the-ground sustainability strategy and action plans. Their work is overseen and reviewed by the GSDC.



Strategy

Sustainability forms the foundation of our Thrive strategy and is fully integrated into our operations where the primary focus is on the sustainable management of our operations, increasing efficiency and maximising value from our sustainable natural resources.

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 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.

The core principles of Sappi's climate strategy are aligned with the overarching **Thrive** strategy as outlined below. Furthermore, detailed strategic objectives and actions aligned with our climate transition plan are disclosed below.

Sappi's climate strategy

Grow our business

What it means	Climate relevancy
• Committing to core business segments while investing in innovation, growth opportunities and ongoing customer relationships	• Purposeful innovation and collaboration to provide low-carbon, biobased solutions and accelerate climate action

Sustain our financial health

What it means	Climate relevancy
• 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

What it means	Climate relevancy
• 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

What it means	Climate relevancy
• 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

Sappi's climate transition plan

Account and disclosure

Objective

We will be transparent in our accounting and disclosure of carbon impacts, risks and opportunities.

Key actions

- Use GHG accounting standards to create full account of carbon footprint
- Disclose emissions, reduction targets and strategic actions
- Externally assure emissions
- Use quantitative and qualitative scenario analysis of transition and physical impacts to identify and disclose climate-related risks and opportunities aligned with the TCFD framework.

Mitigate and decarbonise

Objective

We will reduce our own and value-chain emissions in line with science-based decarbonisation pathways towards net zero.

Key actions

- Set 2030 decarbonisation targets for Scope 1, 2 and 3
- Set energy efficiency/renewable energy targets
- Align our decarbonisation trajectory where appropriate with market and regulatory expectations
- Engage with suppliers and customers to mitigate value-chain emissions and establish a feedback mechanism for determining the success of engagements
- Evaluate and implement emerging decarbonisation technologies where appropriate.

Value and integrate

Objective

We will value and integrate carbon into business processes..

Key actions

- Utilise an internal price of carbon in capital allocation decision-making processes
- Prioritise capex and opex aligned to science-based targets
- Invest in innovation/ R&D for own mitigation and new product development for a low-carbon, circular economy
- Identify/develop a taxonomy to classify products as low carbon
- Leverage public and climate finance to augment mitigation actions
- Integrate decarbonisation considerations into R&D and procurement business processes and decisions and establish a mechanism for monitoring progress and compliance.

Climate change risks have been identified as one of our strategic principal risks. The group's climate change related risks and opportunities are routinely considered in our strategic and financial planning, our capital allocation and our operational management decision-making processes.

In terms of **climate-related risks**, we recognise that our industry is energy intensive. In addition, our business is dependent on woodfibre and water, both of which are 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. 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. A significant portion of R&D is allocated to decarbonisation. We also focus on increasing pulp backward integration which brings renewable energy opportunities aligned with our strategy as well as fuel swaps and energy mix opportunities balanced with economics. In addition, our Future Energy Technologies and Decarbonisation cluster is exploring novel technologies for deep decarbonisation in terms of Scope 1 and 2 emissions, with a particular emphasis on technologies for renewable power generation, pulping, papermaking, bleaching and carbon capture.

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 climate transition 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. The capital expenditure between FY2021 – 2030 required to achieve the targets is estimated to be in the region of US$60 to 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.

We acknowledge that **decarbonisation of our South African assets will be 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

Sappi's climate transition plan

Advocate	Innovate and collaborate	Build resilience
Objective We will advocate that the Forest and Forest Products Sector's contribution towards achieving net zero is recognised and valued.	**Objective** We will partner to develop solutions and accelerate climate action.	**Objective** We will address and adapt to climate change impacts
Key actions • Engage with regulatory bodies and trade associations to advocate for policies consistent with achieving net zero by 2050 • Secure recognition of carbon benefits derived from forests and woodfibre-based products • Engage and participate in GHG carbon accounting working groups to advocate for development/ implementation protocols consistent with achieving net zero by 2050.	**Key actions** • Collaborate with peers, suppliers, customers, governments, civil society and employees to support decarbonisation efforts • Identify consortia and multi-stakeholder alliances to promote best practice sharing and collective climate action • Collaborate with value chains to develop carbon neutral offerings • Create shared value with our communities to improve livelihoods and ensure long-term resilience	**Key actions** • Develop and invest in adaptation technologies to ensure the continued sustainability of our forestry assets in South Africa • Promote biobased circular economy principles and leverage our forestry assets and know-how to support the development of rural community agroforestry • Address short- and long-term physical and transitional climate risks identified through TCFD processes to build resilience • Play our part as a socially responsible business to ensure a just transition • Protect and improve biodiversity in our forestry landholding and reduce use of water in our operations located in water stressed regions • Collaborate with landscape level stakeholders to promote nature positive action.

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 investigating opportunities for investment in solar, wind and biomass power assets. Furthermore, we are actively collaborating and exploring opportunities for purchasing renewable energy from new independent power producers that are being established within the country. 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.

Climate change is having a significant impact on our **woodfibre supply**. In both Europe and Southern Africa, the changing climate is impacting the health and resilience of the forests and plantations from which we source woodfibre. Increased drought, floods, wind, pest and disease outbreaks and wildfires are all accelerating forestry risks and could potentially significantly increase our wood costs.

Temperatures over the South African interior are projected to rise at about 1.5 to 2 times the global rate, with significant implications for our plantations. In addition to hotter, drier conditions, we expect shifting seasons with later summer rainfall, which will make our planting season shorter. We also anticipate that weather will become more extreme and that drought and floods, as well as wind, snow and hail will intensify. In response, we have developed climate smart forest management practices. Our Sappi Forests' scientists have developed high levels of expertise in assessing the impact of climate change on our plantations in South Africa. Their knowledge is supplemented by our strong partnership with the Global Change Institute (GCI) at the University of the Witwatersrand in Johannesburg. Recognising that there is a lack of data and expertise within South Africa for climate modelling, we launched the Sappi Chair in Climate Change and Plantation Sustainability at the University of the Witwatersrand in Johannesburg. The Research Chair will identify critical research needs and develop research outputs related to climate change and will also develop capacity in South Africa to manipulate and interpret climate modelling data. For more details see page 93.

Research and development (R&D) of genetically improved planting stock has been conducted at Sappi's Shaw Research Centre in Howick for over 25 years. Tree improvement is aimed at increasing pulp yield produced per hectare by testing various species and hybrids across Sappi's diverse landholdings. Besides growth improvements, trees are bred for superior wood properties and resistance to biotic and abiotic threats including frost, drought, pests and diseases. A broad genetic base, acquired over 25 years and a skilled breeding team exploiting new technologies are some of the assets of the programme. Nursery technologies research improve propagation techniques of elite genotypes. Land management and Pest and Disease 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, national pest and disease surveys etc. In addition to these initiatives and programmes, we also maintain a solid base of permanent sample and long-term soil monitoring plots, with the plot coordinates stored on our GIS database. These help us to monitor climate change based on geology, temperature zone and water availability. This enables us to keep track of forest litter, soil physical and chemical properties, allowing for early detection of site changes.

In terms of **climate-related opportunities**, we recognise that our sector is uniquely positioned to produce circular and low-carbon products, which can offer consumers alternatives to fossil-based products. There is a significant opportunity for Sappi to accelerate the transition to the circular biobased economy our planet demands.

Through our continued focus on innovating **packaging and speciality papers solutions**, we remain committed to partnerships with customers, who are increasingly focused on the social and environmental credentials of our products. We are committed to embracing the circular economy using sustainable materials based on certified woodfibre and replacing fossil-based chemistry and to working on new technologies that support transformation in Sappi and across our value-chain partners to reduce GHG emissions. There is significant potential to expand and unlock revenue streams with our paper-based packaging solutions to replace petroleum-based packaging in many sectors including the food and beverage, cosmetics, pharmaceuticals and electronics industries.

The majority of **dissolving pulp (DP)** is consumed in the textile industry where pulp is converted through the value chain to yarn and ultimately textiles providing soft, breathable fabrics (eg, viscose and lyocell) which hold colour well and drape beautifully. The global textile fibre industry is facing unprecedented sustainability challenges. Issues such as a rising population, climate change, water scarcity, land use (food vs. fibre), deforestation and loss of biodiversity, plastic waste and marine pollution have combined to question the long-term credentials of the industry and its attempts to create a sustainable circular economy. Textile fibres derived from natural cellulose (DP) are therefore gaining interest and have been the fastest growing textile fibre over the last 10 years. With increasing concerns about microplastic pollution in the oceans, petroleum-based textile fibres will continue to come under pressure and cotton cannot expand its area any further, meaning cellulosic fibres remain at an advantage and their market share will continue to expand. Lyocell represents the next generation of cellulose textile 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 and is the fastest growing textile fibre group. Sappi is uniquely positioned as the world's largest non-integrated DP producer and largest supplier to the lyocell sector to benefit from the growth in cellulosic textiles.

Traditionally the papermaking process has only used approximately half of the raw wood material to manufacture pulp and paper products. The balance of the wood raw material is used to generate energy to power the mill or to sell into the electricity grid. Sappi is, however, developing new processes and **biomaterials** which extract more value from each tree and supports our business strategy to move into new and adjacent markets. Sappi's innovative technology enables us to derive specialty biobased chemicals from the parts of the tree which are not used for pulp and paper making. These high-performance products often displace non-sustainable petroleum-based alternatives. There is significant opportunity to unlock further revenue streams through commercialisation of these biomaterials.

Our Exciter R&D programme is fully aligned with our **Thrive** strategy. The focus of the projects, which are global and based on the OneSappi approach, has shifted to emphasise sustainability, together with a focus on our segments with significant growth opportunity ie, packaging and speciality papers, DP and biomaterials.

Our commitments to **zero deforestation** and wood sourcing from sustainably managed, healthy working forests with a high level of forestry certification enables us to offer products to our customers around the world that carry no risk of deforestation or forest degradation. Deforestation negatively impacts ecosystem services and climate. It also increases the transmission risk of zoonotic diseases. In addition to helping to respond to climate change and protect soils and water, forests hold more than three-quarters of the world's terrestrial biodiversity. This means that deforestation has serious negative impacts on biodiversity and climate change.

Trees and forests play an integral role in the global carbon cycle. Through sequestering carbon dioxide from the atmosphere and storing it in forest biomass and soils, forests store vast amounts of carbon and release oxygen back into the atmosphere. Recent studies point to the further contribution that trees and forests could deliver to mitigate climate change if afforestation, reforestation, and restoration efforts were scaled up substantially. Managing forests for wood production can help to maximise their contribution to carbon sequestration. Forest management practices which rely on scientific knowledge of silvicultural best practices applicable in respective vegetation zones, promote growth and carbon sequestration. In our plantations in South Africa

and in the managed forests from which we source wood raw material, the cycle of regeneration, growing, thinning and harvesting is actively managed to enhance biodiversity, resilience, and maintain functional ecological condition.

The pulp and paper industry provides dependable markets for responsibly-grown woodfibre, thereby incentivising long-term forest management. This assurance of financial returns enables and encourages landowners to manage their forestlands as working forests, instead of selling the land for development or converting it to non-forest uses. Furthermore, the pulp and paper industry typically utilises different species and/or smaller diameter trees or portions of trees that are not desirable in the solid wood industry. By providing this market and revenue stream, the industry is supporting necessary holistic forest stand-improvement activities that are essential for maintaining and restoring forest health, species and age-class balance, wildlife habitat and biodiversity, wildfire mitigation and hazardous fuels reduction, watershed protection, soil conservation and carbon sequestration. By ensuring forests and plantations are sustainably managed through high levels of certification and prioritising traceability, we can help to combat climate change and enhance the ecosystems services that contribute to greater levels of economic and environmental wellbeing. Our opportunity is to invest in and promote healthy forests both for our benefit and the myriad of benefits they deliver to the planet.

There are many uncertainties around the potential impacts of climate change, and we therefore continue to enhance the quality of our scenario modelling to further understand these impacts.

In terms of **physical climate risks**, Sappi Forests has worked with the Global Change Institute (GCI) at the University of the Witwatersrand in Johannesburg and other industry members 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 forecast climate data in-house by algebraically adjusting the basic weather forecasts to a year 2,000 baseline.

To conduct physical climate change scenarios in our mills, we used Representative Concentration Pathways (RCPs):

- 2.5 (a low climate change scenario, involving aggressive mitigation actions to halve emissions by 2050)
- 4.5 (a moderate climate change scenario involving strong mitigation actions to reduce emissions to half of current levels by 2080)
- 8.5 (a high climate change scenario representing continuation of business as usual with emissions at current rates).

Climate transition risk is assessed in terms of scenarios involving nationally determined contributions (NDCs) and their associated time frames. Each country in which we have manufacturing operations, as well as the EU region, has submitted NDCs to the United Nations Framework Convention on Climate Change (UNFCCC). Various scenarios within the parameters of key regulatory developments are also assessed against the backdrop of various issues (for example: our 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 market expectations).

We have also implemented an internal carbon price (within the capital evaluation process) to ensure that the impact of carbon for all large capital investments is understood. The internal carbon price is embedded in our cost calculations of capex and opex projects as a financial indicator.

Sappi's international revolving credit facility (RCF) of EUR515 million, which matures in 2027, is linked to the group's sustainable financing framework. The RCF is structured with a margin adjustment mechanism, linked to progress in achieving the framework KPIs. The framework 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 specific GHG (Scope 1 and 2) emissions; certified fibre supplied to Sappi mills, solid waste to landfill the safety of our employees. This is an important strategic step for Sappi and supports our long-term vision to be a sustainable business and demonstrates that we are committed to delivering our ambitious sustainability strategy.

Risk management

Sappi has a well-established risk management process within a formal governance structure. The risk evaluation process is run annually, with comprehensive discussions which include climate change (led by regional risk managers) with each mill and central function. For climate-related risks and opportunities we have leveraged this process.

In addition, we have developed a unique approach where we incorporate historical experiences as identified by mill and forestry management teams in light of current short and medium- term predictions. This is supplemented by our environmental and legal teams' knowledge of emerging regulations and other transitional concerns.

This risk approach is supplemented by ongoing review of industry dynamics, particularly risks and opportunities related to single use plastics, lightweighting of products and the transition to a low-carbon economy. This work is captured by regular meetings with our customers together with our global R&D teams.

Sappi's climate-related physical risks

	Risk	Description
Physical risks	South African plantation losses	**Acute physical** Increased severity and frequency of **extreme weather events** may results in damage to our standing forests and nurseries and disruptions to harvesting operations in our managed plantations in South Africa. Extreme weather event could be flooding, frost/snow, heatwave.
		Acute physical More frequent, longer lasting and more **severe droughts** are anticipated over the Southern African region due to climate change. As the planet continues to warm, rainfall reductions over the summer rainfall region are expected to become more pronounced, and the rising temperature drives evaporation. Accordingly, the 'water balance' is more strongly negative than the decline in rainfall alone. Levels of global warming of 2°C or higher are associated with substantial increases in risk in the summer rainfall parts of Southern Africa where Sappi's plantations are situated. When several dry years follow directly on one another, the impact on plant production is extremely negative.
		Chronic physical Mean annual temperatures are expected to increase by between 3°C and 7°C. This increase in temperature in association with small **changes in rainfall** as well as potential changes in inter-annual rainfall patterns that will extend the annual dry period in the summer rainfall region will increase plant stress and will have a negative impact on tree growth. In addition, extension of the dry season or changes to rainfall seasonality could negative impact re-establishment plantings, by extending the area that is temporarily unplanted by one month or up to one year.
		Higher temperatures and changing climatic conditions may increase vulnerability to **pests and diseases**. Given that temperature is the most important environmental factor affecting insect behaviour, distribution, development and reproduction, the general impact of increased temperature on insect pests might result in: increased reproduction and flight duration; expansion of geographic range (naturally or through severe weather such as storms and strong wind); increased survival rates of overwintering populations; increased risk of introductions of invasive insect species; increased evidence of insect-transmitted plant disease due to range expansion and rapid reproduction of insect vectors and reduced effectiveness of biological control agents and natural enemies. Thus, the additional temperature and water stress are likely to increase pest and disease-related growth losses. Stricter rules regarding use of pesticides by Government and certification bodies will make it more difficult and expensive to control pest and disease outbreaks, as well as invasive plants.

Once the risks have been identified by the working groups, they go through the review process of our risk governance structure. This begins with the Group Head: Technology, the Group Head: Sustainability and Investor Relations and the Global Risk Manager who review the work of the regional risk management leads in order to develop a consolidated view. A recommendation is then made to the two board committees, the SETS Committee and the ARC, both of which share responsibility for climate-related risks. These committees are responsible for overseeing Sappi's combined assurance framework, which also aims to optimise assurance coverage obtained from management, internal assurance providers and external assurance providers (globally: ISO 14 001, 9 0001 and forest certification; Europe and South Africa: ISO 50001 (energy management), Europe: EMAS), on the risk areas affecting the group, including climate change.

We have identified seven material physical risks associated with our South African plantations, mill operations and supply chains and one material transition risk. In terms of opportunities, we have identified two transitional opportunities and one operational opportunity. We define our timeframes for assessment as follows.

Timeframe:
Short term **1-2 years**, Medium term **3-5 years**, Long term **5-30 years**

	Timeframe	Financial impact (p.a.)	Mitigation	Financial cost of mitigation
	Medium term	**US$0.5 to US$1 million**	R&D of genetically improved planting stock has been conducted at Sappi's Shaw Research Centre in Howick for over 25 years. Tree improvement is aimed at increasing pulp yield produced per hectare by testing various species and hybrids across Sappi's diverse landholdings. Besides growth improvements, trees are bred for superior wood properties and resistance to biotic and abiotic threats including frost, drought, pests and diseases. A broad genetic base, acquired over 25 years and a skilled breeding team exploring new technologies are some of the assets of the programme. Nursery technologies research improve propagation techniques of elite genotypes. Land management and pest and disease 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, national pest and disease surveys etc.	**US$3 to US$5 million** The combined direct annual R&D expenditure p.a. of the Sappi Nursery Technologies, land management, pest and diseases and tree breeding programmes.
	Medium term	**US$5 to US$20 million**		
	Long term	**US$5 to US$10 million**		
	Long term	**US$2 to US$10 million**		

	Risk	Description
Physical risks	South African plantation losses	Fire remains a high risk to our plantations and is exacerbated by periods of drought.
	Interruptions to mill operations and supply chains	**Acute physical** Increased severity and frequency of extreme weather events may result in damage to our infrastructure and that of our supply chain partners. Extreme weather events could be flooding, hail of frost/snow.
		Chronic physical More frequent, longer lasting and more severe droughts are anticipated over the Southern African region due to climate change. As the planet continues to warn, rainfall reductions of the summer rainfall region are expected to become more pronounced and the rising temperature drives rising evaporation. Levels of global warming of 2°C or higher are associated with substantial increases in drought risk in the summer rainfall parts of Southern Africa where Sappi's operations are situated. When several dry years follow directly on each other, the impact on available ground water in the water river basins that serve our operations could be severely impacted. Our pulp and paper operations are water intensive and any reduction in water availability could result in extended water shortages which could disrupt our operations.

	Timeframe	Financial impact (p.a.)	Mitigation	Financial cost of mitigation
	Short to long term	**US$15 to US$130 million**	Sappi Forests has a comprehensive risk management system which comprises risk assessments, monthly compliance checks, management procedures, standards and general back-up information. Fuel load maps are prepared for all districts to assess in the management of fuel loads and identification of major risks. When re-planting, Sappi is increasingly making use of mulchers as a more expensive but lower risk alternative to burning of harvest residue. Regular weeding helps reduce fuel loads. Each plantation/district has a weather monitoring station that is strategically placed to keep track of the Fire Danger Index (FDI). The FDI data is reported automatically using a cell phone or the camera detection data network to a central database (Vital Fire Weather – VFW) which sends alerts via SMS and email. When the FDI reaches a pre-determined level, all aerial and ground firefighting resources are strategically located, all airstrips are manned and detection centres are instructed to activate aircraft immediately should a fire be detected within or near plantations.	**US$15 to US$20 million** (Plantation insurance and fire protection costs p.a.)
	Medium term	**US$10 to US$50 million**	Sappi has comprehensive insurance coverage in place which covers both our assets and business interruption.	**US$35 to US$45 million** (General insurance costs p.a.)
	Medium term	**US$10 to US$50 million**	Sappi has water management plans for each operation in South Africa which focus on implementing water efficiency projects and implementing closed-loop and water recycling initiatives to reduce water intensity of our operations. We also engage local authorities, other industrial users and local communities within critical water basins to identify solutions and enhance water stewardship.	**US$1 to US$3 million** (Estimated SSA capital requirement p.a.)

Sappi's climate-related transition risks

	Risk	Description
Transition risk	**GHG regulatory changes and changing downstream requirements for low-carbon products**	Sappi's European operations fall under the EU ETS. As EU ETS allowances decrease over time and if our decarbonisation efforts do not keep pace with the required trajectory there is potential that some operations may have deficits which will require purchasing of ETSs. Similarly SSA's operations are subject to carbon taxes which are anticipated to increase steadily over time. Currently there are no carbon tax regulations in North America but this could change over time. Many of our downstream markets are positioning their value proposition on a low-carbon footprint with science-based decarbonisation commitments, including net zero by 2050, gaining momentum. This will apply pressure on our business to decarbonise to support these commitments within our value chains. As legislation and customer preferences shift to low-carbon impact, 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. Not being able to realise our decarbonisation strategy through improved energy efficiency and the use of renewable energy represents a significant reputational and financial risk.

	Timeframe	Financial impact (p.a.)	Mitigation	Financial cost of mitigation
	Medium to long term	US$30 to US$150 million	We have developed a climate transition 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 the decarbonisation of our South African assets will be more challenging than in our other operating regions. Our mills in this report are all 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. Accordingly, 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 continue to collaborate and explore opportunities for purchasing renewable energy from independent power producers. Within the context of South Africa's 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.	US$60 to US$70 million (Estimated SBTi capital requirement p.a.)

Sappi's climate-related opportunities

	Opportunity	Description
Transition opportunity	Changing consumer behaviour and preference for renewable, circular, low-carbon products	The global demand for sustainable packaging solutions is prompting increasing investment and collaboration to develop innovative solutions to cater to changing customer preferences. Paper-based packaging being renewable and circular, emerges as an excellent substitute for less eco-friendly options. By capitalising on our sustainable packaging solutions, we aim to address the growing demand for a wider range of paper-based packaging products. Likewise, the surge in demand of sustainable textile fibres opens up possibilities for our dissolving pulp business. Our prominent role in supplying pulp to the lyocell fibre market positions us favourably, given the improved environmental impact f lyocell fibres, which are expected to double in market share over the next five years.
Transition opportunity	Beneficiation of wood by-products	Furfural is an important biobased platform chemical which is used in a wide variety of applications including foundry resins, solvents and crop protection products. In many cases, biobased furfural replaces products which would otherwise be made from fossil fuels. Sappi has developed innovative technology for the production of furfural using the hemicellulose co-product of our DP operations. By using this co-product, we are able to maximise the portion of the tree used to make renewable value-added products. The Sappi technology is fully integrated with the pulp production technology, enabling a significant reduction in the carbon footprint of furfural production.
Operational opportunity	Reduced operating costs through energy efficiency and use of renewable energy	The production of pulp and paper is energy intensive and energy generation is the major source of our GHG emissions. In many geographies where we have operations, renewable fuel sources such as biomass are cheaper than fossil fuels such as coal and gas. In addition, it is anticipated that renewable power (for purchase) will, over the medium to long term, become cheaper than fossil-based power. By improving the efficiency of our energy plants and manufacturing operations and creating the flexibility to utilise different fuel sources, we have the opportunity to realise cost savings.

Note: Cost to realise the transitional opportunities for packaging and biomaterials is focused exclusively on two specific projects (conversion and expansion of Somerset PM2 and furfural at Saiccor Mill) which are the two most advanced and likely to reach commercialisation opportunities in the current portfolio. R&D initiatives are ongoing in this space and opportunities will be added as they emerge. Cost to realise the transitional opportunities does not include the R&D spend which will be added in future reports.

	Timeframe	Financial impact (p.a.)	Action	Financial cost of actions
	Short to long term	**US$100 to US$200 million**	To meet the growing demand for packaging papers we have initiated a capital project at Somerset Mill to convert PM2 from coated woodfree graphic paper to solid bleached sulphate paperboard. 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.	**US$418** Total capex for Somerset PM2
	Medium term	**US$20 to US$30 million**	Sappi has invested in a pilot plant at Saiccor Mill which has successfully demonstrated the technology for furfural production and testing of product with customers which is progressing well. A class 10 capex estimate for a full-scale plant with the capacity to produce 25,000 tpa is being explored.	**US$50** High level capex estimate for 25,000 tpa furfural plant
	Short to long term	**US$20 to US$50 million**	Based on our corporate commitment to reduce emissions and meet our SBTi targets, together with increasing market and regulatory pressure to reduce the carbon footprint of our products, we have implemented a comprehensive capital investment programme to reduce GHG emissions. Projects focus on energy efficiency, fuel switching to allow replacement of fossil fuels in our boilers with biomass and renewable energy projects. Many of these projects improve the efficiency of our manufacturing operations and allow for significant savings through fuel and power arbitrage opportunities.	**US$60 to US$70 million** (Estimated SBTi capital requirement p.a.)

Metrics and targets

The United National Sustainable Development Goals (UN SDGs) inspire us all to strive for a better future, setting out a roadmap for where we collectively need to go and how to get there. We have identified seven priority goals at global level – and a further two in South Africa – where we believe we can make the most impact and where we are concentrating our efforts.

We use a variety of metrics to measure the current and potential impact of our climate change-related risks and opportunities including metrics related to GHG emissions, water use, forestry certification and biodiversity. Direct GHG emissions are from our energy plants through combustion of fuels to generate the power required for our manufacturing operations (Scope 1). We also purchase power from the grid (Scope 2) and have indirect GHG emissions throughout the value chain, mainly as a result of our purchase of raw materials, fuel and transportation, which make up the majority of our Scope 3 emissions. We are acting across all three Scopes and working closely with our partners to reduce GHG emissions for our business and our value chain. In 2022, our 2030 science-based decarbonisation targets, including a Scope 3 advocacy target, were approved by the SBTi. We remain committed to zero deforestation in our woodfibre supply chains and to maintaining carbon sinks in forestry through implementation of best forest management and silviculture practices.

Given the strategic importance of sustainability, the group's Executive Directors remuneration is linked to their contribution to the overall success of our **Thrive** strategy. Specifically, 6% of the short-term management incentive is directly linked to climate change through emission reduction, forestry certification and waste to landfill performance targets (MIS: sustainability = 30% of the 20% personal objectives). Additionally, in FY2023 we initiated a process to explore the inclusion of sustainability into the long-term incentives (PSP: proposal for 10% linked to performance against SBTi targets) and consultation with shareholders has so far been positive.

For further details on our remuneration policy, see our **Remuneration Report** on page 170.

Our performance against our global planet targets, which have an impact on climate change, is shown below.

FY2023 group performance against 2025 climate targets

	FY2023 snapshot of Thrive (2025) and SBTi targets	Sappi KPI	
Planet targets	6 Clean water and sanitation	Specific process water usage (SSA)	👎
	7 Affordable and clean energy — Renewable and clean energy	Share of renewable energy	✋
		Specific energy intensity	👎
	12 Responsible consumption and production	Specific landfilled solid waste	👎
	13 Climate action	Specific GHG emission	👎
	15 Life on land	Share of certified fibre	👍
		Biodiversity (SSA)	👍
SBTi targets	13 Climate action	Scope 1 and 2	👎
		Scope 3 engagement	✋

For more details on performance against planet targets see our 2023 Sappi Group Sustainability Report at www.sappi.com/2023GSDR

Global targets for FY2023 for specific total energy, share of renewable and clean energy, specific GHG emissions and specific waste to landfill were not achieved. The primary reason for the poor performance against our targets is the high levels of production curtailment that was required during the year which significantly reduced the efficiency of our operations. Unstable stop/start operating conditions require more energy and produce more waste on an intensity basis (per ton of product). Additionally, in Europe and North America energy efficiency during the winter months was particularly poor due to the requirement to keep certain lines and parts of the plants heated during periods of curtailment to prevent freezing. The waste to landfill was also impacted by a number of 'once-off' issues in all three regions. These included; Matane Mill instability in the anaerobic reactor in the water treatment system which required sludge disposal, Kirkniemi Mill decarbonisation project where some soil was removed from the site, Ngodwana Mill increase in sludge landfilled from the cleaning of emergency dams, Stanger Mill disposal of building rubble from the black liquor tank project.

Specific water usage is a SSA specific target. The target was not achieved due to incidences of unstable operating conditions and product quality challenges which required additional water usage as well as lower production volumes than planned for FY2023. The global certified fibre target >75% and biodiversity in Sappi Forests conservation areas was achieved.

The FY2023 Scope 1 and 2 emissions intensity of 0.94 tons CO_2/adt was substantially above our SBTi trajectory and is indicative of the very challenging year from a production curtailment and energy inefficiency perspective. Absolute Scope 1 and Scope 2 emissions were however below the prior year due to the lower operating rates. In terms of our engagement target for Scope 3 to have 44% of our suppliers by spend with science-based targets, globally we achieved 21% with each region achieving the following. SEU 25%, SNA 18%, SSA 15%. In FY2024 we will launch a focused Scope 3 engagement initiative through the efforts of our Sustainable Procurement Steering Committee with a targeted questionnaire to suppliers.

FY2023 GHG emissions data and five-year trend

	GRI reference	Unit	2019	2020	2021	2022	2023
Scope 1	305-1a	million kg CO_2eq/annum	4,421	4,078	4,269	4,079	**3,474**
	305-4	kg CO_2eq/adt	661.1	706.0	677.8	612.9	**696.5**
Biogenic emissions	305-1c	million kg CO_2eq/annum	7,074	6,803	6,622	6,877	**6,730**
Scope 2	305-2a	million kg CO_2eq/annum	1,553	1,207	1,161	1,333	**1,234**
	305-4	kg CO_2eq/adt	232.3	208.9	184.3	200.3	**247.5**
Scope 3	305-3a	million kg CO_2eq/annum	3,977	3,365	3,512	3,784	**3,472**
	305-4	kg CO_2eq/adt	594.7	582.6	557.7	568.7	**695.9**
Scope 1 and Scope 2 GHG emissions	305-4	million kg CO_2eq/annum	5,974	5,285	5,429	5,411	**4,709**
		kg CO_2eq/adt	893.3	914.9	862.1	813.2	**944.0**
		kg CO_2eq/US$ million	1,039.7	1,146.7	1,031.4	741.7	**810.7**

Despite the poor emission performance in FY2023 we remain confident that the decarbonisation capital projects in our climate transition plan and a return to full operating rates will allow us to achieve our **Thrive** (2025) targets and SBTi (2030) target.

In 2023 we engaged KPMG to perform **limited assurance** on the following planet variables:

- Scope 1 and 2 GHG emissions
- Solid waste to landfill
- Certified fibre
- Water usage (SSA only).

Looking forward

A number of physical and transitional risks and opportunities have been identified related to climate change and we continue to monitor developments with respect to legislation, markets, technology and disclosure requirements.

Further climate-related scenario analysis for both physical and transitional impacts will be undertaken in FY2024. Risks, opportunities and financial impacts will continue to be refined.

We believe that we have the right strategy to address the risks and opportunities arising from climate change and will continuously enhance our scenario modelling to expand our thinking and ensure that our strategy and transition plan remains resilient.

Fortify

Hermit crabs are shapeshifters, moulting as they grow, continually shedding their exoskeletons and growing new ones. As their exoskeletons are fragile, they need shells for protection. Rather than produce their own shell, as they grow, they use shells abandoned by other marine creatures. This process is not a one-off, but continues throughout their lifespan, depending on water temperature, habitat and species.

Many species will enhance their chances of survival by encouraging anemones to attach to their shell, as the latter's stinging tentacles may deter predators. The crabs even transfer the anemones from shell to shell when they move house.

We can draw parallels with Sappi, fortified as we are by our iterative Thrive strategy and by our agility in responding to changes in our operating context to emerge stronger and better positioned for growth. This process is underpinned by ongoing engagement with our stakeholders, whose input helps us shape our response to our environment as we collaborate to build a thriving world.

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.

> "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."

Pulp

Our pulp segment predominantly comprises two product categories, namely, DP and high-yield pulp (HYP). Occasionally, excess kraft pulp produced at 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 tons per annum and 15% share of the DP market, Verve is a truly sustainable brand. From textiles to pharmaceuticals and food applications, Sappi has the expertise, technology and 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. Fibres produced from DP, however, far exceed 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 fibres produced from DP differentiate themselves from the alternatives.

Viscose staple fibre (VSF) is the most prominent fibre, accounting for approximately 70% 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 quality and sustainability assurance in 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 55% 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. 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 approximately 4% 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 and US Dollar/RMB exchange rate fluctuations.

Sappi's Matane Mill, located in Quebec, Canada, has the capacity to produce 285,000 tons of HYP. Approximately 30% of Matane's pulp production was consumed internally within our packaging business during FY2023, thereby increasing 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 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 FY2023, the pulp segment made up 22% of Sappi's sales revenue.

Sales volumes of 1,517,000 tons included 180,000 tons of HYP from Matane Mill and 21,000 tons of kraft pulp produced at Somerset Mill.

Our markets in 2023 and outlook for 2024

During the early part of the year, DP demand and pricing were dampened by elevated stock levels and negative consumer sentiments. However, VSF operating rates in China improved steadily as economic activity resumed from the third quarter onwards. Operating rates in the VSF industry remained at a high level through the remainder of the year and downstream VSF inventories dropped below historical levels, which supported demand for DP. The hardwood DP market price[1] fell more than US$200 from the elevated levels of last year to reach a low of US$840 in August. The movement was driven primarily in the early part of the year by high-retail inventories and weak consumer sentiment and then in the latter part of the year by relatively subdued VSF pricing and the weak Chinese Renminbi exchange rate against the US Dollar.

Demand for DP remained robust during the year with segment sales volumes increasing by 7% or 96,000 tons, however, lower average pricing and cost inflation adversely impacted profitability resulting in EBITDA for the year being lower than the prior year with EBITDA margins reducing from approximately 26% to 18%.

Due to production curtailments on our packaging paper assets in Europe and North America, more BCTMP capacity became available for external sales. Production at Saiccor Mill improved year-on-year due to more stable operations.

Dissolving pulp markets appear more positive as VSF operating rates continue to be strong and the differential between cotton and VSF pricing remains supportive. Hardwood DP market pricing has increased in recent weeks to US$900 per ton.

Additionally, paper pulp pricing has also moved into an upward trajectory, which will benefit our HYP sales. DP sales volumes in the first quarter of FY2024 will, however, be lower than the prior quarter due to scheduled maintenance shuts at all three of our DP mills.

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.

Pulp segment made up

22%

OF SALES REVENUE IN FY2023

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

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.


OVEN BAKED
PRETZELS
with all-organic sea salt
SPICY YELLOW MUSTARD
12
Dark Roast
Coffee
almond, oat
& dark chocolate
milk
chocolate
pumpkin Soup
sweet

"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 on being a reliable and global business partner."

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 FY2023, 30% of Sappi's sales revenue was packaging and speciality papers, 1% higher compared to last year.

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

Packaging papers and boards

Legislative changes and growing consumer pressure are forcing brands to rethink 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 – 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 the growth potential and technical requirements of a wide range of packaging market segments to match those requirements with our assets, specifically our production capabilities and cost of production, the cost to serve customers, and competitive threats. We choose only those projects where we believe we hold a significant advantage.

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.

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.

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.

Packaging and speciality papers

Label papers and self-adhesives

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

Casting and release papers

Used by suppliers in 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 local and state legislation in several US states has passed, banning the use of polystyrene foam packaging. 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 2023 and outlook for 2024

The packaging and speciality papers segment faced weak trading conditions related to high levels of downstream inventory and muted consumer demand. Positive year-on-year pricing gains of 7% were insufficient to offset input cost inflation and a 22% reduction in sales volumes leading to a decline in the segment's profitability. EBITDA margins for the segment decreased from 17% last year to 12% in fiscal 2023.

Demand for packaging and speciality papers in North America is particularly robust and our customers are actively seeking to increase their volumes with Sappi. In November 2022, the board approved a US$418 million investment at Somerset Mill to convert PM2 from coated woodfree graphic paper to solid bleached sulphate paperboard (SBS). The machine capacity will be increased during the conversion from 235,000 tons to 470,000 tons per annum. The project is progressing well and on track to start-up in early 2025. The capital expenditure will be phased over three years with the majority of the spend taking place in FY2024 and FY2025. The FY2023 capital expenditure on the project was approximately US$100 million and the estimated spend for FY2024 is US$154 million. Refer to **Letter to the stakeholders** – Grow our business section of this report on page 30 for further information on investments made in our packaging and speciality papers segment. These investments are fully aligned with our **Thrive** strategic focus to reduce our exposure to declining graphic paper markets.

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. The long-term favourable outlook for our sustainably produced packaging and speciality paper products remains unchanged, however, in the short term challenges persist. The destocking process in the segment is taking longer than expected and the macroeconomic landscape remains unpredictable, which is likely to continue to weigh on consumer sentiment. We therefore do not expect any meaningful recovery in the first quarter of the next financial year. Sappi is well positioned to benefit from the turn in the cycle. We believe we will achieve year-on-year volume growth in 2024, aided by the shift from plastics to paper in various packaging and speciality paper categories.

Packaging and speciality papers segment made up

30%

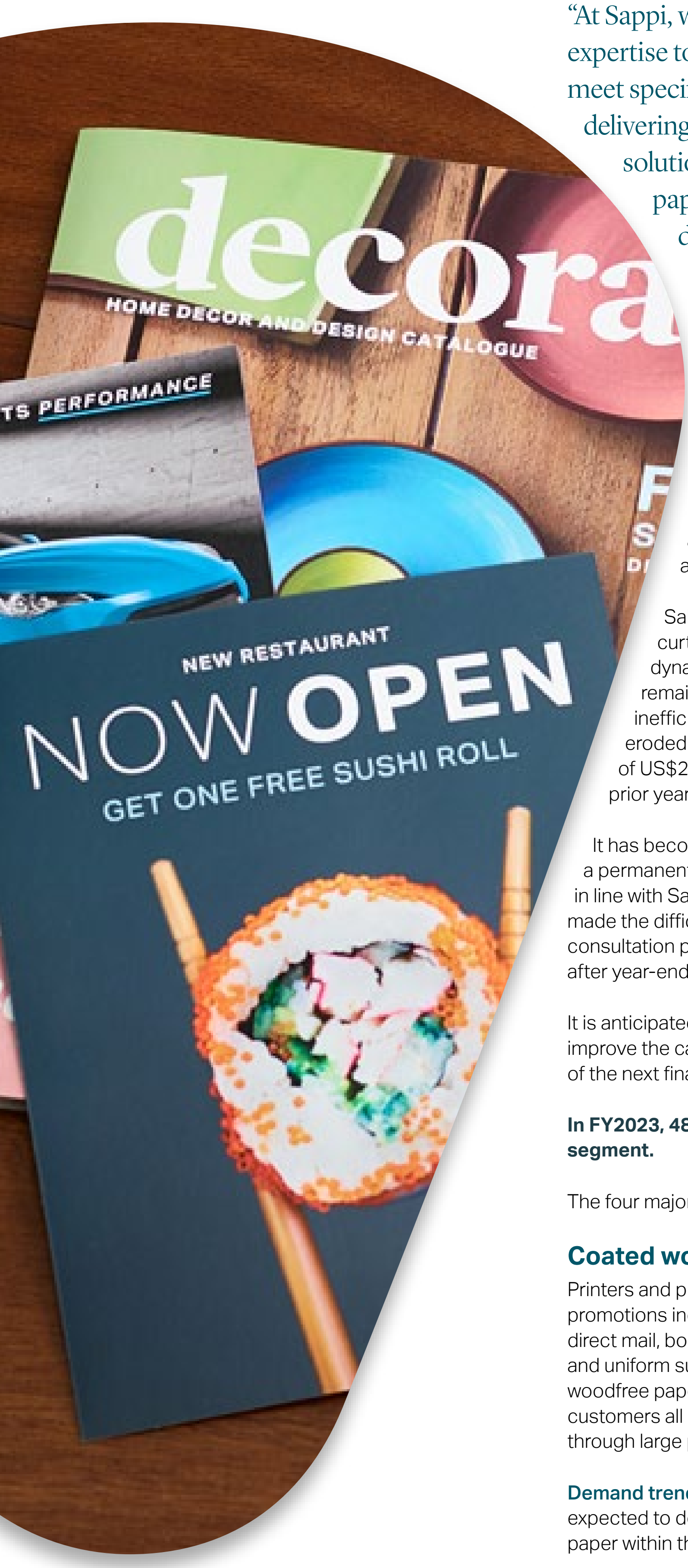
OF SALES REVENUE IN FY2023

Graphic papers

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

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


Home
NEW RESTAURANT
NOW OPEN
GET ONE FREE SUSHI ROLL
20
holid
FASTER
THAN
IMAGINED



"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 2023 and outlook for 2024

Global demand for graphic papers has generally been in secular decline. The remarkable turnaround in FY2022 from the Covid-19 pandemic lows was driven by a number of factors which led to an unprecedented global shortage of graphic paper in the prior year. Graphic paper demand declined sharply and remained weak throughout the year due to weak consumer confidence related to the slowing economy and an inventory destocking cycle that took longer than anticipated.

Sales volumes declined 38% year-on-year and production curtailments were required to manage these weak demand dynamics. Selling prices were 14% higher than the prior year and remained resilient. However, cost inflation and operational inefficiencies associated with low capacity utilisation significantly eroded profitability. The graphic paper segment generated EBITDA of US$271 million with EBITDA margins decreasing from 16.4% in the prior year to 9.7%.

It has become apparent that demand for graphic papers has experienced a permanent structural decline. In response to the market overcapacity and in line with Sappi's strategy to reduce exposure to graphic paper markets, we made the difficult decision to close the Stockstadt Mill and initiated a consultation process for the potential closure of the Lanaken Mill shortly after year-end.

It is anticipated that strategic action in the European region will significantly improve the capacity utilisation of the graphic paper assets in the second half of the next financial year.

In FY2023, 48% of Sappi's sales revenue was from the graphic papers segment.

The four major grades of graphic paper are discussed below:

Coated woodfree paper

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

Demand trends: The share of global advertising 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

Graphic papers

is forecast to decline from approximately 21 million tons in 2019 to approximately 15 million tons by 2024.

Sales: Sappi's sales volumes for coated woodfree paper decreased 42% from last year and sales revenue was 33% lower, due to a challenging macroeconomic environment where demand for graphic paper remained suppressed. Globally, demand for coated woodfree paper decreased by approximately 13%.

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 32% lower than last year, due to the unfavourable economic climate. Volumes were approximately 38% lower than the prior period. This year, the global market contracted by approximately 13% 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 13% lower than last year, largely as a result of the challenging market conditions. Globally, demand decreased by approximately 5% 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 challenging macroeconomic environment with an estimated drop in demand of approximately 8% during the current year and an estimated decline of 5 – 6% annually through to 2027. 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 volatile and challenging macroeconomic environment, however, no production curtailment was necessary in the current financial year. Relative to the prior year our volumes were 3% down and sales revenue was 8% higher. Globally, newsprint demand declined 8% versus 2022.

Graphic papers segment made up

48%

OF SALES REVENUE IN FY2023

Chief Financial Officer's report

"The strength of our balance sheet has enabled us to comfortably manage the challenges without deviating from the **Thrive** strategy"

Glen Pearce *Chief Financial Officer (CFO)*

Section 1: Financial highlights

US$ million	2023	2022	% change
Sales	**5,809**	7,296	(20)
EBITDA excluding special items	**731**	1,339	(45)
Operating profit excluding special items	**432**	1,038	(58)
Profit for the year	**259**	536	(52)
EBITDA excluding special items to sales %	**12.6**	18.4	n/a
Operating profit excluding special items to sales %	**7.4**	14.2	n/a
Operating profit excluding special items to capital employed (ROCE) %	**12.3**	27.9	n/a
Net cash generated	**210**	506	(58)
Net debt	**1,085**	1,163	(7)
Basic earnings per share (US cents)	**46**	95	(52)

Lower end demand combined with substantial destocking across the value chain generated weak order books and low capacity utilisation throughout fiscal 2023. Destocking continued to below-average inventory levels in anticipation of reduced selling prices as intermediaries delayed placing orders by favouring just-in-time processes. Selling prices peaked during the first quarter and progressively weakened the remainder of the fiscal year yielding to the pressure of lower demand. Delivery, chemical and energy costs reduced during the last nine months of the fiscal, however, wood costs remained at elevated levels. The net reduction in variable input costs resulted in variable contribution margins per ton improving relative to the previous year. Under these challenging circumstances, the South African business delivered record EBITDA (in ZAR) and North America the second highest ever EBITDA.

Sales volumes reduced by 21% and caused overhead absorption rates to increase which offset the improved variable contribution margins. The average operating rate of the group dropped from 91% last year to 69% resulting in consolidated EBITDA margins reducing from 18% to 13% in the current year.

The graphic papers segment recorded a 38% reduction in sales volumes as merchants and printers destocked and responded to reduced end demand. The low occupancy rates in Europe forced a review of available capacity resulting in the announced closure of the Stockstadt Mill and a consultation process for the potential closure of the Lanaken Mill. The North American operating rates recovered towards the end of the year and will be assisted by the conversion of a paper machine at the Somerset Mill due for completion early 2025. The packaging and speciality papers segment experienced similar destocking activity and lower end demand as sales volumes reduced by 22%.

The pulp segment experienced strong demand throughout the year and sales volumes increased by 7% supported by improved production performances at Saiccor Mill and Ngodwana Mill. Pulp selling prices followed general commodity prices and reduced by 4% relative to last year. The resultant lower margins reduced EBITDA from US$325 million to US$238 million in the current year.

The group generated cash of US$210 million after a reduction in net working capital of US$178 million and capex of US$382 million. The net working capital reduction reflected the reduced level of operations as the group managed net working capital as a percentage of sales within the target of 9%. Cash generated was partially offset by adverse exchange rate movements as net debt reduced by US$78 million to US$1,085 million. Profit for the year of US$259 million (2022: US$536 million) included special item costs of US$52 million. Earnings per share excluding special items reduced from US138 cents to US52 cents. The directors declared a dividend of US15 cents per share at three 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	
	2023	**2022**	**2023**	**2022**
€1 = US$	**1.0679**	1.0853	**1.0572**	0.9801
US$1 = ZAR	**18.1791**	15.7829	**18.9299**	18.1537

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

Section 2: Financial performance

The discussion in this section focuses on the group's financial performance in 2023 compared to 2022. A detailed discussion, in local currencies, of each of our three operating regions follows in Section 3.

Income statement

Our group's financial results can be summarised as follows:

	2023	2022	% change
Sales volume (metric tons '000)	**6,282**	7,937	(21)
US$ million			
Sales revenue	**5,809**	7,296	(20)
Variable manufacturing and delivery costs	**(3,538)**	(4,380)	(19)
Fixed costs	**(1,788)**	(1,832)	(2)
Sundry items[1]	**(51)**	(46)	11
Operating profit excluding special items	**432**	1,038	(58)
Special items	**(52)**	(268)	n/a
Operating profit	**380**	770	(51)
Net finance costs	**(49)**	(97)	(49)
Taxation	**(72)**	(137)	(47)
Net profit	**259**	536	(52)
EPS excluding special items (US cents)	**52**	138	(62)

[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 2023, sales volume decreased by 1,655,000 tons compared to 2022. The regional and product segment contributions to sales volume are shown below:

Sales volume metric tons '000	2023	2022	% change
North America	**1,373**	1,758	(22)
Europe	**1,909**	3,175	(40)
South Africa	**3,000**	3,004	–
Group	**6,282**	7,937	(21)
Pulp	**1,517**	1,421	7
Packaging and speciality papers	**1,251**	1,600	(22)
Graphic papers	**2,124**	3,447	(38)
Forestry	**1,390**	1,469	(5)

Pulp volumes were up 7% for the year. Elevated stock levels and concerns over negative consumer sentiments dampened demand for textile fibres in the early part of the year. However, viscose staple fibre (VSF) operating rates in China improved steadily as economic activity resumed from the third quarter onwards. Operating rates in the VSF industry remained at a high level through the remainder of the year and downstream VSF inventories dropped below historical levels, which supported demand for dissolving pulp (DP).

Packaging and speciality papers volumes decreased by 22% for the year driven by weak trading conditions related to high levels of downstream inventory and muted consumer demand.

Graphic papers volumes decreased by 38% for the year. Graphic papers markets began softening in late 2022 dragged downwards by weak consumer confidence related to the slowing global economy. Demand declined sharply and remained weak throughout the year as inventory destocking took longer than anticipated. Production curtailments were required to manage the weak demand dynamics.

Capacity utilisation reduced to an average of 69% for the group as weak packaging and speciality papers and graphic papers markets forced us to take 1.9 million tons of production downtime during the year.

Sales volume to capacity	2023 %	2022 %
North America	**74**	97
Europe	**55**	92
South Africa	**89**	84
Group	**69**	91

Sales revenue

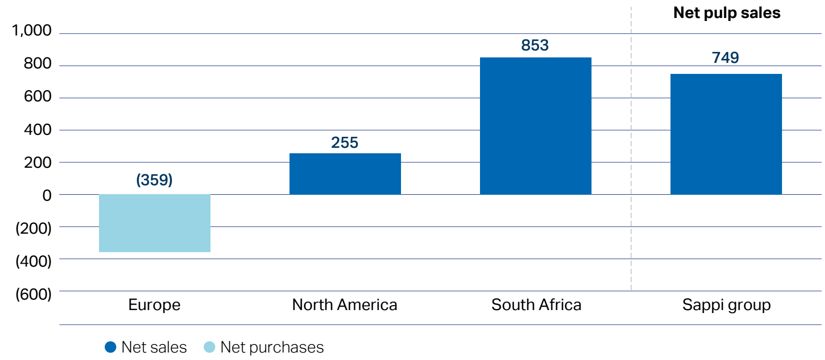
Consolidated volumes were down on last year as discussed above resulting in sales revenue reducing by US$704 million. The stronger US Dollar resulted in a negative US$120 million conversion impact.

Variable and delivery costs

Variable and delivery costs decreased by US$726 million from 2022. The lower sales volumes accounted for 21% of the decrease. Wood costs and chemical costs per ton of product sold increased by 41% and 8% year-on-year respectively whilst other main cost categories decreased by between 2% and 6%.

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

Sappi group pulp balance (US$ million)



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

Variable manufacturing and delivery costs US$ million	2023	2022	% change
Wood	**829**	779	6
Energy	**569**	801	(29)
Chemicals	**852**	1,042	(18)
Pulp and other	**835**	1,127	(26)
Delivery	**453**	631	(28)
Group	**3,538**	4,380	(19)

Fixed costs

Fixed costs decreased by US$44 million from fiscal 2022. Reduction in bonuses resulted in personnel costs decreasing by 7%. The increase in 'Other' is mainly a charge to inventory movement during fiscal 2023 as a result of a stock reduction. The weaker ZAR and EUR resulted in a reduction in US Dollar costs (US$63 million). Excluding the currency impact fixed costs increased by US$19 million.

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

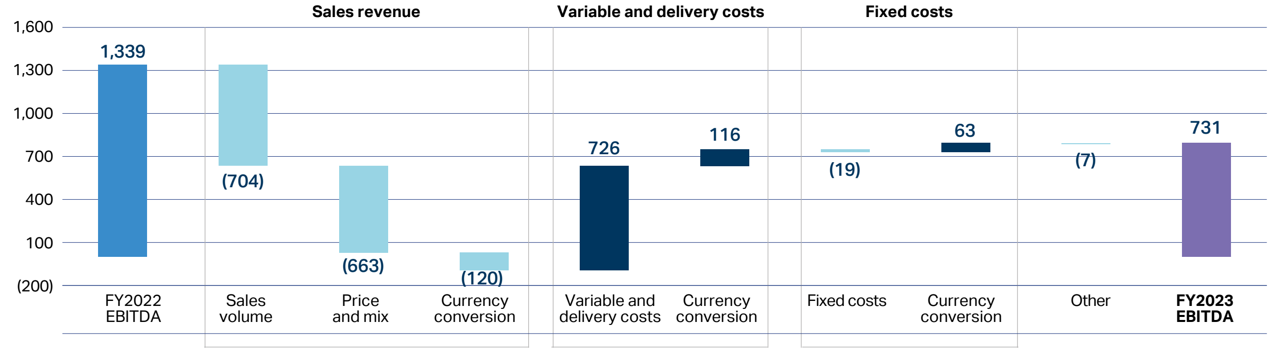
Fixed costs US$ million	**2023**	**2022**	**% change**
Personnel	**1,024**	1,104	(7)
Maintenance	**248**	247	0
Depreciation	**292**	292	0
Other	**224**	189	19
Group	**1,788**	1,832	(2)

EBITDA and operating profit excluding special items

EBITDA excluding special items decreased to US$731 million, 45% lower than the previous year. Operating profit excluding special items decreased from US$1.038 billion last year to US$432 million in 2023.

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

Reconciliation of EBITDA excluding special items: 2023 compared to 2022[1] (US$ million)

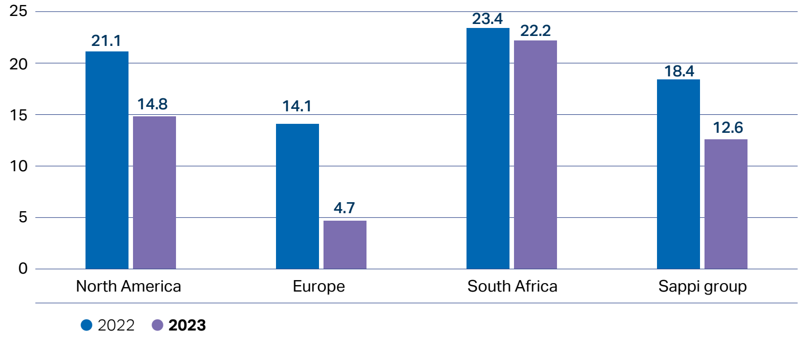


[1] *All variances were calculated excluding Sappi Forestry.*
[2] *"Currency conversion" reflects translation and transactional effect on consolidation.*

The tables below detail the EBITDA and operating profit excluding special items of the business for both 2023 and 2022 and the margins of each.

EBITDA excluding special items by region US$ million	**2023**	**2022**
North America	**267**	464
Europe	**124**	536
South Africa	**332**	334
Corporate and other	**8**	5
Group	**731**	1,339

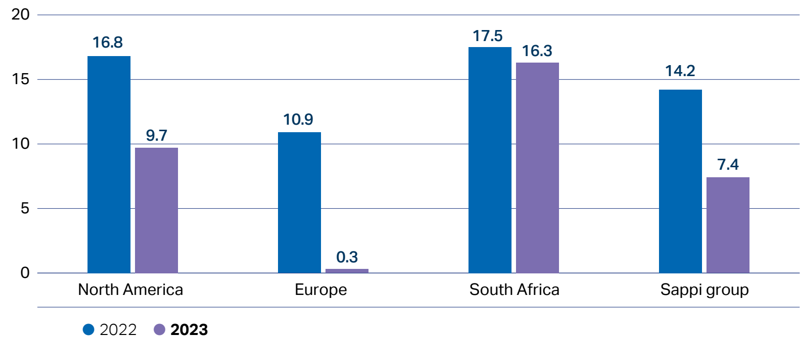
EBITDA excluding special items margin by region (%)



EBITDA excluding special items by product category US$ million	**2023**	**2022**
Pulp	**238**	325
Packaging and speciality papers	**214**	359
Graphic papers	**271**	650
Other	**8**	5
Group	**731**	1,339

Operating profit excluding special items by region US$ million	**2023**	**2022**
North America	**175**	369
Europe	**8**	416
South Africa	**244**	250
Corporate and other	**5**	3
Group	**432**	1,038

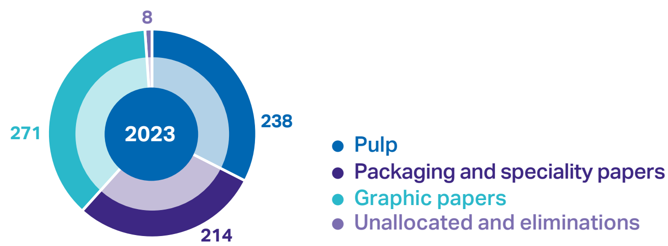
Operating profit excluding special items margin by region (%)



Operating profit excluding special items by product category US$ million	**2023**	**2022**
Pulp	**162**	250
Packaging and speciality papers	**119**	264
Graphic papers	**145**	521
Other	**6**	3
Group	**432**	1,038

In the chart below, 63% of the group's EBITDA originates from growing markets in the pulp and packaging and speciality papers segments. The graphic papers segment, which contributes 37% of the EBITDA remains an important strategic component as we focus on the commercial print market.

EBITDA excluding special items by product
2023: US$731 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 Strategy and Performance section.

Special items

Special items consist of those items which management believes are material by nature or amount, to the results for the year and require separate disclosure. A breakdown of special items for 2023 and 2022 is reflected in the table below.

Special items – gain/(loss) US$ million	**2023**	**2022**
Plantation price fair value adjustment	**123**	(38)
Net restructuring provisions	**(77)**	–
Profit/(loss) on disposal, written-off assets and incremental costs	**3**	(63)
Asset impairments	**(233)**	–
Reversal of loss/(loss) on held-for-sale assets	**181**	(183)
Profit/(loss) on disposal of held-for-sale assets	**(1)**	–
Equity-accounted investees impairment reversal	**–**	3
Insurance recoveries	**7**	30
Fire, flood, storm and other events	**(55)**	(17)
Total	**(52)**	(268)

The net impact of special items in 2023 was US$52 million. The major components are described below:

- A positive non-cash US$123 million plantation price fair value adjustment was recognised following increases to the market price of timber and a change in the valuation technique which resulted in a favourable US$78 million adjustment
- Restructuring provisions of US$77 million were raised for the closure of our Stockstadt Mill
- Asset impairments were recorded at the Lanaken Mill and Stockstadt Mill within the European segment of US$146 million and US$51 million respectively, at our Westbrook Mill in our North American segment of US$33 million and at our Lomati Mill in our South African segment of US$3 million
- During the current year the group changed its intention to sell the Kirkniemi, Stockstadt and Maastricht Mills and removed the mills from held-for-sale, resulting in a reversal of its loss of US$181 million from the prior year
- Insurance recoveries of US$7 million were recorded related to the flood damage in South Africa in the prior year
- A number of additional special item charges were recorded which include among others, the Stockstadt Mill closure costs of US$16 million, business interruption losses at Matane, Saiccor and Ngodwana Mills of US$10 million, US$8 million and US$3 million respectively, fire-damaged timber of US$1 million, incremental insurance costs of US$6 million and a pension curtailment loss of US$1 million.

Net finance costs

US$ million	**2023**	**2022**
Finance costs	**107**	108
Finance income	**(48)**	(10)
Net foreign exchange gains	**(10)**	(1)
Total	**49**	97

Finance costs of US$49 million were lower than the prior year due to the gain recorded on the tender settlement of the 2026 bonds during Q1 and a positive foreign exchange gain of US$10 million.

Taxation

A regional breakdown of the tax charge is provided below.

US$ million	Profit/(loss) before tax	Tax (charge)/ relief	Effective tax rate %
Europe	(156)	38	25
North America	137	(34)	25
Southern Africa	350	(76)	22
Total	331	(72)	22

In Europe, the difference between the effective and statutory tax rates are mainly due to unrecognised losses carried forward in several countries.

In North America, the effective and statutory tax rates are aligned.

The South African effective tax rate is below the statutory tax rate, mainly due to special tax allowances.

Net profit, earnings per share and dividends

After taking into account net finance costs and taxation, our net profit and earnings per share for 2023, with comparatives for 2022, were as follows:

US$ million	2023	2022
Operating profit	380	770
Net finance costs	49	97
Profit before taxation	331	673
Taxation	72	137
Profit for the period	259	536
Weighted average number of shares issued (millions)	563.6	563.3
Basic earnings per share (US cents)	46	95

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

Section 3: Regional businesses performance

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	2023	2022	% change
Sales volume	**1,373**	1,758	(22)
Pulp	**483**	483	–
Packaging and speciality papers	**375**	523	(28)
Graphic papers	**515**	752	(32)

	US$ million 2023	US$ million 2022	% change	US$ per ton 2023	US$ per ton 2022	% change
Sales	**1,810**	2,200	(18)	**1,318**	1,251	5
Variable manufacturing and delivery costs	**(1,199)**	(1,386)	(13)	**(873)**	(788)	11
Contribution	**611**	814	(25)	**445**	463	(4)
Fixed costs	**(551)**	(560)	(2)	**(401)**	(319)	26
Sundry items and consolidation entries	**115**	115	–	**83**	66	26
Operating profit excluding special items	**175**	369	(53)	**127**	210	(40)
EBITDA excluding special items	**267**	464	(42)	**194**	264	(27)

The North American sales volumes reduced by 22% registering a 74% capacity utilisation. Good management of net selling prices relative to variable cost movements ensured the business maintained contribution per ton at levels similar to the previous year. Fixed costs were well controlled at a 2% reduction relative to last year. Full year EBITDA of US$267 million was the second highest in the region's history. The lower sales volumes increased the overhead absorption rate by 26% per ton, and resulted in EBITDA margin reducing from 21% to 15%. The strategic project to convert and expand Somerset PM2 from coated woodfree paper to solid bleached sulphate paperboard incurred approximately US$100 million capital expenditure during the year.
The project is planned to start up in 2025 at a total cost of US$418 million.

Section 3: *continued* **Regional businesses performance** *continued*

Europe

Metric tons '000	2023	2022	% change
Sales volume	**1,909**	3,175	(40)
Packaging and speciality papers	**452**	636	(29)
Graphic papers	**1,457**	2,539	(43)

	€ million 2023	€ million 2022	% change	€ per ton 2023	€ per ton 2022	% change
Sales	**2,455**	3,504	(30)	**1,286**	1,104	16
Variable manufacturing and delivery costs	**(1,550)**	(2,177)	(29)	**(812)**	(686)	18
Contribution	**905**	1,327	(32)	**474**	418	13
Fixed costs	**(774)**	(781)	(1)	**(405)**	(246)	65
Sundry items and consolidation entries	**(124)**	(164)	(24)	**(65)**	(52)	25
Operating profit excluding special items	**7**	382	(98)	**4**	120	(97)
EBITDA excluding special items	**116**	493	(76)	**61**	155	(61)

The weak European economy and downstream destocking severely impacted the profitability of the European business. Substantial production curtailments were required to manage the weak demand for our products. The sales volume reduction of 40% created selling price pressure towards the end of the year, however, year-on-year net selling prices improved by 16%. Variable cost increases were offset by the increased selling prices resulting in an improved contribution per ton of 13%. The significant drop in demand more than offset any contribution per ton improvement resulting in EBITDA margins reducing from 14 – 5%. The packaging and speciality papers segment was influenced by elevated downstream inventories throughout the fiscal and although destocking was nearing completion, depressed macroeconomic conditions suppressed underlying demand for consumer goods. The graphic papers markets showed signs of recovery during quarter four of the fiscal but demand was unlikely to return to previous levels. The region recognised the low operating rates were unsustainable and capacity reduction was required to reduce the overhead structure. The region announced the consultation process for the closure of Stockstadt Mill during July 2023 and initiated a consultation process for the potential closure of the Lanaken Mill.

South Africa*

Metric tons '000	2023	2022	% change
Sales volume*	**1,610**	1,535	5
Pulp	**1,034**	938	10
Packaging and speciality papers	**424**	444	(5)
Graphic papers	**152**	153	(1)

	ZAR million 2023	ZAR million 2022	% change	ZAR per ton 2023	ZAR per ton 2022	% change
Sales	**25,687**	21,133	22	**15,955**	13,767	16
Variable manufacturing and delivery costs	**(15,997)**	(13,463)	19	**(9,936)**	(8,771)	13
Contribution	**9,690**	7,670	26	**6,019**	4,996	20
Fixed costs	**(7,453)**	(6,708)	11	**(4,629)**	(4,370)	6
Sundry items and consolidation entries	**2,199**	2,984	(26)	**1,365**	1,945	(30)
Operating profit excluding special items	**4,436**	3,946	12	**2,755**	2,571	7
EBITDA excluding special items	**6,035**	5,271	14	**3,748**	3,434	9

* *Excludes Forestry.*

The South African business delivered a record EBITDA of ZAR6.035 billion for the year in a challenging environment. Pulp volumes increased by 10% compared to the prior year due to improved plant stability and operating rates. Strong demand and improved logistics supported the increased production levels. Containerboard volumes were 5% lower as high inventory levels in the downstream value chain and competition from imports suppressed demand. The lower demand was offset by selling price increases. Increased wood, energy and chemical costs were partially offset by lower ocean freight costs. Fixed costs increased by 11% due to higher personnel, maintenance and insurance costs.

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%	27	19	285	–	63
Dissolving pulp prices	US$10	–	3	195	–	13
Variable costs	1%	16	9	160	–	34
Energy costs	1%	3	1	26	–	6
Sales volume	1%	9	7	104	–	23
Fixed costs	1%	7	5	69	–	17
Paper pulp price	US$10	5	1	1	–	7
Oil price	US$1	3	2	2	–	5
ZAR/US$ (weakening)	10 cents	-	–	97	(2)	4
Euro/US$ (weakening)	10 cents	(12)	(5)	–	(13)	(32)

* *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:

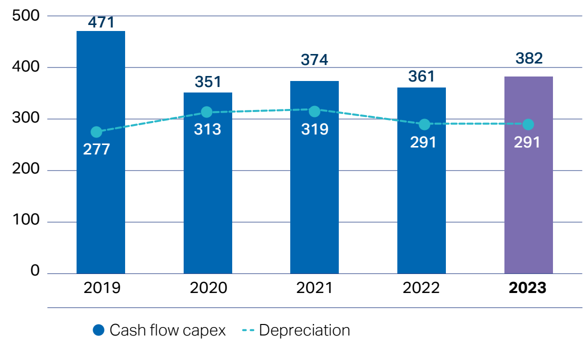
Cash flow

In the table below, we present the group's cash flow statement for 2023 and 2022 in a summarised format:

US$ million	2023	2022
Operating profit excluding special items	**432**	1,038
Depreciation and amortisation	**299**	301
EBITDA excluding special items	**731**	1,339
Contributions to post-employment benefits	**(32)**	(25)
Other non-cash items	**(40)**	(47)
Cash generated from operations	**659**	1,267
Movement in working capital	**178**	(270)
Net finance costs	**(91)**	(92)
Taxation	**(56)**	(23)
Dividend paid	**(85)**	–
Capital expenditure	**(382)**	(368)
Net proceeds on disposal of assets	**16**	2
Other	**(29)**	(10)
Net cash generated	**210**	506

Net cash generated for the financial year was US$210 million (FY2022: US$506 million). Lower profitability resulted in lower cash generation from operations of US$659 million compared to the prior year. The lower operating activity resulted in a working capital inflow of US$178 million. Capital expenditure of US$382 million included US$100 million for the conversion and expansion of Somerset PM2 to packaging grades.

Investment in fixed assets versus depreciation (US$ million)



Section 5: Balance sheet

Summarised balance sheet

US$ million	2023	2022
Property, plant and equipment	**2,886**	2,705
Right-of-use assets	**69**	76
Plantations	**488**	382
Net working capital	**447**	670
Other assets	**317**	567
Net post-employment liabilities	**(114)**	(85)
Other liabilities	**(563)**	(794)
Employment of capital	**3,530**	3,521
Equity	**2,445**	2,358
Net debt	**1,085**	1,163
Capital employed	**3,530**	3,521

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.

During 2023, capital expenditure for property, plant and equipment was US$377 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 properties are set out in the table below.

Book value of property, plant and equipment US$ million	2023	2022
Cost	**9,321**	7,919
Accumulated depreciation and impairment	**6,435**	5,214
Net book value	**2,886**	2,705

The group incurred capital expenditure of US$378 million during the year. This was offset by depreciation of US$266 million, impairments of US$229 million whilst transfers back from held-for-sale assets amounted to US$291 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 hectares of land of which approximately 261,000 hectares are planted with pine and eucalyptus. These plantations provide approximately 62% of the wood requirements for our South African mills.

Sappi amended its plantation valuation technique in the fourth quarter from using a 12-quarter weighted average fair value price for immature and mature timber to be felled 12 months after the reporting date to a market trend related fair value price that closely approximates the spot fair value price. The effect of this change in estimate resulted in a favourable US$78 million adjustment included in the US$123 million adjustment for the year. In addition to this, there were market price increases coupled with higher average fair value rates. These increases were offset by the rising cost of fuel and an increase in the discount rate. As we manage our plantations on a sustainable basis, the growth for the year was offset by timber felled during the year.

Our plantations are valued on the balance sheet at fair value less the estimated costs of delivery, including harvesting and transport costs. In notes 2, 3, 4 and 11 to the Annual 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.

Section 5 *continued*

Balance sheet
continued

Working capital

The component parts of our working capital at the 2023 and 2022 fiscal year-ends are shown in the table below:

Net working capital US$ million	**2023**	**2022**
Inventories	**777**	780
Trade and other receivables	**659**	939
Trade and other payables and provisions	**(987)**	(1,049)
Net working capital	**449**	670

Optimising working capital remains a key focus area for us and appropriate targets are incorporated into the management incentive schemes (MIS) for all businesses. The working capital investment is seasonal and typically peaks during the third quarter of each financial year.

Net working capital decreased to US$448 million in 2023 from US$670 million in 2022. The material movements in working capital are discussed below:

- Inventories decreased by US$3 million, caused mainly due to decreased inventory levels partially offset by an unfavourable currency translation impact of US$20 million
- Receivables reduced by US$280 million on lower sales volumes partially offset by an unfavourable currency translation impact of US$21 million
- Payables decreased by US$62 million largely due to lower trade payables on lower sales volumes, decreases in bonus accruals and accruals for rebates, offset by a favourable currency translation impact of US$32 million.

Post-employment liabilities

We operate various defined benefit pension/lump sum plans, post-employment healthcare subsidies and other employee benefits in the various countries in which we operate. A summary of defined benefit assets and liabilities (pension and post-employment healthcare subsidies) is as follows:

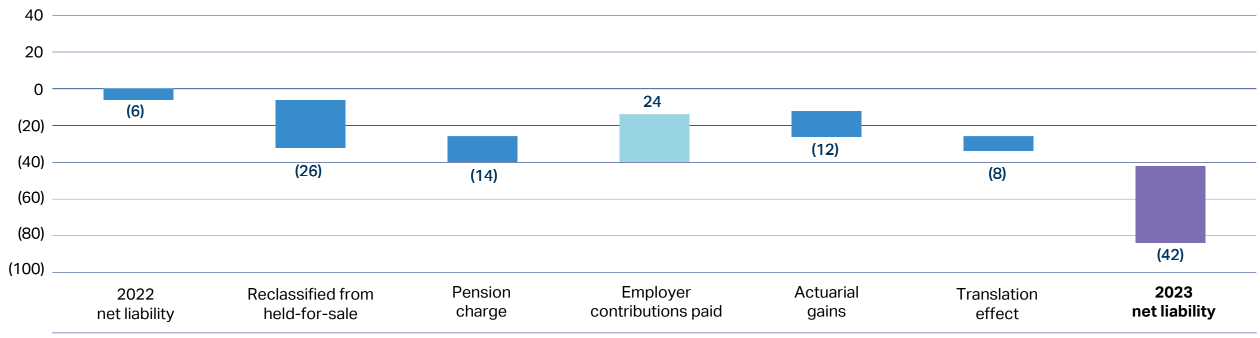
Defined benefit liabilities US$ million	**2023**	**2022**
Defined benefit obligation	**(481)**	(610)
Fair value of plan assets	**373**	525
Asset ceiling	**(5)**	–
Net balance sheet liability	**(113)**	(85)
Cash contributions to defined benefit plans/subsidies	**28**	24
Income statement charge/(credit) to profit or loss	**(24)**	4
Cash contributions deemed 'catch-up'*	**18**	6

* *'Catch-up' is cash contributions paid to defined benefit plans in excess of current service cost.*

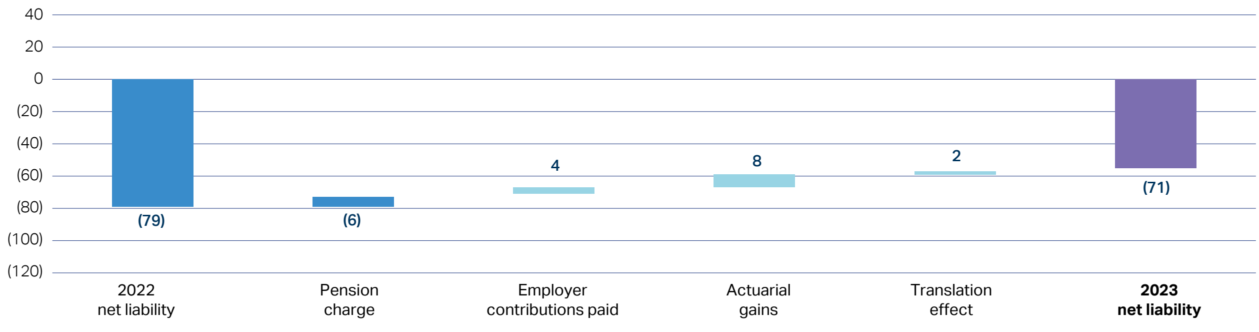
Gross liabilities from all our plans reduced by US$129 million from US$610 million to US$481 million over the year. The main cause of the reduction was exercising the 'buy-out' option of the UK Pension Fund. The scheme's liabilities and assets were transferred using the buy-out option to an insurance scheme.

Fair value of plan assets decreased by US$152 million from US$525 million to US$373 million. The main driver of this was the abovementioned exercising of the buy-out option.

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$87 million to US$2,445 million as summarised below.

Equity reconciliation US$ million	**2023**
Equity as at September 2022	**2,358**
Profit for the year	**259**
Dividend paid	**(85)**
Share repurchases	**(22)**
Issue of shares	**3**
Share-based movements	**6**
Movement in hedging reserves	**26**
Actuarial losses	**(5)**
Foreign currency movements	**(95)**
Equity as at September 2023	**2,445**

The group realised a profit for the year of US$259 million. This was offset by the dividend declared of US$85 million, share repurchases of US$22 million, actuarial losses of US$5 million and foreign currency movements of US$95 million. Share-based payments of US$6 million were recorded and shares to the value of US$3 million were issued during the year to holders of the convertible bonds who elected to convert.

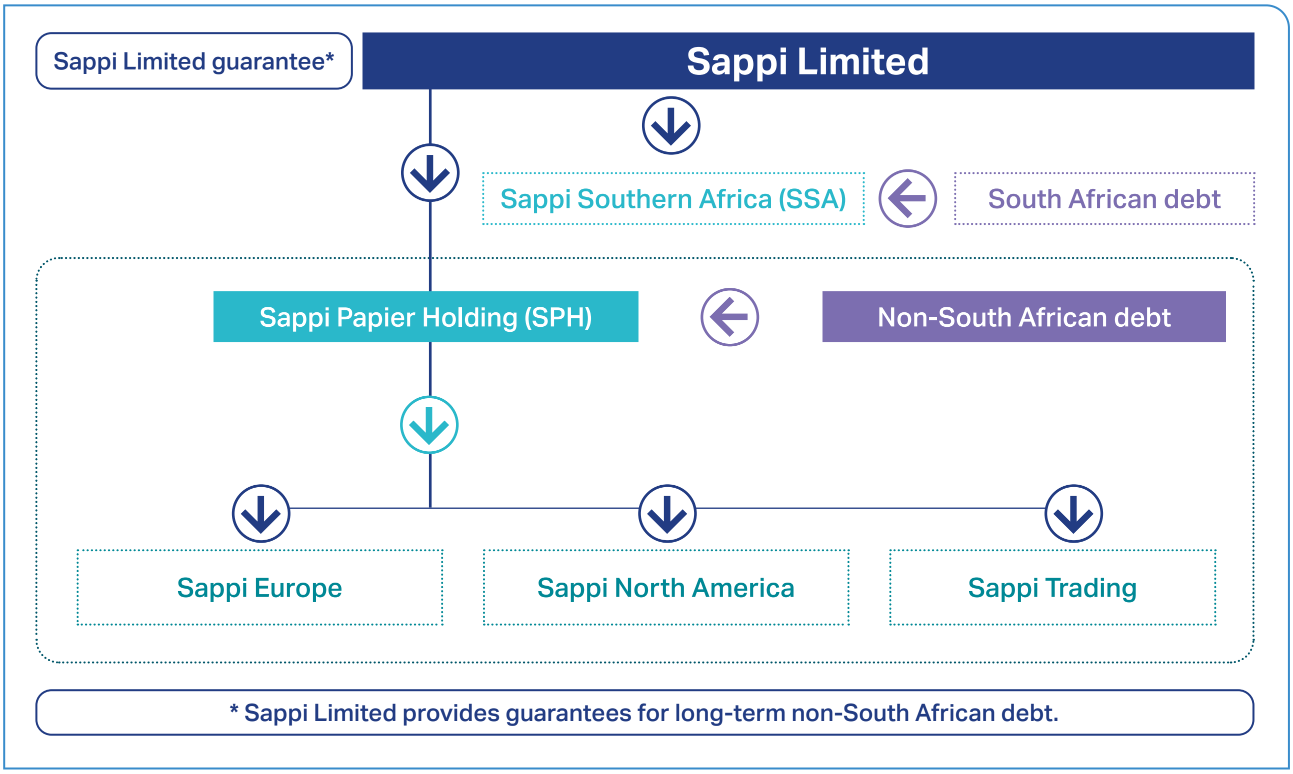
Debt

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 at two legal entities. Sappi Southern Africa Limited (SSA) 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:

- A tender offer was launched to repurchase a portion of the outstanding 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
- The €330 million SPH securitisation programme was renewed until January 2026
- The maturing SSA07 ZAR1.5 billion bond in South Africa was repaid from cash resources.

Structure of net debt and liquidity

We consider the group liquidity position to be strong, with cash holdings of US$601 million at financial year-end, and US$650 million of unutilised committed revolving credit facilities.

The structure of our net debt as at September 2023 and 2022 is summarised below.

US$ million	2023	2022
Long-term debt	**1,397**	1,754
Senior unsecured debt	**1,213**	1,463
Securitisation funding	**280**	322
IFRS 16 *Leases**	**91**	84
Less: Short-term portion	**(187)**	(115)
Net short-term debt/(cash)	**(312)**	(591)
Overdrafts, RCF and short-term loans	**101**	74
Short-term portion of long-term debt	**187**	115
Less: Cash	**(601)**	(780)
Net debt	**1,085**	1,163

* *IFRS 16 accounting standard adopted from fiscal 2020.*

Movement in net debt

The movement of our net debt from fiscal 2022 to fiscal 2023 is summarised in the table below.

	US$ million
Net debt at September 2022	**1,163**
Increase of IFRS 16 Leases	**31**
Net impact of convertible bond conversions	**(3)**
Net cash generated in 2023	**(210)**
Sappi Limited share repurchase	**22**
Currency translation, fair value and other non-cash adjustments	**82**
Net debt at September 2023	**1,085**

Group debt profile

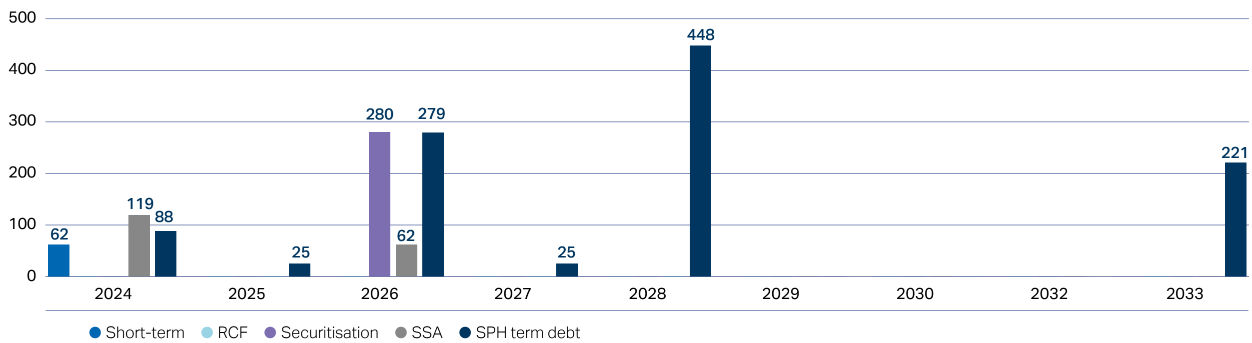
We show the major components and maturities of our net debt at September 2023 below. These are split between the debt in South Africa and the debt outside South Africa.

	Amount US$ million	Interest rates (local currencies)	Fixed/ variable	Maturity (Sappi fiscal years) 2024	2025	2026	2027	Thereafter
South Africa								
Short-term notes	40	9.10%	Variable	40				
SAA08 public bond	79	9.25%	Fixed	79				
Convertible bond	62	5.25%	Fixed			62		
Gross debt	180							
Less: Cash	(88)			(88)				
Net South African debt	92			31	0	62	0	0
Non-South African								
Securitisation (US$)	110	7.10%	Variable			110		
Securitisation (€)	170	5.40%	Variable			170		
IFRS 16 *Leases*	92	Various	Mixed	23	16	12	12	29
OeKB term loan 1	63	2.10%	Fixed	63				
OeKB term loan 2 (CAD)	68	3.90%	Fixed	14	14	14	14	14
OeKB term loan 2 (€)	56	1.30%	Fixed	11	11	11	11	11
Other bank debt (€)	62	4.60%	Variable	62				
2028 public bonds (€)	423	3.63%	Fixed					423
2026 public bonds (€)	254	3.13%	Fixed			254		
2032 bonds (US$)	221	7.50%	Fixed					221
IFRS adjustments	(13)							(13)
Gross debt	1,505							
Less: Cash	(512)			(512)				
Net non-South African debt	993			(340)	41	571	37	685
Net group debt	1,085			(310)	41	632	37	685

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.*

Covenants

Non-South African covenants

Financial covenants apply to US$187 million of our non-South African bank debt, the €515 million revolving credit facility (RCF) and the non-South African securitisation facility.

The covenants applicable from December 2023 to December 2026 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 should not be more than 4.0 times
- Ratio of group EBITDA to net interest expense should not be less than 2.50 to 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 (SSA) 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 to 1.

Below we show that for the financial year ended September 2023, the group financial covenants were comfortably met.

	Sept 2023	Covenant
Non-South African covenants		
Net debt to EBITDA	**1.41**	<4.00
EBITDA to net interest	**11.00**	>2.50
South African covenants		
Net debt to equity	**8.84%**	<65%
EBITDA to net interest	**19.09**	>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. With regards to 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: AAA (za)/A1+(za)/Stable Outlook (June 2023)

Moody's

Sappi Corporate Family Rating: Ba2/NP/Positive Outlook (December 2022)

SPH Debt Rating:

- 2028/2026 Bonds: Ba2/Positive Outlook (December 2022)
- 2032 Bonds: B1/Positive Outlook (December 2022).

S&P Global Ratings

Corporate Credit Rating: BB/B/Positive Outlook (January 2023)

SPH Debt Rating:

- 2026/2028/2032 Bonds: BB Positive Outlook (January 2023).

Fitch Ratings

Group Long-Term Issuer Default Rating: BB+ Stable Outlook (April 2023).

SPH Unsecured Debt Rating:

- 2026/2028/2032 Bonds: BB+ Stable Outlook (April 2023).

Conclusion

The challenges experienced during fiscal 2023 demonstrated the resilience of the group and the ability to adapt to a changing environment. The suitability of the **Thrive** strategy and commitment to implement was apparent in the company's response to the lower volume demand and pricing volatility. Improved systems and processes supported decisions to counter the reduced capacity utilisation with a focus on managing operating margins and working capital requirements. The strength of the balance sheet enabled the group to comfortably manage the challenges and make decisions to address the structural market demand decline in our graphics segment. The packaging and speciality and pulp segments are projected to provide growth opportunities and the **Thrive** strategy is designed to take advantage of the opportunities.

The uncertain macroeconomic and political climate is expected to persist with the group being well placed to manage the short-term challenges without deviating from the **Thrive** strategy. The South African and North American regions are structurally sound and operating in strong market demand environments. The European region is in the process of implementing structural changes to meet the changing market demand requirements that will restore profitability to targeted levels.

The medium to longer-term strategy to invest in growth opportunities and achieve our sustainability goals remains intact.

Glen Pearce
Chief Financial Officer

08 December 2023

Balance

Bubbles are things of fragility, wonder – and balance. That's because the inward surface tension forces of the water film are exactly balanced by the outward-pushing pressure of the air inside.

Blowing more air in to make a bigger bubble means more air pressure inside and also means the bubble must get thinner in the process, because there is only so much water to go around. Should one keep blowing more air in, the film eventually won't have enough reserve water to spread out into a bigger surface, and the ultimate catastrophe occurs: the bubble bursts.

The success of Sappi's business is also based on balance. This includes continuous capital prioritisation as we look to reduce costs and grow the business while sustaining a healthy balance sheet. It involves reshaping our product portfolio to meet changing market needs and taking advantage of growth opportunities while being mindful of the risks. It means balancing the needs of people and communities with our responsibility to our shareholders.

As we move forward into the future, we know we can rely on the expertise and passion of our people and the ongoing cooperation of our stakeholders to maintain this balance and drive sustainable value creation.

Our leadership and executive management

Non-executive Directors

Sir Nigel Rudd (76)

Independent Chairman

Qualifications: DL, Chartered Accountant
Nationality: British
Appointed: April 2006

Skills, expertise and experience:
Sir Nigel Rudd has held various senior management and board positions in a career spanning more than 35 years. He founded Williams plc in 1982, one of the largest industrial holding companies in the United Kingdom (UK). Sir Nigel Rudd brings his expertise in finance, management, governance and leadership to the Sappi board.

Brian Richard Beamish (Brian) (66)

Independent

Qualifications: BSc (Mech Eng): HBS PMD
Nationality: British and South African
Appointed: March 2019

Skills, expertise and experience:
Mr Beamish, a qualified mechanical engineer, brings more than 40 years' experience in management, business and leadership in capital-intensive industries to the board.

Michael Anthony Fallon (Mike) (65)

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, human resources, finance, plant management, sales and marketing and supply chain to general management, including mergers and acquisitions.

James Michael Lopez (Jim) (64)

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.

Nkateko Peter Mageza (Peter) (68)

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.

Zola Nwabisa Malinga (45)

Independent

Qualifications: BCom, CA(SA)
Nationality: South African
Appointed: October 2018

Skills, expertise and experience:
Ms Malinga has extensive experience in investment banking, real estate, corporate finance and 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.

Dr Bonakele Mehlomakulu (Boni) (50)

Independent

Qualifications: PhD (Chemical Engineering)
Nationality: South African
Appointed: March 2017

Skills, expertise and experience:
Dr Mehlomakulu has experience and expertise in innovation policy, environmental, social and governance (ESG) oversight; corporate management and leadership.

Mohammed Valli Moosa (Valli) (66)

Independent

Qualifications: BSc (Mathematics and Physics)
Nationality: South African
Appointed: August 2010

Skills, expertise and experience:
Mr Moosa has held numerous leadership positions across business, Government, politics and civil society in South Africa and internationally. Mr Moosa has expertise in finance, general business and mining and is an international expert on sustainable development and climate change.

Robertus Johannes Antonius Maria Renders (Rob Jan) (70)

Independent
Qualifications: MSc (Mechanical Engineering), MDP
Nationality: Dutch
Appointed: October 2015

Skills, expertise and experience:
Mr Renders currently serves as a business consultant as independent director and brings to the board his extensive experience in governance and leadership as well as operational expertise in manufacturing and packaging internationally.

Nkululeko Leonard Sowazi (60)

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.

Louis Leon von Zeuner (62)

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 Chartered Director (SA). His role as board member, aside from the normal focus on strategy profitability, 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.

Eleni Istavridis (66)

Independent
Qualifications: 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.

Executive Directors

Stephen Robert Binnie (Steve) (56)

Chief Executive Officer
Qualifications: BCom, BAcc, CA(SA), MBA
Nationality: British
Appointed: September 2012

Skills, expertise and experience:
Mr Binnie was appointed CEO of Sappi Limited in July 2014 and brings extensive experience in financial management, leadership, corporate activity and strategy to the role.

Glen Thomas Pearce (60)

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

Executive management

Stephen Robert Binnie (Steve) (56)**

Chief Executive Officer

Qualifications: BCom, BAcc, CA(SA), MBA
Nationality: British
Appointed: September 2012

Skills, expertise and experience:

Mr Binnie was appointed CEO of Sappi Limited in July 2014 and brings extensive experience in financial management, leadership, corporate activity and strategy to the role.

Glen Thomas Pearce (60)**

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.

Marco Eikelenboom (56)**

Chief Executive Officer of Sappi Europe

Qualifications: MS (Business Economics)
Nationality: Dutch
Appointed: September 1992

Skills, expertise and experience:

Mr Eikelenboom was appointed CEO of Sappi Europe on 01 April 2021. Mr Eikelenboom was previously Vice President Marketing and Sales for Graphic Papers and was integral in the successful restructure and refocus of Sappi's European operations.

Michael George Haws (Mike) (60)**

Chief Executive Officer of Sappi North America

Qualifications: BSc Paper Science and Engineering
Nationality: American
Appointed: January 2012

Skills, expertise and experience:

Mr Haws brings his extensive industry leadership and strategy experience to the business. Mr Haws was integral to the development and execution of Sappi's 2020Vision and the investments made in North America to grow the dissolving pulp and packaging and speciality papers businesses.

Alexander van Coller Thiel (Alex) (62)**

Chief Executive Officer of Sappi Southern Africa

Qualifications: BSc (Mechanical Engineering), MBA (Financial Management and Information Technology)
Nationality: South African
Appointed: December 1989

Skills, expertise and experience:

Mr Thiel has a long history with Sappi. His experience and expertise includes marketing, logistics, procurement, strategy and operations across Europe and Southern Africa.

Fergus Conan Salvador Marupen (Fergus) (58)**

Group Head Human Resources

Qualifications: BA Hons (Psychology), BEd (Education Management), MBA (Stellenbosch University), Maters Diploma in HR Management (University of Johannesburg), LCOR (Stanford University)
Nationality: South African
Appointed: March 2015

Skills, expertise and experience:

Mr Marupen's experience across a variety of industries in South Africa enables him to offer insight into human resources, governance and management, among many other fields.

Mohamed Iqbal Mansoor (56)**

Executive Vice President of Sappi Pulp

Qualifications: BSc (Chemistry and Mathematics), BSc Hons (Chemistry), MBA
Nationality: South African
Appointed: August 1991

Skills, expertise and experience:

Mr Mansoor's expertise includes contract negotiation and management, supply chain management, strategic planning, sales management, key account management, dissolving pulp, international logistics and technical application support.

Gary Roy Bowles (63)**

Group Head Technology

Qualifications: BSc (Electrical Engineering), GCC, PMD, EDP
Nationality: South African
Appointed: November 1990

Skills, expertise and experience:

Mr Bowles brings more than 30 years of experience with Sappi as well as expertise in engineering, research, manufacturing, project execution, operational and risk management to his role.

Maarten van Hoven (50)**

Group Head Strategy and Legal

Qualifications: BProc, LLM (International Business Law)
Nationality: South African
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.

*** Member of the Executive Committee.*

Corporate management

Richard Wells
(54)***

Chief Executive Officer of Sappi Trading
Qualifications: BCom (Accounting), BCompt Hons, CA(SA), GEDP, EDP

Ami Mahendranath
(55)***

Group Company Secretary
Qualifications: BCom ACIS, Certificate in Corporate Governance

Tracy Wessels
(48)***

Group Head Investor Relations and Sustainability
Qualifications: PhD (Organic Chemistry), PMD

André Oberholzer
(56)***

Group Head Corporate Affairs
Qualifications: BCom (Law), Strategic Communication Management Professional (SCMP®)

Louis Kruyshaar
(53)***

VP Innovation and Biotech
Qualifications: B.Eng (Chemical Engineering), B.Tech (Pulp and Paper), MBA, EDP

Marjorie Boles
(53)

Chief Information Officer
Qualifications: BA (Economics and Mathematics), MBA (Entrepreneurship)

Jörg Pässler
(62)

Group Treasurer
Qualifications: B.Com (Hons) Cum Laude, M. Com, H. Dip. Tax, CAIB (SA), FT Non-Executive Director Diploma

*** *Member of the Group Management Committee.*

Sappi Europe lead team

Marco Eikelenboom
(56)

Chief Executive Officer
Qualifications: MS (Business Economics)

Stephen Blyth
(49)

VP and Chief Financial Officer
Qualifications: BCom Hons, CA (SA), H Dip Tax (Law)

Steffen Wurdinger
(63)

VP Manufacturing and Technology
Qualifications: MS (Paper Technology Engineering), Dr.-Ing (specialisation in CTMP)

Rainer Neumann
(61)

VP Human Resources
Qualifications: MS Industrial Relations & Human Resources/MS Administrative Sciences

Flavio Froehli
(52)

VP Marketing & Sales
Qualifications: Master of Business Administration (MBA)

Hannes Boner
(60)

VP General Counsel
Qualifications: lic iur, DHEE, Admitted Attorney

Jan Sander Van Tuijl
(47)

VP Supply Chain & Procurement
Qualifications: MSc (Forestry, specialisation Wood Science)

Louis Kruyshaar
(53)

VP Innovation and Biotech
Qualifications: B.Eng (Chemical Engineering), B.Tech (Pulp and Paper), MBA, EDP

Sappi North America lead team

Mike Haws
(60)

President and CEO
Qualifications: BS in Paper Science and Engineering

Anne Ayer
(58)

VP Pulp Business and Supply Chain
Qualifications: MBA from Stanford University and a BA in Psychology from Harvard

Beth Cormier
(60)

VP Research, Development and Sustainability
Qualifications: BS in Engineering Physics from University of Maine and an MBA from Boston University

Deece Hannigan
(61)

VP Graphics, Packaging and Specialties
Qualifications: Graduate of North Carolina State University with a BA in Political Science

Annette Luchene
(61)

VP and Chief Financial Officer
Qualifications: MBA from Loyola University of Chicago and a BS in Accounting from Northern Illinois University

Sarah Manchester
(58)

VP Human Resources and General Counsel
Qualifications: BA in History from Dartmouth College and a JD from Cornell Law School

Mike Schultz
(59)

VP Manufacturing
Qualifications: BS in Paper Science and Engineering from the University of Wisconsin, Stevens Point

Sappi Southern Africa lead team

Alex Thiel
(62)

Chief Executive Officer
Qualifications: BSc (Mechanical Engineering), MBA (Financial Management and Information Technology)

James Manana
(50)

VP Human Resources
Qualifications: BA (Human Resources Management), Advanced Diploma in Labour Law, Institute of People Management Diploma, Leadership Development Programme

Pramy Moodley
(47)

Chief Financial Officer
Qualifications: BAcc, CA(SA), PMD

Mpho Lethoko
(41)

Head of Corporate Affairs
Qualifications: BA (Corporate Communications), PGDip (General Management), MBA

Beverley Sukhdeo
(56)

VP Manufacturing, R&D and Engineering
Qualifications: MBA, BSc (Chemistry), DBA

Naresh Naidoo
(52)

Chief Procurement Officer
Qualifications: BSc (Chemical Engineering), MBA

Graeme Wild
(51)

VP Sales and Marketing
Qualifications: BSc (Forestry), MBA

Duane Roothman
(51)

VP of Sappi Forests
Qualifications: BSc (Forestry), MBA

Morgan Moodley
(55)

VP Supply Chain
Qualifications: 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 the creation of value for our stakeholders.

100%

overall committee attendance rate

Good governance at Sappi contributes to living our values through enhanced accountability, a transparent and ethical culture, strong risk management, a focus on effective control of the business, legitimacy and good performance. Governance is one of our key enablers to unlocking and protecting value, as we optimise the use of our capitals, address our key risks whilst taking advantage of exciting opportunities (refer to **Risk management** on page 44), whilst 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 68.

Sappi is listed on the JSE Limited and complies in all material respects with the JSE Listings Requirements. Sappi subscribes to full compliance with the Companies Act, and the relevant laws governing its establishment, specifically related to its incorporation. Sappi operates in conformity with its memorandum of incorporation (MOI). Furthermore, Sappi 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 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 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 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, culture 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.

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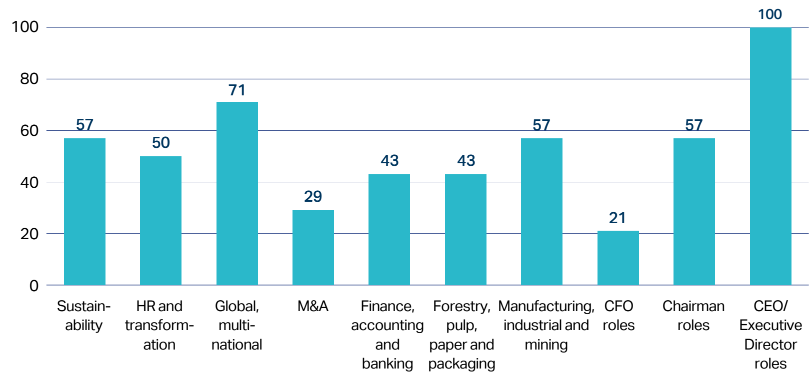
Board experience (%)

Sappi's board members have experience across multiple industries and leadership roles



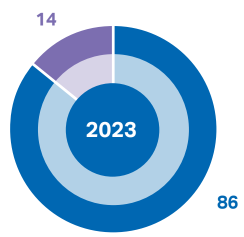
The composition of the board and attendance at board meetings and board committee meetings is set out in the table below for the period 01 October 2022 to year ended September 2023:

	Name	Board	Board committees: Audit and Risk	Nomination and Governance	Human Resources and Compensation	SETS*	% attendance during tenure	AGM
Independent Non-executive Directors	BR Beamish	4 present			4 present	3 present	100	present
	MA Fallon	4 present		2 present	Chairman, 4 present		100	present
	JM Lopez	4 present				3 present	100	present
	NP Mageza	4 present	Chairman, 5 present		4 present		100	present
	ZN Malinga	4 present	5 present				100	present
	B Mehlomakulu	4 present	5 present			3 present	100	present
	MV Moosa	Lead director, 4 present		2 present		Chairman, 3 present	100	present
	RJAM Renders	4 present	5 present		4 present		100	present
	Sir Nigel Rudd	Chairman, 4 present	Ex officio, 5 present	Chairman, 2 present	Ex officio, 3 present, 1 absent	Ex officio, 3 present	95	present
	LL von Zeuner	4 present	5 present				100	present
	NL Sowazi	Appointed 01/10/2022, 4 present	Appointed 01/10/2022, 4 present, 1 absent				90	present
	E Istavridis	Appointed 01/10/2022, 4 present	Appointed 01/10/2022, 5 present				100	present
Executive Directors	SR Binnie (CEO)	4 present	By invitation, 5 present	By invitation, 2 present	By invitation, 4 present	3 present	100	present
	GT Pearce (CFO)	4 present	By invitation, 5 present				100	present

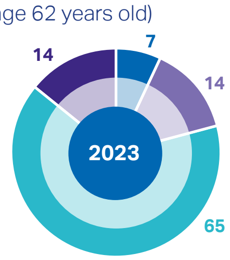
Lead director · Committee member (present) · Chairman · *Ex officio* · Absent · By invitation
Appointed 01/10/2022

* *Due to unforeseen circumstances, one of the SETS meetings was rescheduled just after the financial year-end. Included here for completeness of reporting for the 2023 financial year.*

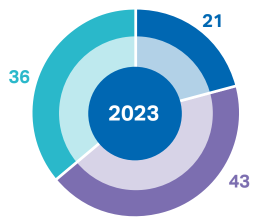
Directors' independence (%)



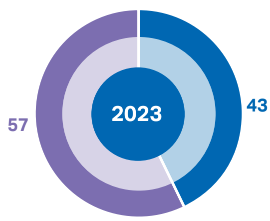
Directors' ages (%)
(average 62 years old)



Directors' tenure (%)
(as at year-end) (average 8 years)



Diversity (%)



GOVERNANCE AND COMPENSATION

Strategic and other focus areas

In addition to the standard items on the board's agenda, the 2023 focus areas included:

- Oversight of progress in executing the **Thrive** strategic plan, in the light of the economic bubble post-Covid-19
- Deep dives into the following topics:
  - European political instability and high inflationary environment, impact on Sappi Europe
  - Review and approval of the global shipping tender
  - Post-completion audits of the Cham acquisition (Carmignano and Condino Mills in Italy) as well as Project Horse
  - Tour of Somerset Mill and review of the capex projects Balance and Elevate
  - Review of the macroeconomic outlook, conditions impacting on Asia, China, Europe, North America
  - Review of logistics infrastructure in the Sappi Southern Africa (SSA) Region
  - Pulp strategy
  - Consideration of: paying a dividend.
- Review of risks and opportunities related to carbon emissions, the reduction of Sappi's carbon footprint and climate change, in line with the Task Force on Climate-related Finance Disclosure (TCFD) recommendations, the link to Sappi's SBTis, as well as Sappi's environmental, social and governance (ESG) disclosures
- SSA transformation and succession planning, training and development
- Approval of voluntary diversity targets, in accordance with the JSE Listings Requirements relating to the policy on the promotion of broader diversity at board level. Achievement of the gender target (applicable to the board as a whole) of 30% is expected to be achieved in 2024. The race target (applicable to directors from South Africa) of 50%, for 2023, was achieved
- Review of regional market peculiarities, performance, opportunities and challenges
- A review of the Code of Ethics and related policies
- Post-completion audit of project Silver, which had lapsed, and a review and discussion of the way forward for the restructuring of Sappi Europe
- Review of strategy, share performance and board composition
- Review of the safety report, statistics and initiatives
- Review and approval of the group authorities framework
- Review of Sappi's captive insurance entity (strategy, governance, insurance claims)
- Review of information technology (IT) risks, security and cyber risk developments
- Internal board evaluation, using the online tool provided by The Board Practice. This included a follow up of the 2022 external review of the board, and opportunities identified relating to: succession plans, increasing dialogue regarding organisational culture, consideration of new ideas to unlock value, risk management tools, board sub-committee structure, risk and transformation matters
- Employee engagement survey results and actions plans
- Review of the stakeholder relations report and corporate social responsibility report
- Review of credit exposure (semi-annual)
- Review of the loan guarantee schedule
- Treasury policy review
- Group insurance renewal
- Share repurchase approval.

All the top risks as well as emerging risks have been focused on by the board during 2023.

The following areas will receive specific focus by the board in 2024:

- Oversight of progress in achieving the **Thrive** strategic plan
- Project management and oversight for large capital projects, including the Somerset PM2 conversion and expansion, Project Elevate
- Review the technical and innovation initiatives
- Review of the 2024 business plan
- Monitoring and approval of the restructuring plans for Sappi Europe, including closure of:
  - Operations at Stockstadt Mill, and potentially operations at Lanaken Mill
  - Symbio and specific Biotech projects in Sappi Europe
- Review of the development of the furfural pilot plant at Saiccor Mill
- Monitoring of the expected economic recovery in Europe and North America
- Review the progress of the mill shuts, scheduled for 2024
- Increased focus on the responsibility of the board in responding to climate change including the monitoring of progress towards the company's 2030 science-based decarbonisation targets and capital allocation plan
- Oversight of the human resources (HR) project to upgrade HR system technology, including the development of an employee app
- Monitoring of voluntary diversity targets
- Monitor the actions resulting from the employee engagement survey
- Review the HR strategy
- Review the technology landscape
- External evaluation of the board.

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. This includes the implementation of online training for Officers, Executives and Non-executive Directors (NEDs) on various governance, regulatory and risk topics.

Stakeholder communication

The board is responsible for presenting a balanced and understandable assessment of the group's position in reporting to stakeholders. The group's reporting addresses material matters of significant interest and is based on principles of openness and substance over form. The reporting includes information on key trade-offs that have to be made. Various policies have been developed to guide engagement with Sappi's stakeholders such as the group stakeholder engagement policy and group corporate citizenship policy on www.sappi.com/policies Sappi has a policy addressing alternate dispute resolution (ADR) and relevant ADR clauses are generally included in contracts with customers and suppliers. There have been no requests for information for the period under review in terms of the Promotion of Access to Information Act (South African legislation).

Refer to **Our key relationships** on page 52 for more information.

Sappi board and management committees

Board and management committees have been established and are discussed from pages 152 to 162.

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 (BBBEE).

Executive Committee

- Executive Directors (CEO and CFO)
- Other senior executives
- Execute strategic decisions approved by the board.

Disclosure Committee	Control and Assurance Committee	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 2023:

- NP Mageza
- RJAM Renders
- ZN Malinga
- B Mehlomakulu
- LL von Zeuner
- NL Sowazi
- E Istavridis

Key roles and responsibilities

The Audit and Risk Committee (ARC) consists of seven Independent NEDs. The committee assists the board in discharging its duties with oversight of:

- The risk management function, including a special focus on business continuity, insurance incidents
- Sustainability and climate change risks including the quality and transparency of sustainability information presented in the Annual Integrated Report and the external environmental, social and governance (ESG) assurance provided by KPMG
- IT risks, related controls and governance. The committee continued its special focus on the increasing threats of cyber attacks and security in the operational technology area
- Non-financial risks and controls
- Safeguarding and efficient use of assets
- 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. This included consideration of managements actions and responses with regard to the JSE Active Monitoring report, relating to the valuation of plantations
- The certification process implemented by management to support the CEO and CFO confirmation of the fairness of the Annual Financial Statements and the system of internal control over financial reporting, required by section 3.84(k) of the JSE Limited Listings Requirements (refer the **Directors' approval** on page 1 of the 2023 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
- Combined assurance
- Compliance with the group's Code of Ethics and external regulatory requirements
- The external auditors' qualifications, experience, independence and performance, including the review of the IRBA report
- The performance of the internal audit function, this included review of the results of the annual Internal Quality Assurance Review
- The performance of the finance function
- Group treasury policies, developments, refinancing arrangements and liquidity
- Captive insurance matters
- Retirement fund risks, developments and independent assurance
- Pending litigation and legal compliance programme feedback
- Land claims review, initiatives and outlook
- Taxation policies, congruent with responsible corporate citizenship
- Asset impairments, and treatment of assets held-for-sale
- 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 and other focus areas

The ARC 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 with projects' Balance and Elevate at Somerset Mill
- Oversight of risks and controls relating to the SEU asset sale and restructuring activities, including the planned closure of Stockstadt Mill
- Cyber security incidents and disaster recovery plans
- Business and IT continuity arrangements, including disruptions to, production facilities, warehousing, logistics and supply chain
- Review of issues relating to the hotline service provider and actions taken to improve the quality of information gathered, and whistle-blower arrangements.

Areas of oversight for the committee in 2024 will be:

- Additional focus on IT 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** www.sappi.com/annual-reports

The ARC 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 ARC meetings and had unrestricted access to the committee and Chairman. The external and internal auditors met privately with the ARC during 2023.

Mr Peter Mageza is the Chairman and designated financial expert of the ARC. Mr Mageza is due to retire from the board and the ARC in February 2024, and will be replaced, subject to approval by shareholders, at the AGM, as Chairperson and designated financial expert, by Ms ZN Malinga.

Mr Nkululeko Sowazi is due to resign from the ARC in February 2024 as he will take up the position as Chairman of Sappi Limited.

These changes to the membership of the ARC will reduce the membership to five members, which is aligned with the terms of reference of the committee.

The committee is satisfied that it has fulfilled its responsibilities as set out in its terms of reference.

97%

overall committee attendance rate

Stakeholders

The ARC has helped to create and protect value for the following stakeholders: employees, customers, shareholders and regulators.

Refer to **Our key relationships** for further details on page 52.

Risks

The ARC has focused on all of the top 10 risks:

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

For further details refer to **Risk management** on page 44.

Nomination and Governance Committee

Sir Nigel Rudd *(Chairman)*

Membership details at September 2023:

- ANR Rudd
- MV Moosa
- MA Fallon

Key roles and responsibilities

The Nomination and Governance Committee consists of three independent directors. The committee considers the leadership and governance requirements of the company including a succession plan for the board. The committee identifies and nominates suitable candidates for appointment to the board in line with Sappi's policy on the promotion of gender and race diversity at board level, for board and shareholders' approval. The committee considers the independence of candidates as well as directors. The committee makes recommendations on corporate governance practices and disclosures, and reviews compliance with corporate governance requirements. The committee has oversight of appraising the performance of the board and all the board committees. The results of this process and recommended improvements are communicated to the chairman of each committee and the board. The committee 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 2023 and established that the board and board committees functioned well. Review of the type of training provided to directors, including the online training made available during 2023.

Strategic and other focus areas

The Nomination and Governance Committee helped to protect value by providing oversight and guidance in 2023 over:

- Corporate governance
- Tone at the top
- Succession plans for senior executives and the board with a focus on board composition, chairmanships, rotation and replacement of directors, as well as the appointment of replacements for direct reports of the CEO
- The promotion of broader diversity at board level policy, which includes diversity indicators. This included the validation of gender and race targets for NEDs and in particular as relates to directors from the Southern African geographic region
- Assessment of the board and board committee performance
- Reviewed the Sappi Limited directors' shareholdings and dealings in securities
- Recommended the appointment of directors to the Sappi Limited Board, for approval. The appointments of the new directors were confirmed by shareholders at the AGM held on 08 February 2023.

A focus area for 2024 will be onboarding directors appointed to new board and sub-committee roles and a handover process from the outgoing Chairman Sir Nigel Rudd to the new Chairman, Mr Nkululeko Sowazi.

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 Nomination and Governance Committee has helped to protect value primarily for the following stakeholders: shareholders and regulators.

Refer to **Our key relationships** for further details on page 52.

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.

For further details refer to **Risk management** on page 44.

Human Resources and Compensation Committee

Mike Fallon *(Chairman)*

Membership details at September 2023:

- MA Fallon
- NP Mageza
- RJAM Renders
- BR Beamish
- Sir Nigel Rudd

Key roles and responsibilities

The Human Resources and Compensation Committee consists of five independent directors.

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 committee ensures that the compensation philosophy and practices of the group, including the CEO's performance objectives, are aligned to the group's **Thrive** 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 NEDs 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 and other focus areas

The 2022 report was supported at the annual general meeting (AGM) on the 8th of February 2023 with a vote of 94.86% on the Remuneration Policy and 84.80% 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:

- Feedback from AGM on the Remuneration Report
- Monitoring of a voluntary minimum shareholding requirement for all prescribed officers to be achieved by December 2025
- Disclosure of the vested performance share plan (PSP) award as part of the total remuneration in line with best practice

- Review and approve amendments to the management incentive scheme (MIS) for 2023
- Review and approve revised safety measures
- Review and approve all benefits of employment for inclusion in the employees report to the group CEO
- The HR investor road show with key shareholders
- Oversight on key succession transitions across all regions
- Annual review of Sappi group remuneration policies and practices
- Review of the financial position of retirement benefit funds across the group
- Review of the Employee Engagement Survey results and action plans
- Annual review of variable pay plans
- Annual review of compensation across the peer group
- Approval of the rules and shares allocation pools for personal share plan awards for 2023
- Review of wage negotiations
- Review of training and development, and a skills update with a focus on engineers in training
- Recommendation for compensation for NEDs.

The strategic focus areas for the committee in 2024:

- Approve the inclusion of sustainability as part of the PSP
- Review and approve the performance measures of the MIS
- Review and approve the performance measures of the PSPs
- Reviewing the current share scheme to modify for the inclusion of a restricted scheme
- Gender representativity across all Sappi operations
- SSA skills requirements
- Oversee the implementation of the HR **Thrive** plan
- Approval of the remuneration and bonuses for Executive Directors and senior management
- Review of industrial relations
- Review of the proposed changes to the Companies Act in South Africa
- Mr Peter Mageza and Sir Nigel Rudd will retire from the committee and an onboarding process will be arranged for their successors.

The committee is satisfied that it has fulfilled its responsibilities as set out in its terms of reference.

For more information refer to the **Remuneration Report** from page 170.

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95%

overall committee attendance rate

Stakeholders

The Human Resources and Compensation Committee has helped to protect value primarily for the following stakeholders: employees, shareholders and regulators.

Refer to **Our key relationships** on page 52 and to the **Remuneration Report** for further details on page 170.

Residual risk ranking

The Human Resources and Compensation Committee has focused on the following of the top 10 risks:

1	Safety
2	Cyclical macroeconomic factors
3	Cyber security
4	Sustainability expectations
5	Climate change
6	Evolving technologies and consumer preferences
8	Uncertain and evolving regulatory landscape
9	Employee relations

For further details refer to **Risk management** on page 44.

Valli Moosa *(Chairman)*

Social, Ethics, Transformation and Sustainability Committee

Membership details at September 2023:

- MV Moosa
- SR Binnie
- B Mehlomakulu
- BR Beamish
- JM Lopez

Key roles and responsibilities

The Social, Ethics, Transformation and Sustainability (SETS) Committee comprises four independent NEDs and the CEO. A 100% attendance record was achieved by board committee members for 2023. Other executive and group management committee members attend SETS Committee meetings by invitation. It should be noted that a number of other NEDs attend SETS Committee meetings ex officio. The Chairmen of the ARC 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, health and safety, 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 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 and other focus areas

In 2023 the committee provided oversight of:

- Sappi's social and economic development standing (United Nations Global Compact (UNGC) and OECD)
- Safety initiatives, serious safety incidents and progress towards the 2025 sustainability targets
- Progress on climate action aligned with the Task Force on Climate-related Financial Disclosures (TCFD) including the transition plan and progress towards 2030 science-based decarbonisation targets
- External assurance on group lost-time injury frequency rate (LTIFR), Scope 1 and Scope 2 emissions, certified fibre, waste to landfill and water extraction
- Sappi Southern Africa's performance against the applicable broad-based black economic empowerment (BBBEE) legislation, the EE Act and the Forestry Charter, including unfair discrimination and equality policy
- Sappi's Code of Ethics, ethics training programme and its effectiveness
- Group training and development programmes
- Employee engagement survey results and action plans to address improvement opportunities
- Production unit operating efficiencies, reliability and unscheduled downtime metrics Sappi's sustainability disclosures
- 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 2024:

- Development of an approach to nature-related disclosures aligned with the Taskforce on Nature related Financial Disclosure (TNFD)
- Progress towards science-based targets and the climate change strategy
- Alignment of group sustainability disclosures to comply with EU Corporate Sustainability Reporting Directive (CSRD) for FY2025 reporting period
- Progress towards **Thrive** sustainability targets and realignment of targets as appropriate to account for the closure of one European mill in FY2024
- Production efficiencies and events
- Employee engagement action plans.

For more information refer to the **SETS Committee Report** on page 194 and to **Our global sustainability goals** www.sappi.com/sustainability-targets

100%

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.

Refer to **Our key relationships** for further details on page 52.

Residual risk ranking

The SETS Committee has focused on the following of the top 10 risks:

1	Safety
2	Cyclical macroeconomic factors
4	Sustainability expectations
5	Climate change
6	Evolving technologies and consumer preferences
7	Supply chain disruption
8	Uncertain and evolving regulatory landscape
9	Employee relations

For further details refer to **Risk management** on page 44.

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. Refer to page 165 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 pulp (DP) 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.

Group Risk Management Committee

The committee is known as the Group Risk Management Team (GRMT) and is mandated by the board to establish, coordinate and drive the risk management process throughout Sappi. It has established a risk management system to identify and manage significant risks. The GRMT reports regularly on risks to the ARC and the board. Risk management software is used to support and report upon the risk management process. During 2023 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 2024 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.

Group Sustainable Development Council

The Sappi Group Sustainable Development 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 2023 included:

- Oversite and review of the **Thrive** 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 TFCD
  - 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 coordinates Sappi's brand communication programme, monitors brand performance and ensures effective brand management to enhance Sappi's reputation.

Project Steering Committees

For key strategic projects, steering committees are established to oversee successful execution of the project.

Technical Committees

The Technical Committees' focus is on global technical alignment, performance and efficiency measurement as well as new product development.

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.

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 ARC and the board. An IT governance framework has been developed and IT feedback reports are presented to the ARC 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 2023 by its oversight of:

- The implementation of major strategic projects to drive operational excellence in manufacturing, sales, supply chain, finance and logistics among other functions
- The digital strategy and governance model to drive innovation at scale across all divisions
- The expansion of the group security function and talent pipeline and tangible progress toward the security strategy
- The framework to evaluate third-party IT security risks
- Due diligence for a cohesive cloud infrastructure and security strategy
- The deployment of global operational technology (OT) security solutions across the manufacturing landscape
- Strategic planning around core enterprise solutions.

A significant part of the IT Steering Committee's responsibility is to monitor and direct Sappi's Information and Cyber Security activities. The ARC oversees these activities. Security matters are shared and discussed with the board at least quarterly. 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 2024 for these IT initiatives, as well as:

- Support for new business priorities to address evolving market conditions in alignment with **Thrive** 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 and cloud consolidation.

Treasury Committee

The Treasury Committee meets monthly to assess financial risks on treasury related matters. Specific focus areas in 2023 related to:

- Renewal of the €330 million securitisation programme at Sappi Papier Holding (SPH)
- Using €195 million of surplus cash to tender for and repay €210 million of the SPH 2026 bond, at a discount
- Repaying the R1.1 billion SSA07 bond in South Africa from cash resources.

Key focus areas in 2024 will be:

- The effective management of cash and interest costs due to rising interest rates
- Consider appropriate action for upcoming debt maturities.

Sappi Accounting Standards Committee

The Sappi Accounting Standards Committee (SASC) meets regularly to discuss and decide on the accounting treatment and the application of accounting standards at Sappi. SASC comprises finance, treasury and accounting officers throughout the group. Internal and external audit attend meetings by invitation. A main topic of discussion in FY2023 was the discount rate calculation methodology used in the plantation valuation.

Taxation Committee

The Taxation Committee meets monthly to discuss and address global taxation matters. The main focus areas of the committee for 2023 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 2024.

Control and Assurance Committee

The Control and Assurance Committee (CAC) comprises group and regional heads of department representing all the main operating and support functions at Sappi. The CAC is supported by the internal control function and internal audit. A multi-disciplinary Combined Assurance Workgroup (CAW) provides oversight and guidance to the business on internal controls and combined assurance for financial, strategic and operational risks. The CAW provides input to the CAC, who in turn, is accountable to the GRMT and the ARC.

Ensuring leadership through ethics and integrity

Sappi is committed to doing business the right way. Trust is created by operating from a commonly accepted set of values, enhancing and protecting our reputation. We require our directors and employees to act with integrity, to be courageous, to make smart decisions and to execute with speed, in all transactions and in their dealings with all business partners and stakeholders.

Code of Ethics

Our values underpin the group's Code of Ethics and commit the group and its employees to sound business practices and compliance with applicable legislation, which help to promote legitimacy.

All new employees receive training on the Code of Ethics and related topics, such anti-bribery and corruption and anti-competitive practices, as part of onboarding. The code was refreshed during 2022 and released in 2023. All employees receive refresher training on these courses every three years.

A group Supplier Code of Conduct (Code) has been developed and communicated to help ensure that Sappi's values and ethical standards are clearly understood and supported by all our suppliers, their first-tier suppliers and other stakeholders.

Actions are taken against employees and suppliers who do not abide by the spirit and provisions of our code. This includes termination of contractual arrangements, and criminal actions.

Refer to www.sappi.com for the Code of Ethics.

Legal compliance programme

The programme is designed to increase awareness of, and enhance compliance with, applicable legislation in place. The group compliance officer reports twice per annum to the ARC.

Sappi's legal compliance programme has been boosted by:

- The implementation of legal compliance software including Exclaim for SSA, GEORG Compliance Management for the German mills, Syneris is being used as a compliance management application in Austria, and Policy Passport for Group policies and procedures
- The provision of online training to employees across the group on relevant core legal compliance topics. This included health and safety, and conflict of interest training 2023
- Ad hoc training on specific topics, for example intellectual property, GDPR and POPIA was provided to relevant employees.

Key focus areas in 2024 will be:

- Anti-bribery and corruption certification
- Group-wide consolidation of legal compliance reporting
- Code of Ethics refresher training and online social media training
- Training on combatting modern slavery.

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. Sappi undertook a conflict of interest policy relaunch with refresher training in FY2023.

During the year under review, apart from that disclosed in the financial statements, none of the directors had a significant interest in any material contract or arrangement entered into by the company or its subsidiaries.

For more information on how Sappi addresses conflict of interest please refer to the Preventing fraud and corruption section of the Code of Ethics at www.sappi.com

Insider trading

The company has a code of conduct for dealing in company securities and follows the JSE Limited Listings Requirements in this regard.

For further information refer to the Insider trading section of the Code of Ethics which can be found at www.sappi.com

Reporting on compliance and ethics concerns

Sappi employees and stakeholders can report any potential illegal or non-compliant behaviour they observe directly to senior management, internal audit or legal counsel, or alternatively, report anonymously, via telephone or by completing an online web-portal form. Whistle-blower 'hotlines' have been implemented in all the regions in which the group operates. The hotline and web-portal service, operated by independent service providers, enables all stakeholders to anonymously report environmental, safety, ethics, accounting, auditing, control issues or other concerns. Retaliation against whistle-blowers is not tolerated. The follow up on all reported matters is coordinated either by legal counsel or internal audit and reported to the ARC. 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
- Number of forensic cases closed and average time spent per case
- Categories of hotline calls and ethics reports
- Outcome of the investigations.

The hotline report rates categories of reports and outcomes of cases broadly align with international whistle-blower benchmark data. For more information, refer to the Reporting and whistle-blowing section of the Code of Ethics, at www.sappi.com

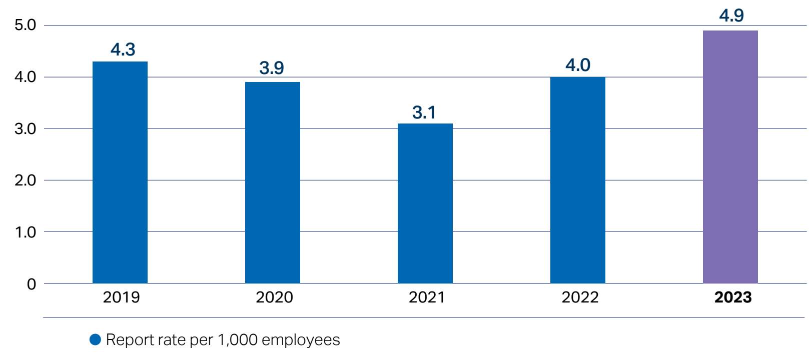
Financial statements

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.

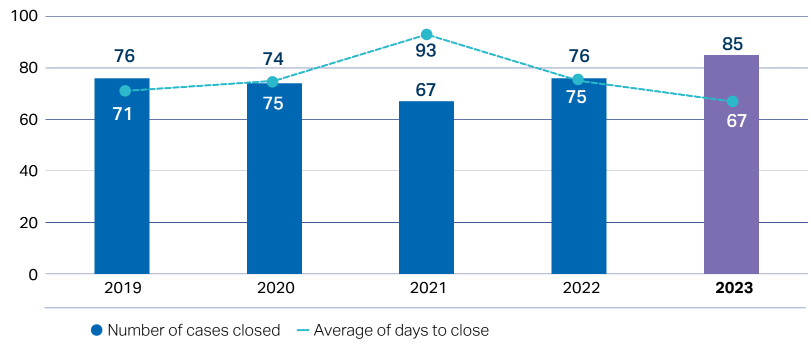
The group's results are reviewed prior to submission to the board, as follows:

- All quarterly results – by the Disclosure Committee as well as the ARC
- Interim and final results – by external audit.

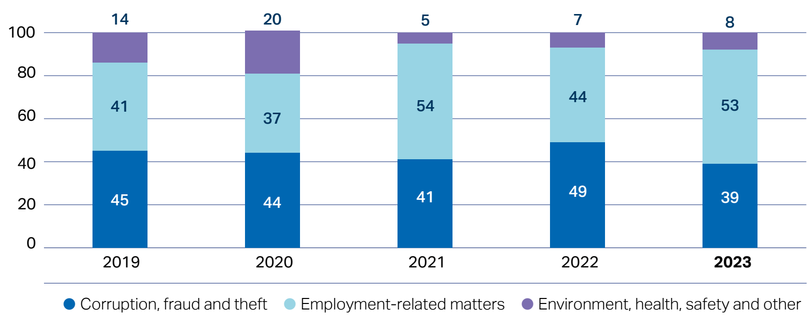
Hotline report rate per 1,000 employees per annum



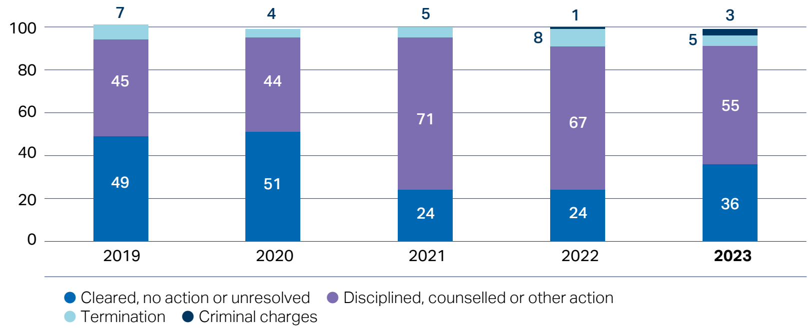
Forensic cases closed and average time taken to close



Hotline and ethics cases by category (%)



Hotline and ethics case outcomes (%)



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 business model** on page 24, as well as **Risk management** on page 44.

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 and external assurance providers, on the risk areas affecting the group. Combined assurance is overseen by the CAC. The committee and its CAW provide holistic feedback to the GRMT and ARC 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 workgroup focused on the following risk topics in 2023: fraud and ethics management, cyber security, operational technology, legal compliance, business continuity, taxation, contractors and maintenance, energy, waste and safety.

In FY2024 CAW will assist CAC to create and protect value by further developing combined assurance, risks and controls relating to IT security, continuity, regulatory compliance and sustainability.

Sappi's combined assurance framework, incorporating three lines of assurance and oversight by the board and board sub-committees

<table>
<tr><th></th><th>First line of assurance</th><th>Second line of assurance</th><th>Third line of assurance</th><th>Oversight by the board</th></tr>
<tr><th>Risk areas and value drivers, capitals</th><th>Business management operations supported by appropriate controls and systems</th><th>Monitoring and oversight functions</th><th>Independent assurance provided by external audit, internal audit and other assurance providers</th><th>Board and board sub-committees</th></tr>
<tr><td>Governance, risk and controls – general (core business cycles)</td><td rowspan="13">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 (HR), purchasing
Business units, eg forestry, mills, sales offices
Business unit operations, eg production, engineering, controlling, materials management.</td><td>CAC, management self-assessments</td><td>Internal audit</td><td>Audit and Risk sub-committee</td></tr>
<tr><td>Strategy and vision, competition and markets, sociopolitical</td><td>Executive Committee, Group Head Strategy, Global Business Council, CAC, management self-assessments</td><td>Internal audit</td><td>Nomination and Governance Committee</td></tr>
<tr><td>Financial, tax and treasury</td><td>Control and assurance, accounting standards, taxation, treasury and Disclosure Committees, management self-assessments</td><td>KPMG, tax authorities, internal audit</td><td>Audit and Risk Committee</td></tr>
<tr><td>Legal and compliance</td><td>Legal compliance programme, Group Compliance Manager</td><td>Legal compliance audits, internal audit</td><td>Audit and Risk, SETS Committee, Human Resources and Compensation Committees</td></tr>
<tr><td>IT</td><td>IT Steering Committee, group IT governance functions, management self-assessments</td><td>KPMG, ISA 3402s, penetration testing, internal audit</td><td>Audit and Risk Committee</td></tr>
<tr><td>Planet, environment, natural capital</td><td>Sustainability councils, Environmental and Energy (E4) Global Cluster, GRMT</td><td>ISO 14001, FSC, PEFC, SFI, EMAS, KPMG, EcoVadis
Government reviews emissions effluent etc, internal audit</td><td>SETS Committee</td></tr>
<tr><td>Ethics</td><td>Group Compliance Manager, ethics surveys, management self-assessments</td><td>Internal audit</td><td>SETS Committee, Audit and Risk Committee</td></tr>
<tr><td>People, HR and transformation</td><td>Global Human Resource Committee, regional labour forums, employee engagement surveys, management self-assessments</td><td>BBBEE audits, internal audit</td><td>Audit and Risk, SETS Committee, Human Resources and Compensation Committees</td></tr>
<tr><td>Research and development (R&D), intellectual property</td><td>Group technical cluster, management self-assessments</td><td>ISO 17025, internal audit</td><td>SETS Committee</td></tr>
<tr><td>Manufacturing, supply chain management, quality, forestry</td><td>Technical clusters and platforms, regional safety, health, environment and quality audits, supplier audits, management self-assessments</td><td>ISO 9001, ISO 50001, FSC, PEFC, SFI, Matrix, internal audit</td><td>SETS Committee</td></tr>
<tr><td>Stakeholders, communication, reputation, society</td><td>Group corporate affairs, sustainability and investor relations functions</td><td>Internal audit</td><td>SETS Committee</td></tr>
<tr><td>Safety</td><td>Group and regional risk management teams, safety audits</td><td>ISO 45001, ISO 22000 regulatory inspections, internal audit</td><td>SETS Committee</td></tr>
</table>

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 ARC advises the board on the state of risk management and controls, as well as assurance, in Sappi's operating environment. This information is used as the basis for the board's review, sign-off and reporting to stakeholders, via the Annual Integrated Report and Annual Financial Statements, on risk management and the effectiveness of internal controls and assurance within Sappi.

As part of combined assurance in respect of reported information, Sappi has obtained assurance on the data in the Annual Integrated Report from the following sources:

- Financial data is independently audited by KPMG
- External sustainability assurance was obtained from KPMG in 2023 for Scope 1 and 2 emissions information, water usage in South Africa, fibre certification, solid waste to landfill, 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 ARC and independently appraises the adequacy and effectiveness of the group's governance, risk management, systems, internal controls and accounting records. Internal audit coordinates combined assurance and reports the findings to local and divisional management, the external auditors, and the ARC.

The head of internal audit reports to the ARC, 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:

Internal audit value proposition

Capitals

Stakeholders

- Board, ARC
- Management
- Employees
- Other (eg communities, business partners).

Objectives

Governance, risk and opportunity management, controls:
• Strategic • Operational • Compliance • Reporting

Support | **Internal audit activities** | **Support**

Advisory and assistance

- Forensic, hotline and ethics management
- Projects, new business processes
- Governance, risk, controls consulting
- King IV, governance disclosures
- Ad hoc management requests, secondments
- Internal control support (risk and control framework, self-assessments, segregation of duties, workgroups).

Assurance (risk based)

- Financial processes and systems
- Business processes and systems
- Operational and strategic risks
- IT, GCC, security, operations
- Ethics, risk, legal compliance
- Sustainability data
- Combined assurance
- Annual opinion.

Core internal audit principles

Ethics and professionalism

- Integrity
- Objectivity
- Competency
- Due professional care
- Confidentiality.

Governance

- Authorised and overseen by the ARC
- Positioned independently.

Management

- Plans strategically
- Manages resources
- Communicates effectively
- Enhances quality.

Performing audit services

- Plans and conducts engagements
- Communicates engagement conclusions and monitors action plans.

During 2023, the risk-based coverage plan was substantially achieved. 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:** project management reviews for business optimisation projects
- **Accelerate growth in high-margin products:** assurance reviews of Product Innovation and R&D. Project Elevate in Sappi North America (SNA) and a follow up. Review of Project Horse for the Packaging and Specialities Business in Sappi Europe.

In 2024 internal audit will support the achievement of Sappi's **Thrive** strategic objectives by completing advisory and assurance projects in the following areas:

Grow our business: R&D, packaging and speciality papers, capital projects (Project Elevate in Sappi North America), and new businesses eg biomaterials

Sustain our financial health: sales, procurement, treasury, and working capital processes, mill closure activities

Drive operational excellence: sales and operations, maintenance, energy, strategic business and IT projects including global MES projects

Enhance trust: ethics, governance, sustainability, regulatory compliance 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 2022 internal quality assurance review highlighted a need for upgrading our automated audit software solution. This was addressed in 2023. Our internal quality assurance review in 2023 confirmed our Generally Conforms rating. A focus area in 2024 will be adapting certain aspects of our procedures to comply with the Global Internal Audit Standards expected to be issued in 2024.

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 2023. 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 Annual 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

Mike Fallon
Chairman of the Human Resources and Compensation Committee

"Dear shareholder, I present the committee's report on remuneration for Executive Directors, Executive Committee members and Non-executive Directors. This report details the company's compensation policy and implementation thereof. The information provided in this report has been approved by the board as per the recommendation of the Human Resources and Compensation Committee."

THE MAIN SECTIONS OF THE REPORT ARE AS FOLLOWS:

Section A	Voting and governance
Section B	Key functions of the Human Resources and Compensation Committee
Section C	Overview of the Remuneration Policy
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 the Sappi Limited's annual general meeting (AGM) on 08 February 2023, with a vote of 94.86% endorsing the Remuneration Policy and a vote of 84.80% in favour of the implementation report.

Key shareholders consultation

Both our Remuneration Policy and implementation report received the prerequisite shareholder approval. Despite there being no mandatory requirement to do so, and as part of our good governance process, we met with 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 remains 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

- Science-based decarbonisation targets that will be used as basis to include sustainability into our long-term incentive measures for 2024
- Early considerations for executive remuneration to drive business performance and to ensure that compensation remains competitive for 2025 and beyond
- Non-executive Director (NED) fees, Chairman fees and succession
- Diversity and inclusion and Sappi's performance against key metrics.

Recent improvements in remuneration policies

	2016 onwards	2020	2021	2022	2023
PSP	Introduced an allocation approach to deal with the fluctuation in the share price Streamlined and standardised the allocations per level and individuals		Introduction of minimum shareholder requirement for prescribed officers	Implemented a reserve list for peer group companies Changed the definition of the cash flow return on net assets (CFRONA) calculation	
MIS		Implemented a well-defined malus and clawback provision in relation to both long and short-term incentive (STI) plans	Streamline and standardised the on-target bonus percentage across the regions	Sustainability measures accounting for 30% of personal objectives	Introducing sustainability in the long-term incentive measure – 10% of the overall incentive from October 2024

PSP – Performance share plan
MIS – Management incentive scheme

We value the input of our shareholders and will continue to seek their input to ensure good disclosure.

Our sustainability journey

As reported in 2022 our sustainability journey is on track. Sustainability is firmly embedded in our short-term management incentive scheme (MIS) where implementation of our **Thrive** sustainability targets constitutes 30% of executives' personal objectives. The key focus areas cover our three most material planet issues, which relate directly to our commitment to mitigate climate change; GHG emissions, solid waste to landfill and fibre certification.

Our science-based decarbonisation targets have been approved by SBTi and communicated externally. This provided 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 2024 will be to finalise the details of our sustainability measure for inclusion in our long-term incentive plan. This measure will be based on our decarbonisation plan and will account for 10% of the overall long-term measures. Sappi Limited have committed to reduce Scope 1 and Scope 2 GHG emissions by a significant 41.5% per ton of product by 2030 using 2019 as base year.

Health and safety

We have worked tirelessly to create a culture where safety is a priority for our employees and contractors. Again, we had an excellent safety year with all the regions achieving record safety performances. The group achieved their best ever lost-time injury frequency rate (LTIFR) performance. We are incredibly pleased to again report there were no work-related fatalities during this year. In addition, several noteworthy milestones were achieved during this period, namely:

- Sappi Forest Zululand Coastal Business achieved a record-breaking safety milestone of working 7 million zero lost-time man hours
- Sappi Southern Africa (SSA) achieved a LTIFR of 0.22
- Sappi North America (SNA) achieved a LTIFR of 0.14
- Sappi Europe (SEU) achieved a LTIFR 0.44.

Our safety ambition remains zero injuries and we will continue to implement enhanced procedures and focus on improved personal behaviour and leadership engagement.

Employee Engagement Survey

The engagement survey was completed in April 2023. Again, excellent participation at 94% from all Sappi employees. Engagement levels also improved from the levels in 2021. Leadership's dedication to close the gaps identified in a very structured way is commendable.

Continued strengthening of our Non-executive Director team

The Nomination and Governance Committee reviews the composition of the board three times per annum, considering size, skills, independence, tenure, experience/expertise, diversity and the 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 NEDs is based on criteria which look at the diversity of tenure, race, gender, geographical location and expertise. We are committed to ensuring that our board composition will continue to reflect the benefits of our rigorous NED succession planning.

In September and October 2022, we appointed Ms Eleni Istavridis, Mr Louis von Zeuner and Mr Nkululeko Sowazi as Independent NEDs. They have undergone a rigorous induction programme that included the following:

- An onboarding by the group Company Secretary to provide an understanding of both the role of a director and the framework in which the board operates
- Compulsory directors' briefings by Sappi's sponsor. One-on-one sessions with the executive management team and key management personnel
- Visits to operational sites in North America, Europe and South Africa
- Visits to all R&D facilities across the group
- All three of the newly appointed directors were appointed to the Audit and Risk Committee (ARC)
- Extensive engagements with the various board sub-committees.

The current Chairman, Sir Nigel Rudd, and Mr Peter Mageza (Chairman of the ARC), will retire from the Sappi board in February 2024. As announced, the board has agreed that Mr Nkululeko Sowazi will be the future Chairman of the board. Mr Sowazi will complete the detailed handover and will take over as Chairman from 08 February 2024. Sappi used Mercer to assist with a recommendation on the appropriate fee levels for the new Chairman. Details of the fee can be found on pages 184 and 185 of this report.

Subject to shareholder approval, Ms Zola Malinga has been appointed as the new ARC Chairperson as from 08 February 2024. A detailed handover process is underway.

Further changes to the composition on the board sub-committees will be announced in 2024.

Executive capacity building

During the reporting period Louis Kruyshaar was appointed as Group Head Manufacturing and Innovation. He succeeds Gary Bowles who retires from Sappi at the end of January 2024. All other senior management changes that took place in 2022 and 2023 have now been bedded down. Carefully planned succession is bearing fruit as evidenced by the smooth business transition and the continued high performance of the various teams.

Several key retirements will take place between now and 2030. The committee is working with management to ensure smooth management transitions over the next few years.

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 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 (head of department, managers, and supervisors) also gained significant traction with satisfactory progress on all our leadership programmes. This is a key focus for the committee.

2023 Management Incentive Scheme (MIS) outcomes

The group achieved an EBITDA of US$731 million for the year, substantially below the record achieved in 2022. As per the rules of the scheme, an EBITDA threshold of 85% of target should be achieved before any bonuses get paid. Therefore, the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) did not receive a bonus payment for the financial elements. The executives had the potential of the 20 points in their personal objectives as an incentive. Details of these are covered further in Section D of the report.

A transformational 2024 ahead

The budget for 2024 anticipates a recovery relative to low operating rates experienced during 2023. However, European graphic papers are declining at an unprecedent rate of more than 10% per annum. This will result in more graphic papers capacity being taken out and will unfortunately lead to the closure or sale of some operations. The committee will, however, work on plans with management to ensure that teams are kept motivated and incentivised to complete all these transformational projects on time and within budget. The 2024 work plan for the committee will include several key issues as discussed with key shareholders in 2023. The aim of these anticipated changes will both drive the business performance and ensure that Sappi remains competitive and is able to attract and retain key talent.

Mr Steve Binnie and his leadership team will focus on the following:

- Driving our world-class safety performance
- Transforming and repositioning the European business
- Remaining cost competitive in a high inflationary environment
- Maximising the pulp production to ensure improved profitability
- Delivering the Somerset PM2 conversion against robust time and cost parameters
- Continuing to develop and optimising the packaging and speciality papers portfolio in all regions
- Optimally managing cash flows throughout the year
- Continuing to deliver on the transformational strategic plans and projects
- Driving progress to achieve our ambitious sustainability targets
- Ensuring high levels of employee engagement through the close-out of actions as identified from the 2023 Employee Engagement Survey.

Compliance statement

The Human Resources and Compensation Committee is committed to maintaining high standards of corporate governance. They support and apply 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 around 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, deliver sustainable returns, and value creation for our shareholders. Thank you for the support given for our 2022 Remuneration Report and for the guidance provided in 2023, which will form the basis of our future work plan. The committee believes that the remuneration of executives during 2023 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 incentive (MIS)

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 (PSP)

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 AGM

The AGM of Sappi Limited was held on 08 February 2023 and the requisite resolutions endorsing the Remuneration Policy and the implementation report were passed as follows:

Ordinary resolution number 16: Non-binding endorsement of Remuneration Policy

For	Against	Abstain
94.86%	4.84	0.3%

Ordinary resolution number 17: Non-binding endorsement of implementation report

For	Against	Abstain
84.80%	14.99%	0.21%

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 considered 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 consisted of four Independent Non-executive Directors

MA Fallon – Chairman
BR Beamish
NP Mageza
RJAM Renders

The Chairman of the company, Sir Nigel Rudd, attends committee meetings ex officio while the Group Chief Executive Officer, Mr Steve Binnie together with Group Head Human Resources, Mr Fergus Marupen attend meetings by invitation.

Mrs Ami 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 149.

The Chairman of the Human Resources and Compensation Committee, Mr Mike Fallon, Mr Steve Binnie, Group CEO, Ms Tracy Wessels, Group Head Sustainability and Investor Relations and Mr Fergus Marupen, Group Head of Human Resources met with key shareholders in September 2023 to discuss the Remuneration Policy. These shareholders were the Public Investment Corporation (PIC), Allan 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 2023 are summarised as follows:

Recommended and approved

- The allocation of 2023 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 2023
- Fee levels for NEDs of the Sappi Limited board for consideration and recommendation to shareholders for approval
- The allocation model and the comparator peer group for the 2023 PSP
- The 2024 MIS rules
- Reviewed and approved the CFRONA
- Changed the SSA retirement age
- Designed a sustainability measure for inclusion in the PSP
- Fees for the new Sappi Chairman of the board.

Reviewed

- The 2022 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 2023
- Development of the 2023 Remuneration Report for shareholder approval in February 2024
- 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 2022 Remuneration Report
- 2022 committee evaluation
- Progress on SSA skills requirements
- The status of all benefits funds
- Future ESG considerations for MIS
- The share repurchase update.

Section B: Key functions of the Human Resources and Compensation Committee continued

Independent advice

Management engaged the services from the following organisations to assist in compensation work during the year:

Consultancy	Engagement
Mercer	Recommendations in relation to the PSP with reference to: • Allocations and calculation of the Total Shareholder Return (TSR) performance condition • Peer group additions • Long and short-term incentive measures for future • Recommendation on appointment fee levels for the Chairman.
KPMG	External verification and auditing of the CFRONA performance condition of the PSPs
PricewaterhouseCoopers Tax Services, South Africa	Tax advice to NEDs

Areas of focus for 2024

Key activities for the committee in 2024 will be, inter alia, the approval of the remuneration and bonuses for Executive Directors and senior management. Reviewing and approval of measures for both long and short-term incentives.

After the visits to some key shareholders in 2023, the committee will also focus on the following:

- Approve the inclusion of sustainability as part of the PSP
- Review and approve the performance measures of the MIS
- Review and approve the performance measures of the PSPs
- Reviewing the current share scheme
- Gender representativity across all Sappi operations.

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 an effective 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
- Are designed to support our **Thrive** 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 of fixed and variable components.

	Purpose	Structure	Opportunity
		Fixed	
Component – Base salary	• To reflect market value of the role, individuals' skills, contribution, experience and performance • To attract and retain key talent.	• Paid monthly in cash • Reviewed annually with any increases to be effective from 01 January each year • Base salary reviews consider 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 • Many 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.

Section C: Overview of the Remuneration Policy continued

	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 2023 were: EBITDA – 50%; Return on capital employed (ROCE) – 20% and 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 (employees and contractors) is measured against lost-time injury frequency rate (LTIFR) as well as lost-time injury severity rate (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. An additional bonus award of 200% can be earned on the combined LTIFR (employees and contractors) if 85% or better is achieved of the agreed LTIFR target, and this achievement is equal or better than the best achieved during the past five years • 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. They must retain the shares for a period of three years. A cash bonus is paid on 20% of the original number of shares. See page 189 • 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 have been satisfied resulting in a higher vesting outcome.	• If targets are exceeded, the maximum bonus for Executive Directors is 119% of base salary • Regional CEO's 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.

	Purpose	Structure	Opportunity
		Variable	
Component – Long-term share incentive plans (LTSIP)	• 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 2023 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 3x annual base salary, up from his previous 2x. The CFO 2x and all other prescribed officers at 1x 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.	
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 and uses data from global remuneration surveys, ie PwC, Mercer, et al 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.

Section C: Overview of the Remuneration Policy continued

Service contracts

Mr Steve Binnie and Mr Glen Pearce have ongoing employment contracts which require 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. The retirement age of Executive Committee members is generally between the ages of 65 years and 67 years and differs by region.

Choice of performance measures and approach to target setting

Short-term incentive: MIS

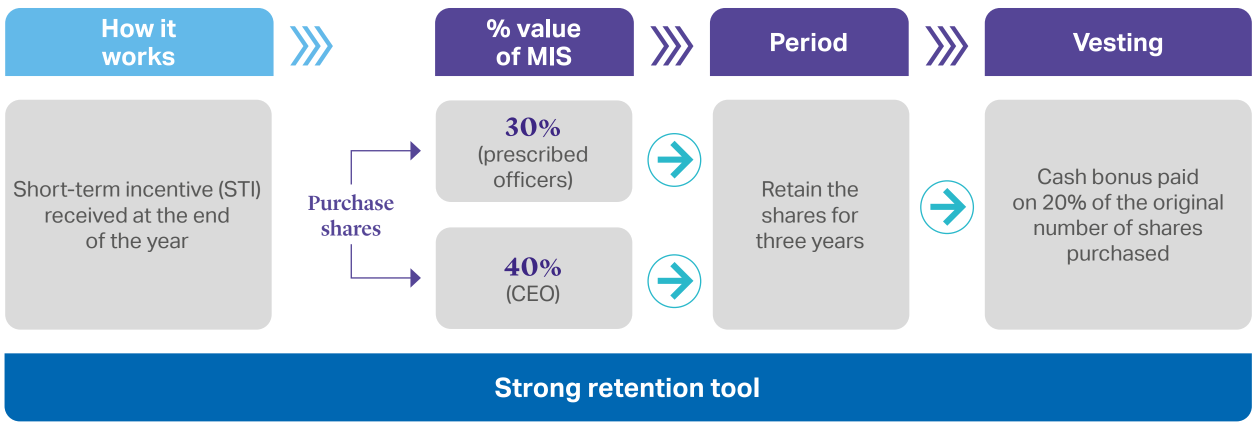
The table below shows the metrics and why they were chosen and how targets are set.

Metric	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. 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 groups weighted 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 (LTIFR – 50%) as well as LTISR (LTISR – 50%). An additional bonus award of 200% can be earned on the combined LTIFR (employees and contractors) if 85% or better is achieved of the agreed LTIFR target, and this achievement is equal or better than the best achieved during the past five years.
Individual performance 20%	An indicator of the contribution of each Executive Director, individual performance for relevant managers. Includes several key non-financial targets in relation to ESG, major capital projects, gender equality and broad-based black economic empowerment (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**

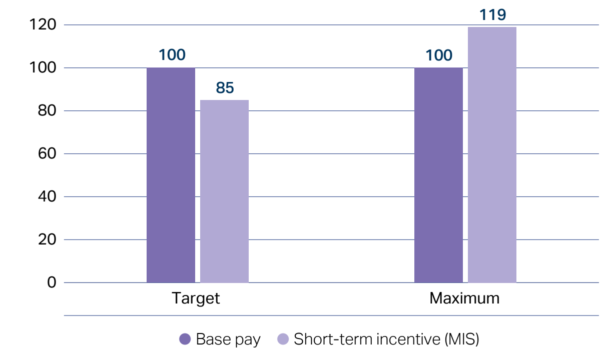
Executive bonus scheme (share purchase): Overview



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.

Performance Share Plan (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 TSR and relative CFRONA.

The table below shows the metrics and why they were chosen and how targets are set.

Section C: Overview of the Remuneration Policy continued

Metric	Relevance	How do we set the targets?
TSR	TSR measures the total returns to Sappi's shareholders, providing close alignment with shareholder interests.	The committee sets the performance requirements for each grant. A peer group of packaging and paper sector companies is used. Nothing vests in positions 10 – 17 of the peer group. Vesting increases from 25% at position 9 to 100% for positions 1 – 5.
CFRONA	A key indicator of the effective use of capital. CFRONA is calculated as cash 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 – 17 of the peer group. Vesting increases from 25% at position 9 to 100% for positions 1 – 5.

Including sustainability (decarbonisation) as part of the long-term incentive from October 2024

Climate change is one of Sappi's top 10 risks identified. Sappi is committed to the reduction of GHG emissions and have set decarbonisation targets. These decarbonisation targets were validated by SBTi in 2022. Sappi commits to reducing Scope 1 and Scope 2 GHG emissions by 41.5% per ton of product by 2030 from a 2019 base year.

The Sappi SBTi target is included in our sustainability linked revolving credit facility (RCF).

Performance against the decarbonisation pathway is directly influenced by:
- Timing of capital projects
- Operational factors
- Operational rates (low operating = continuous stop/start conditions, which are more energy intensive)
- Unplanned operational interruptions (eg floods, equipment failure, which results in stop/start conditions).

Metric	Relevance	How do we set the targets?
Sustainability (10%)	The commitment is to reduce Scope 1 and Scope 2 GHG emissions 41.5% per ton of product by 2030 from a 2019 base year.	Average over a four-year period against the approved SBTi pathway.

Envisaged PSP changes for October 2024

Measure	Was	New
TSR	50%	**50%**
CFRONA	50%	**40%**
Sustainability	0%	**10%**

Summary of the incentive categories for October 2024

Long-term incentive – PSP	Short-term measures – MIS
TSR (50%): TSR measures the total returns to Sappi's shareholders, providing close alignment with shareholder interests. Measured against a peer group by Mercer.	**EBITDA (50%):** A key indicator of the underlying profit performance of the group, reflecting both revenues and costs. Aligns closely with our strategic goals of achieving cost advantages and growth.
CFRONA (40%): 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. Measures against a peer group and audited by KPMG.	**ROCE (20%):** A key indicator of the underlying returns that the group achieves on its capital employed.
	Safety (10%): A core value of the company and one of the indicators of whether the business is meeting its sustainability goal of zero harm. Includes own employees and contractors and measured against LTIFR and LTISR.
Sustainability (10%): Sustainability measured against the achievement of the science-based targets. Target verified by SBTi.	**Personal objectives (20%):** Priorities are set in line with the business plan for the applicable year. Targets and ranges are then cascaded to the rest of the business teams. 30% of personal objectives allocated to ESG.

Peer group

The peer group for the PSP award consisted of the following 16 industry-related companies

- Stora Enso
- Lenzing
- Graphic Packaging International
- UPM-Kymmene
- Rayonier Advance Materials
- Borregaard
- Navigator Company SA
- Metsá Board
- BillerudKorsnäs
- Holmen
- Mondi PLC
- International Paper
- DS Smith
- Clearwater Papers
- Suzano
- Smurfit Kappa/ WestRock

Vesting schedule

The original vesting schedule for 2019 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 2019 and 2020 allocations

There has been an increase in merger and acquisition (M&A) activity in 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 PSPs impacted by M&A. 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.

The adjusted schedule for the 2019 allocation for both TSR and CFRONA is as follow:

Position	Vesting
1 – 4	**100%**
5	**75%**
6	**50%**
7	**25%**
8 – 13	**0%**

Section C: Overview of the Remuneration Policy continued

Reserve list

To retain the robustness of the comparator peer group, a reserve list of companies has been agreed to provide replacements to cater for any future merger and acquisition activities. These companies are:

- Klabin
- 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 Chief Executive Officer (CEO), Chief Financial Officer (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.

Remuneration Policy for NEDs (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 NEDs (fees)	• To attract and retain high-calibre non-executives, with the necessary experience and skills • To provide fees which take account of the time commitment and responsibilities of the role.	• The non-executives are paid a basic fee • Attendance fees are also paid to reflect the requirement for NEDs 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.	• NEDs' 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 NEDs have letters of appointment with Sappi Limited for an initial period of three years. In accordance with best practice, NEDs are subject to re-election at the AGM after the three-year period. Appointments may be terminated by Sappi with six months' notice. No compensation is payable on termination, other than accrued fees and expenses.

NED succession: An overview

A. Key consideration

Expertise
- Relevant expertise.

Tenure
- Having the right mix of NEDs 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
- Nomination and Governance Committee consider the key issues and criteria.

Appointment of a specialist recruitment agency
- Provide a shortlist on candidates to the Nomination and Governance Committee.

Interviews
- Completed by the Nomination and Governance Committee.

Appointment
- Followed by a detailed induction plan.

Three new NEDs were appointed since September 2022, namely; Mr Louis von Zeuner, Ms Eleni Istavridis and Mr Nkululeko Sowazi. As announced in November 2023, Mr Sowazi has been appointed as the new Chairman.

Section D: Remuneration implementation report

Remuneration structure

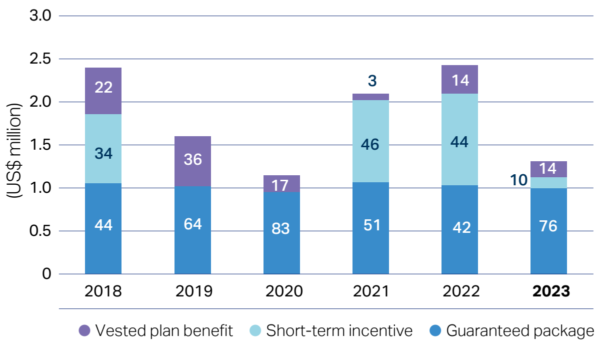
Total remuneration comprises fixed pay (ie base salary and benefits) and variable performance-related pay, which is divided further into short-term incentives with a one-year performance period and long-term incentives which have a four-year performance period as detailed in Section C.

Reward mix

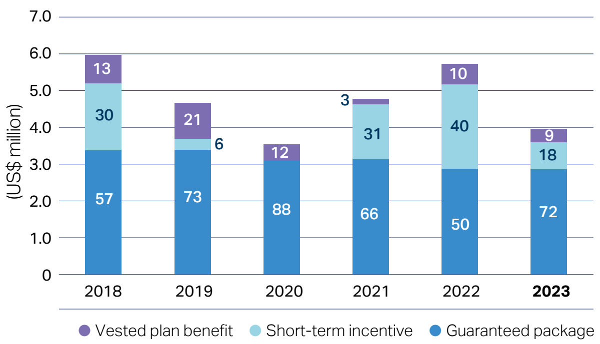
The reward mix for Executive Directors and Executive Committee members is shown in the schematics below.

The long-term incentive awards are based on the vested value of the performance plan shares issued on 19 November 2019 (share price at date of allocation: ZAR82.49). Details of the Executive Directors' remuneration can be found on page 190.

Executive Directors' compensation mix



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 2023, Mr Binnie and Mr Pearce received a salary increase of 6.5% on the South African portion of their salaries and 3.5% on the offshore portion of their salaries. Their salaries were US$549,940 per annum and US$317,426 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 2023

The group achieved an EBITDA of US$731 million for the year, substantially below the record achieved in 2022. As per the rules of the scheme, an EBITDA threshold of 85% of target should be achieved before any bonuses get paid. Therefore, the CEO and the CFO did not receive a bonus payment for the financial elements. The executives had the potential of the 20 points in their personal objectives as an incentive.

All regions achieved both their LTIFR and LTISR targets which resulted in the additional safety award.

Personal objectives of executives for 2023 MIS

Performance objectives	Description	Comments	Weighting
Drive safety programme	• Drive safety first across Sappi with continuous improvement on overall severity rates measured by LTIFR and LTISR of own and contractors.	• Safety continuously improving • The group's rolling 12-month combined LTIFR improved from 0.31 to 0.24 • The group's rolling 12-month combined LTISR increased from 10 to 12 • No fatalities since 2021.	10%
Execute on strategic plans and projects	• Implementation of key strategic plans aligned to the five-year capital plan: – Reduce graphic papers – Grow packaging and speciality papers – Maximise pulp opportunities – Grow Biotech.	• Execute the project to reduce Europe's graphic papers exposure (Project Silver) • Execute the Saiccor Mill dissolving pulp (DP) expansion (Vulindlela) • Execute on the expansion of Sappi North America (SNA) packaging and speciality papers grades (Project Elevate) • Grow the pulp business furfural pilot plant successfully commissioned.	10%
Continue to improve Sappi's profitability	• Achieve the EBITDA and ROCE targets for 2023.	• EBITDA was US$731 million • ROCE of 12.3% achieved.	10%
Continue to ensure the financial stability of Sappi, through: • Appropriate capex management plans • Cost improvement measures to kerb rising input costs • Further reduction on the Sappi debt.	• Ensure that Sappi will have sufficient liquidity and capital to sustain the business • Maintain net debt <US$1 billion.	• Reduced debt from US$2 billion in 2019 to US$1.08 billion in 2023 • Leverage is at 1.5x.	10%
Focus on the stability of production across the mills, particularly Saiccor. Develop mitigation plan for supply chain challenges in South Africa	• Ensure the stability of the Saiccor Mill production and work with relevant authorities to deal with logistic constraints.	• Production at Saiccor Mill stabilised • Logistical constraints still an issue, however, Sappi is participating on all the relevant forums and committees with Government to help find solutions.	10%

Section D: Remuneration implementation report continued

Performance objectives	Description	Comments	Weighting
Successful development of talent and staff engagement	• Favourable staff engagement survey • Ensure key talent in place for business continuity • Management of key retirements over the next 24 months.	• 2023 engagement survey successfully completed • 94% participation rate • Overall engagement at 80%+ • Key retirement and succession plans in place • Employee experience score 84.6.	10%
Continue to implement our sustainability targets	• Implementation of our sustainability targets aligned with SBTi and UN SDGs.	• Science-based decarbonisation: Specific GHG emissions kg CO_2eq/ADT • Specific solid waste to landfill kg/adt • Share of certified fibre percentage • Sustainability (decarbonisation) will be a measure in the long-term incentive plan from 2024.	30%
Drive the Sappi investor relations programme	• Positioning Sappi as a preferred investment • Growing the offshore investor base • Create an understanding about Sappi with key shareholders and investors.	• Meetings held with various investors both local and abroad.	10%

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, the Chairman awarded 17 points to both Mr Binnie and Mr Pearce.

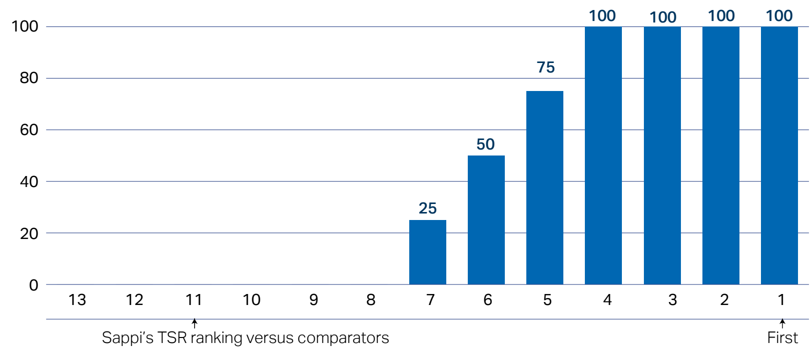
PSP outcomes for 2023

For the four-year period ended September 2023, Sappi's performance relative to the peer group measured on TSR was ranked 11th 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.

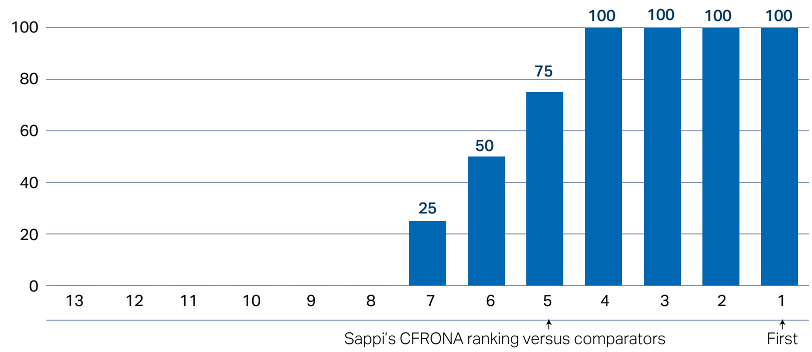
For the four-year period ended September 2023, Sappi's performance relative to the peer group measured on CFRONA was ranked 5th, resulted in 75% vesting on the CFRONA component. This result was verified by KPMG, our external auditors.

In aggregate, therefore 37.5% of the total 2019 awards vested.

2019 TSR vesting schedule (% of awards vesting)



2019 CFRONA vesting schedule (% of awards vesting)



In November 2019, Mr Binnie was granted 156,000 conditional performance plan shares, of which 58,500 of the allocation will vest in November 2023.

In November 2019, Mr Pearce was granted 71,000 conditional performance plan shares, of which 26,625 of the allocation will vest in November 2023.

The historical vesting of PSP awards:

Share awards	2019 %	2020 %	2021 %	2022 %	2023 %
TSR	80	0	0	0	**0**
CFRONA	100	100	25	100	**75**
Aggregate	90	50	12.5	50	**37.5**

PSP allocations for 2023

Each year, Mercer Kepler provides management with a recommendation for an appropriate pool size. For the 2023 allocation, it was approved to grant the number of shares implied by the same SA Rand value of the previous year PSP awards, where share 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 205,000 conditional performance plan shares in November 2023 that will vest in November 2027.

Mr Pearce was awarded 114,000 conditional performance plan shares in November 2023 that will vest in November 2027.

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, are 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.

In 2020 no MIS was paid to the executives; therefore no bonuses will be paid as part of this scheme for 2023.

Dilution

If all outstanding plan shares were to vest as at September 2023, the resulting dilution effect would be 2.98% (2022: 2.79%, 2021: 2.53%, 2020: 2.12%) of issued ordinary share capital excluding treasury shares.

Voluntary minimum share holding

A voluntary minimum 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, or within a period of five years from appointment.

Section D: Remuneration implementation report continued

The requirement is that the CEO should hold 3x annual base salary, up from his previous 2x. The CFO 2x and all other prescribed officers at 1x annual base salary.

The acquisition of shares will primarily be achieved by vesting PSPs 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. Satisfactory progress has been made on this requirement, despite low vesting on the PSPs and minimal short-term incentive payments.

	Shareholding			
Prescribed officer	Target minimum	Number of shares (Sept 2023)	Value of shares	Actual multiple
SR Binnie	3x	456,000	US$994,080	1.8
GT Pearce	2x	211,139	US$460,283	1.4
M Eikelenboom*	1x	34,443	US$75,086	0.1
M Haws	1x	59,350	US$129,383	0.3
A Thiel	1x	610,902	US$1,331,766	3.9
M van Hoven	1x	227,095	US$495,067	2.7
G Bowles	1x	97,438	US$212,415	0.8
F Marupen	1x	102,913	US$224,350	1.2
M Mansoor	1x	81,300	US$177,234	0.6

* *Based on base salary as at 1 April 2021 for M Eikelenboom.*

- *Average share price of US$2.18 (R41.17 for September 2023).*
- *Based on the base salary as at 1 January 2021.*

Remuneration disclosure of Executive Directors and prescribed officers

Executive Directors' emoluments for 2023 (US Dollar)

	Short-term compensation (STC)				Subtotal STC	LTSIP (value of shares vested this year)*	Total
Executive Director	Base salary US$	Annual cash award US$	Other allowances US$	Benefits and pension US$	A US$	B US$	A + B US$
SR Binnie	532,564	79,460	17,376	76,477	705,877	129,942	835,819
GT Pearce	307,550	45,864	9,875	54,008	417,298	59,140	476,438
Total	840,114	125,324	27,251	130,485	1,123,175	189,082	1,312,257

* *LTSIP, also referred to as PSP.*

- Local earnings are translated into the reporting currency (US Dollar) using the average exchange rate over the financial year The average rate for SA Rand and Swiss Franc weakened by 15% and 3% respectively against the US Dollar
- Due to the earnings currencies (SA Rand) 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 2023
- Performance-related remuneration – the actual value earned in 2023 based on the rules of 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 2023.

LTSIP benefit: 2023 allocation (will vest in 2027)

Executive Director	Number of shares	Share price at allocation	Total awarded benefit*
SR Binnie	205,000	R40.08	US$451,968
GT Pearce	114,000	R40.08	US$251,338

* *Assuming 100% vesting on both performance conditions.*

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 US$	Annual cash award US$	Other allowances US$	Benefits and pension US$	A US$	B US$	A + B US$
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

* *LTSIP, also referred to as PSP.*

- Local earnings are translated into the reporting currency (US$) using the average exchange rate over the financial year. The average rate for SA Rand and Swiss Franc weakened by 6% and 4% respectively against the US Dollar
- Due to the earnings currencies (SA Rand) weakening against the reporting currency (US$) over the year, this had the effect of showing earnings in Dollar 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 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.

Prescribed officers/Executive Committee (US Dollar)

Prescribed officers are members of the group Executive Committee.

The table below sets out the remuneration for prescribed officers for 2023:

	Short-term compensation (STC)				Subtotal STC	LTSIP (value of shares vested this year)	Total
Prescribed officer	Base salary US$	Annual cash award US$	Other allowances** US$	Benefits and pension US$	A US$	B US$	A + B US$
M Eikelenboom	**548,789**	**61,453**	**4,772**	**123,839**	**738,853**	**22,490**	**761,343**
M Haws	**474,601**	**250,186**	**–**	**55,259**	**780,046**	**71,634**	**851,680**
A Thiel	**318,555**	**197,119**	**10,698**	**22,270**	**548,642**	**71,634**	**620,276**
M van Hoven	**170,887**	**19,488**	**5,493**	**43,950**	**239,818**	**55,808**	**295,626**
G Bowles	**251,584**	**31,034**	**9,222**	**48,369**	**340,208**	**59,140**	**399,348**
F Marupen	**179,618**	**21,692**	**5,797**	**41,429**	**248,535**	**48,312**	**296,847**
M Mansoor	**324,772**	**143,999**	**146,876**	**78,206**	**693,853**	**41,648**	**735,501**
Total	**2,268,806**	**724,971**	**182,858**	**413,322**	**3,589,955**	**370,666**	**3,960,621**

** *Other allowances include a significant salary sacrifice.*

Section D: Remuneration implementation report continued

LTIP benefit: 2023 allocation (will vest in 2027)

Prescribed officer	Number of shares	Share price at allocation	Total awarded benefit*
M van Hoven	**90,000**	**R40.08**	**US$198,425**
F Marupen	**79,000**	**R40.08**	**US$174,173**
A Thiel	**114,000**	**R40.08**	**US$251,338**
M Eikelenboom	**114,000**	**R40.08**	**US$251,338**
M Haws	**114,000**	**R40.08**	**US$251,338**
M Mansoor	**68,000**	**R40.08**	**US$149,921**

* *Assuming 100% vesting on both performance conditions.*

The table below sets out the remuneration for prescribed officers for 2022:

	Short-term compensation (STC)				Subtotal STC	LTSIP (value of shares vested this year)	Total
Prescribed officer	Base salary US$	Annual cash award US$	Other allowances** US$	Benefits and pension US$	A US$	B US$	A + B US$
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

** *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.

NEDs' 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. NEDs 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. NEDs do not participate in any incentive schemes or plans of any kind.

In determining the fees for NEDs, 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 SA 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 NED fees will be adjusted in line with executive management increases globally. These increases are estimated between 4% and 6.5%. As for the current Chairman's fee, for the third consecutive year, no increase was recommended. The fees for the new Chairman were benchmarked by Mercer. Details of the fee can be found on pages 184 and 185 of this report.

We will continue to review our NED 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.

NEDs' 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 NEDs' fees for 2023 financial year were approved by shareholders. The table below sets out the remuneration for NEDs for 2023:

Name	Board fees	Committee fees	Travel allowance	Total
ANR Rudd	**£319,940**	**£0**	**£9,459**	**£329,399**
MA Fallon	**£49,739**	**£51,039**	**£9,459**	**£110,237**
BR Beamish	**£49,739**	**£42,054**	**£9,459**	**£101,252**
NL Sowazi	**ZAR449,296**	**ZAR259,235**	**ZAR140,481**	**ZAR889,012**
NP Mageza	**ZAR499,296**	**ZAR680,682**	**ZAR140,481**	**ZAR1,320,459**
MV Moosa	**ZAR747,088**	**ZAR473,930**	**ZAR140,481**	**ZAR1,361,499**
B Mehlomakulu	**ZAR499,296**	**ZAR421,458**	**ZAR140,481**	**ZAR1,061,235**
ZN Malinga	**ZAR499,296**	**ZAR259,235**	**ZAR140,481**	**ZAR899,012**
LL von Zeuner	**ZAR499,296**	**ZAR259,235**	**ZAR140,481**	**ZAR899,012**
RJAM Renders	**€66,059**	**€61,636**	**€10,782**	**€138,477**
JM Lopez	**US$75,196**	**US$27,183**	**US$11,400**	**US$113,779**
E Istavridis	**US$75,196**	**US$38,035**	**US$7,600**	**US$120,831**

- Fees are benchmarked and comparable to the market fees payable to the directors' residence.

2022

Name	Board fees	Committee fees	Travel allowance	Total
ANR Rudd	£338,736	£0	£9,665	£348,401
MA Fallon	£66,166	£48,608	£9,546	£124,320
BR Beamish	£56,768	£40,052	£3,556	£100,376
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	€75,377	€58,701	€6,834	€140,912
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 09 February 2022.*

- Fees include two additional board meetings held in the period.

GOVERNANCE AND COMPENSATION

Social, Ethics, Transformation and Sustainability Committee Report

for the year ended September 2023

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 2023. 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 (RSCs) 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 Valli Moosa, Dr Boni Mehlomakulu, Mr Brian Beamish, Mr Jim Lopez and Mr Steve Binnie, for 2023.

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 assesses our social posture, 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 FY2023 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
- Reviewed and approved the Group Sustainability Charter
- Reviewed and approved the Corporate Citizenship Policy
- Reviewed Sappi's standing in terms of:
  - The principles set out in the United Global Compact Principles
  - The OECD recommendations regarding corruption.
- Reviewed and endorsed the Public Affairs and Social Impact programmes
- Reviewed the Code of Ethics, ethics training programme and its effectiveness
- Reviewed the group training and development programmes
- Reviewed the Sappi Southern Africa (SSA) transformation charter
- Reviewed SSA's performance relative to the Employment Equity Act, Forest Sector Transformation Charter and the company's transformation strategies
- Reviewed SSA's progress on enterprise and supplier development (ESD)
- Reviewed Sappi's policy and standing in terms of the International Labour Organization (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 policy on diversity and inclusion
- Reviewed and approved the group human rights policy, group water stewardship policy and group product safety policy
- Reviewed the material indicators of the group's environmental performance
- Reviewed regional sustainability performance against goals for 2023
- 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 2023
- Reviewed the sustainability content for the Annual Integrated Report
- Reviewed the external assurance report on selected group sustainability metrics.

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 2023 the review topics were:

- The North American pulp and paper industry dynamics, key sustainability trends in the region and initiatives to address risk and opportunities
- An external presentation by the Centre for Risk Analysis (CRA) in South Africa on the region's key challenges and various political scenarios ahead of the 2024 elections
- Feedback on the results of the 2023 employee engagement survey (including all regions and major mill operations) and actions plans
- An in-depth review of global sustainability reporting trends and latest disclosure standards including a gap analysis of current disclosures to the European Sustainability Reporting Standards (ESRS).

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

Connect

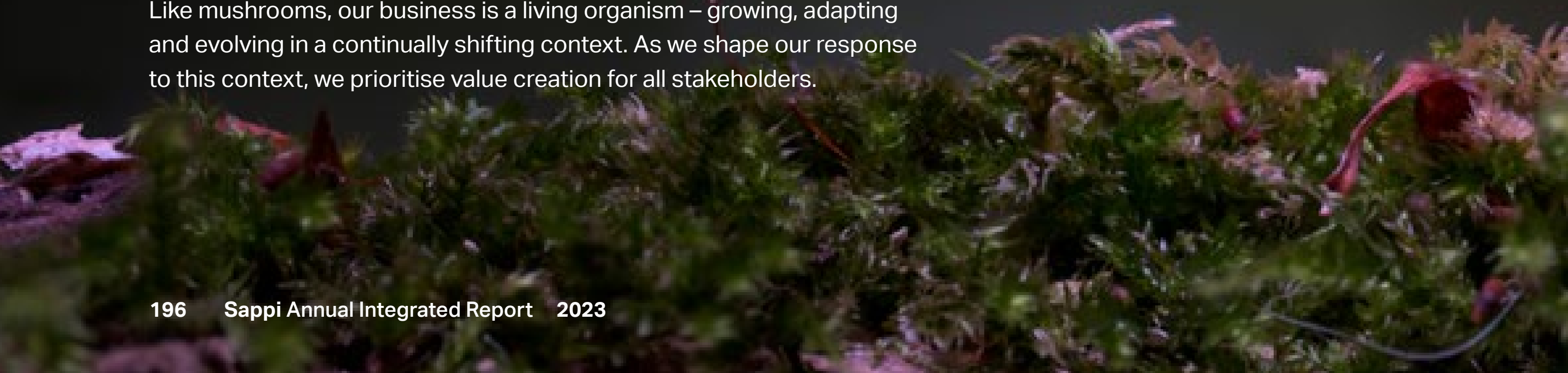
Some mushrooms are bioluminescent, due to luciferins, the same compounds that make fireflies light up at night. This ability is used to attract insects which then spread the mushroom spores elsewhere in the forest, allowing the fungi to reproduce.

But that's not where connection ends. Beneath every forest and wood lies a complex network of roots and fungi that connects trees and plants to one another. This network – sometimes called the Wood Wide Web – is almost 500 million years old and is vital for most plants on earth. Trees and plants obtain nutrients that the fungi acquire from the soil, such as nitrogen and phosphorus, by means of enzymes that the trees do not possess. In return, the fungi receive carbon-rich sugar from the roots of the trees.

This symbiotic relationship enables all connected organisms to thrive.

Similarly, at Sappi our connection with our stakeholders shapes our work to build a thriving world. This connection enables us to meet the changing needs of every employee at Sappi and to offer our partners the renewable innovation they need to be successful. By understanding and connecting with community needs, we drive positive social impact, playing a role beyond making and selling.

Like mushrooms, our business is a living organism – growing, adapting and evolving in a continually shifting context. As we shape our response to this context, we prioritise value creation for all stakeholders.



Five-year review

US$ million	2023	2022	2021	2020	2019
Income statement					
Sales	**5,809**	7,296	5,265	4,609	5,746
Variable manufacturing and delivery costs	**3,538**	4,380	3,238	2,838	3,530
Fixed costs	**1,788**	1,832	1,777	1,673	1,771
Sundry expenses (income)[1]	**51**	46	47	41	43
Operating profit excluding special items	**432**	1,038	203	57	402
Special items – (gains) losses	**52**	268	57	95	19
Operating profit (loss)	**380**	770	146	(38)	383
Net finance costs	**49**	97	134	88	85
Profit (loss) before taxation	**331**	673	12	(126)	298
Taxation charge	**72**	137	(1)	9	87
Profit (loss) for the year	**259**	536	13	(135)	211
EBITDA excluding special items	**731**	1,339	532	378	687
Balance sheet					
Total assets	**5,796**	6,229	6,186	5,455	5,623
Non-current assets	**3,742**	3,430	4,255	3,891	3,789
Current assets	**2,054**	2,799	1,931	1,564	1,834
Current liabilities	**1,316**	1,524	1,309	1,123	1,214
Shareholders' equity	**2,445**	2,358	1,970	1,632	1,948
Net debt	**1,085**	1,163	1,946	1,957	1,501
Gross interest-bearing debt	**1,686**	1,943	2,312	2,236	1,894
Cash	**(601)**	(780)	(366)	(279)	(393)
Capital employed	**3,530**	3,521	3,916	3,589	3,449
Cash flow					
Cash generated from operations	**659**	1 267	472	323	673
Decrease (increase) in working capital	**178**	(270)	39	65	(15)
Finance costs paid	**(121)**	(102)	(110)	(108)	(51)
Finance income received	**30**	10	8	6	9
Taxation paid	**(56)**	(23)	(2)	(26)	(51)
Dividends paid	**(85)**	–	–	–	(92)
Cash generated from operating activities	**605**	882	407	260	473
Net cash generated (utilised)	**210**	506	29	(257)	1
Cash effects of financing activities	**(416)**	(43)	33	138	56
Capital expenditure (gross)	**382**	368	374	351	471
To maintain operations	**170**	196	176	126	148
To expand operations	**212**	172	198	225	323
Exchange rates					
US$ per one Euro exchange rate – closing	**1.057**	0.980	1.172	1.163	1.094
US$ per one Euro exchange rate – average (financial year)	**1.068**	1.085	1.196	1.120	1.128
ZAR to one US$ exchange rate – closing	**18.930**	18.154	14.966	17.131	15.156
ZAR to one US$ exchange rate – average (financial year)	**18.179**	15.783	14.851	16.226	14.346

[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	2023	2022	2021	2020	2019
Statistics					
Number of ordinary shares (millions)[1]					
In issue at year-end	**558.8**	565.2	561.5	546.1	542.8
Basic weighted average number of shares in issue during the year	**563.6**	563.3	549.7	545.5	542.0
Per share information (US cents)					
Basic earnings (loss)	**46**	95	2	(25)	39
Diluted earnings (loss)	**44**	90	2	(25)	39
Headline earnings (loss)	**50**	130	5	(19)	42
Diluted headline earnings (loss)	**47**	122	5	(19)	42
EPS excluding special items (US cents)	**52**	138	15	(5)	44
Net asset value	**438**	417	351	299	359
Profitability ratios (%)					
Operating profit (loss) to sales	**6.5**	10.6	2.8	(0.8)	6.7
Operating profit excluding special items to sales	**7.4**	14.2	3.9	1.2	7.0
EBITDA excluding special items to sales	**12.6**	18.4	10.1	8.2	12.0
Operating profit excluding special items to capital employed (ROCE)	**12.3**	27.9	5.4	1.6	11.5
Net debt to EBITDA excluding special items	**1.5**	0.9	3.7	5.2	2.2
Interest cover	**11.4**	15.6	5.5	4.7	9.3
Return on average equity (ROE)	**10.8**	24.8	0.7	(7.5)	10.0
Debt ratios (%)					
Net debt to total capitalisation	**30.7**	33.0	49.7	54.5	43.5
Efficiency ratios					
Asset turnover (times)	**1.0**	1.2	0.9	0.8	1.0
Inventory turnover ratio	**6.3**	7.6	5.6	6.3	7.0
Liquidity ratios					
Current asset ratio	**1.6**	1.8	1.5	1.4	1.5
Trade accounts receivable days outstanding (including receivables securitised)	**37**	44	47	44	46
Cash interest cover (times)	**11.2**	12.9	4.5	3.7	7.6
Other non-financial information[2]					
Sales volumes	**6,282**	7,937	7,339	6,788	7,622
Number of full-time equivalent employees	**12,329**	12,495	12,492	12,805	12,821
Lost-time injury frequency rate (including contract employees)	**0.24**	0.30	0.38	0.35	0.54
Energy					
Energy intensity (GJ/adt)	**26.20**	22.10	22.30	23.70	22.10
Renewable and clean energy to total energy (%)	**57.90**	55.00	54.90	54.80	53.50
Water					
Specific process water extracted (m^3/adt)	**44.80**	35.00	35.60	37.90	35.20
Waste					
Specific total landfill (kg/adt)	**73,600**	51,100	52,100	60,000	6,100
Emissions					
Specific Scope 1 emissions (ton CO_2 eq/adt)	**0.70**	0.61	0.68	0.71	0.66
Absolute Scope 1 (ton CO_2e)	**3,474,491**	4,078,569	4,268,701	4,078,268	4,420,758
Specific Scope 2 emissions (ton CO_2 eq/adt)	**0.25**	0.20	0.18	0.21	0.23
Absolute Scope 2 (ton CO_2e)	**1,234,513**	1,332,807	1,160,564	1,206,691	1,553,109

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 2023

Shareholding

Ordinary shares in issue	Number of shareholders	%	Number of shares[1]	% of shares in issue
1 – 5,000	8,368	88.7	3,296,998	0.6
5,001 – 10,000	221	2.3	1,620,517	0.3
10,001 – 50,000	346	3.7	8,540,348	1.5
50,001 – 100,000	129	1.4	9,095,348	1.6
100,001 – 1,000,000	304	3.2	95,326,286	16.9
Over 1,000,000	69	0.7	444,882,883	79.1
	9,437	100.0	562,762,380	100.0

[1] *The number of shares excludes 3,913,297 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	–
Share owners 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 2023 was 9,425)	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 2023 the following are beneficial holders of more than 5% of the issued share capital of Sappi Limited:

Beneficial holder	Shares	%
Public Investment Corporation	120,335,753	21.4
Allan Gray Balanced Fund	49,631,222	8.8

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 2023, the following fund managers were responsible for managing 5% or more of the share capital of Sappi Limited:

Fund manager	Shares	%
Public Investment Corporation	107,273,455	19.1
Allan Gray Pty Limited	122,263,962	21.7
M&G plc	75,484,118	13.4

Share statistics		2023	2022	2021	2020	2019
Ordinary shares in issue (millions)[1]		**558.8**	565.2	561.5	546.1	542.8
Net asset value per share (US cents)		**438**	417	351	299	359
Number of shares traded (millions)						
JSE		**546.6**	590.9	444.5	736.3	537.1
New York		**0.6**	0.5	0.7	2.0	0.3
Value of shares traded						
JSE (ZAR million)		**24,991,5**	29,491,0	17,073,0	24,509,3	33,141,3
New York (US$ million)		**1.7**	1.6	1.6	4.0	1.5
Percentage of issued shares traded		**97.9**	104.6	79.3	135.2	99.0
Market price per share						
– year-end	JSE (South African cents)	**4,404**	4,402	3,861	2,377	3,629
	New York (US cents)	**230**	268	260	151	251
– highest	JSE (South African cents)	**5,835**	6,348	5,269	4,799	9,059
	New York (US cents)	**350**	420	359	345	640
– lowest	JSE (South African cents)	**3,627**	3,785	2,265	1,720	3,542
		201	235	135	107	241
Earnings yield (%)[2]		**19.77**	39.18	0.78	negative	16.29
Price/earnings ratio (times)[2]		**5.06**	2.55	128.99	negative	6.14
Total market capitalisation (US$ million)[2]		**1,300**	1,371	1,449	758	1,300

1 *The number of shares excludes 3,913,297 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

ACR – Audit and Risk Committee.

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%.

BBBEE – Broad-based black economic empowerment.

BCTMP – Bleached Chemi-Thermo Mechanical Pulp.

biochemicals – Enzymes, hormones, pheromones etc, which either occur naturally or are manufactured to be identical to naturally occurring substances. Biochemicals have many environment-friendly applications, such as natural pesticides that work in non-lethal ways as repellents or by disrupting the mating patterns of the pests.

biofuels – Organic material such as wood, waste and alcohol fuels, as well as gaseous and liquid fuels produced from these feedstocks.

biomaterials – New developments in wood processing support the move to a biobased economy that utilises materials that are renewable and biodegradable and in the case of wood feedstocks do not compete with food sources.

black liquor – The spent cooking liquor from the pulping process which arises when pulpwood is cooked in a digester thereby removing lignin, and other extractives from the wood to free the cellulose fibres. The resulting black liquor is an aqueous solution of lignin residues and the inorganic chemicals used in the pulping process. Black liquor contains slightly more than half of the energy content of the wood fed into the digester.

bleached pulp – Pulp that has been bleached by means of chemical additives to make it suitable for higher brightness fine paper production.

board – Board of directors.

CAC – Control and Assurance Committee.

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.

CAW – Combined Assurance Workgroup.

CDP – Formerly the Carbon Disclosure Project.

CEO – Chief Executive Officer.

CEPI – Confederation of European Paper Industries.

CFO – Chief Financial Officer.

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, acts 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.

COP26 – The 26th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP26), that took place in Glasgow, Scotland in November 2021.

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.

COP28 – The 28th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP28), that took place in Dubai, United Arab Emirates (UAE) in November/December 2023.

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.

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.

ESG – Environmental, social and corporate governance.

Eskom – Eskom is the South African national electricity public utility.

EUDR – EU Deforestation Regulation.

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.

Forest Stewardship Council® (FSC®) – A global, not-for-profit organisation dedicated to the promotion of responsible forest management worldwide. (FSC-C015022) (https://ic.fsc.org/en)

FSA – Forestry South Africa.

FSG – Forest Solutions Group.

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.

GRMT – Group Risk Management Team.

GSDC – Group Sustainable Development Council.

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 (HYP) – 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).

HR – Human resources.

ISO – The International Organisation for Standardisation.

IT – Information technology.

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.

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.

lost-time injury severity rate (LTISR) – Number of days lost x 200,000/actual man hours.

LTSIP – Long-term share incentive plan.

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.

MIS – Management incentive scheme.

M&A – Mergers and acquisitions.

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 (i.e., 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 (i.e., 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.

NDC – Nationally determined contribution.

NED – Non-executive director.

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.

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.

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)

PSP – Performance share plan.

pulpwood – Wood suitable for producing pulp – usually not of sufficient standard for sawmilling.

R&D – Research and development.

release paper – The backing paper for self-adhesive labels.

SAC – Sustainable Apparel Coalition.

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 Dissolving Pulp – The business unit within Sappi which oversees the production and marketing of DP.

Sappi Europe (SEU) – The business unit within Sappi which oversees operations in the European region.

Sappi North America (SNA) – The business unit within Sappi which oversees operations in the North American region.

Sappi Papier Holding (SPH) – Sappi's international holding company.

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 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.

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.

total suspended solids (TSS) – Refers to matter suspended or dissolved in effluent.

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 – 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.

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.

CFRONA – Cash flow return on net assets.

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 (EBITDA) – 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.

TSR – Total shareholder return.

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-seventh (87th) 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, 07 February 2024 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, 08 December 2023. This Notice of AGM is being distributed to Shareholders on Thursday, 14 December 2023 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, 30 January 2024**.

The record date to determine which Shareholders are entitled to attend and vote at the AGM is Friday, 02 February 2024 (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 September 2023, 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 2023 Annual Integrated Report (Annual Integrated Report) (see page 158).

The complete audited consolidated annual financial statements of the company for the financial year ended 2023 are available on the Sappi website: www.sappi.com

B To present the Annual Integrated Report, containing the disclosures required as per the JSE Listings Requirements. The Annual Integrated Report is available on the Sappi website: www.sappi.com

C To consider and, if deemed fit, pass (with or without modification) the ordinary and special resolutions set out below:

1. 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 and 3 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 217.

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.

APPENDICES

In order for these ordinary resolutions numbers 1, 2 and 3 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 Ms ZN Malinga be and is hereby re-elected as a director of Sappi."

Ordinary resolution number 2
"Resolved that Mr V Moosa be and is hereby re-elected as a director of Sappi."

Ordinary resolution number 3
"Resolved that Mr RJM Renders be and is hereby re-elected as a director of Sappi."

Sir Nigel Rudd and Mr Peter Mageza will retire effective 07 February 2024 and have notified the board that they will not offer themselves for re-election.

2. Election of Audit and Risk Committee members
The following ordinary resolutions numbers 4 to 8 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 140).

Ordinary resolution number 4
"Resolved that Ms ZN Malinga[1] be and is hereby elected as a member (and chairperson) of the Audit and Risk Committee."

Ordinary resolution number 5
"Resolved that Dr B Mehlomakulu be and is hereby elected as a member of the Audit and Risk Committee."

Ordinary resolution number 6
"Resolved that Mr RJAM Renders[2] be and is hereby elected as a member of the Audit and Risk Committee."

Ordinary resolution number 7
"Resolved that Mr LL von Zeuner be and is hereby elected as a member of the Audit and Risk Committee."

Ordinary resolution number 8
"Resolved that Ms E Istavridis 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 AGM 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.

[1] *Subject to her re-election as a director pursuant to ordinary resolution number 1.*
[2] *Subject to his re-election as a director pursuant to ordinary resolution number 3.*

In order for ordinary resolutions numbers 4 to 8 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.

Mr Peter Mageza, member and chairperson of the Audit and Risk Committee notified the board that he will not offer himself for re-election to the board and as such, will not offer himself for re-election as member and chairperson of the Audit and Risk Committee. On 09 November 2023, Sappi announced that:

- Ms ZN Malinga would replace Mr Peter Mageza as chairperson of the Audit and Risk Committee effective from 08 February 2024, and
- Mr NL Sowazi was appointed as chairperson of the board effective from 08 February 2024 and as such has resigned as a member of the Audit and Risk Committee.

3. 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) 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 Specialists and that Ms Giuseppina Aldrighetti is not on the JSE list of disqualified individual auditors.

Ordinary resolution number 9

"Resolved that KPMG Inc. (with the designated registered auditor to be Ms Giuseppina Aldrighetti) be and is hereby re-appointed as the auditors of Sappi for the financial year ending September 2024 and remain in office until the conclusion of the next annual general meeting."

In order for this ordinary resolution number 9 to be adopted, the support of more than 50% of the voting rights exercised on the resolution by Shareholders present or represented by representative or proxy at the AGM and entitled to exercise voting rights on the resolution is required.

4. Remuneration policy

Ordinary resolution number 10

"Resolved that the company's remuneration policy as contained in the **Remuneration Report** in the Annual Integrated Report (see page 170), be and is hereby endorsed by way of a non-binding advisory vote."

5. Remuneration implementation report

Ordinary resolution number 11

"Resolved that the company's remuneration implementation report as contained in the **Remuneration Report** in the Annual Integrated Report (see page 170), be and is hereby endorsed by way of a non-binding advisory vote."

In terms of the JSE Listings Requirements, the company's remuneration policy and implementation report in regard to its remuneration policy must be tabled every year for separate non-binding advisory votes by the shareholders of the company at the AGM. In the event that any of the ordinary resolutions 10 or 11 is voted against by 25% or more of the votes exercised on them, the company shall engage with the dissenting shareholders in the manner set out in the Remuneration Report (see page 170).

Ordinary resolutions numbers 10 and 11 require the approval by more than 50% of the votes exercised on the resolutions by shareholders present or represented by proxy at the AGM, subject to the provisions of the Companies Act, the MOI and the JSE Listings Requirements. Ordinary resolutions numbers 10 and 11 are non-binding advisory votes.

6. Non-executive directors' fees

Special resolution number 1

"Resolved that, for the financial year 2024 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[2]	£319,940[2]
If South African resident		ZAR2 300 000[3]
If United Kingdom resident		
If United States of America resident		
If European resident		
Lead independent director		
If South African resident	ZAR747,088	ZAR795,649
If United Kingdom resident	£74,677	£77,664
If United States of America resident	US$112,804	US$117,316
If European resident	€99,157	€103,123
Other directors		
If South African resident	ZAR499,296	ZAR531,750
If United Kingdom resident	£49,739	£51,728
If United States of America resident	US$75,196	US$78,203
If European resident	€66,059	€68,701
2. Audit and Risk Committee fees[1]		
Chairperson		
If South African resident	ZAR518,459	ZAR552,159
If United Kingdom resident	£50,506	£52,526
If United States of America resident	US$77,882	US$80,997
If European resident	€67,066	€69,749
Other directors		
If South African resident	ZAR259,235	ZAR276,085
If United Kingdom resident	£25,397	£26,413
If United States of America resident	US$38,035	US$39,556
If European resident	€33,713	€35,062

	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	ZAR311,707	ZAR331,968
If United Kingdom resident	£30,012	£31,212
If United States of America resident	US$44,506	US$46,286
If European resident	€39,843	€41,437
Other directors		
If South African resident	ZAR162,223	ZAR172,767
If United Kingdom resident	£21,027	£21,868
If United States of America resident	US$27,183	US$28,270
If European resident	€27,923	€29,040
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	ZAR50,057 per meeting	ZAR53,311 per meeting
If United Kingdom resident	£4,934 per meeting	£5,132 per meeting
If United States of America resident	US$7,515 per meeting	US$7,816 per meeting
If European resident	€6,543 per meeting	€6,805 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.*

[3] *Mr NL Sowazi, a South African resident was appointed as chairperson of the Sappi Limited board effective from 08 February 2024. This fee is inclusive of all board committee fees.*

Sappi's practice, as advised previously, is to review directors' fees annually. Special resolution number 1 increases the remuneration currently paid to non-executive directors and board committee members. 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 6.5% per annum, depending on the domicile of the director, for the financial year 2024. 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.

The current Chairman, Sir Nigel Rudd, and Mr Peter Mageza, will retire from the Sappi Limited board on 07 February 2024. As announced, the board has approved the appointment of Mr NL Sowazi as the future Chairman of the board. Mr Sowazi will take over as chair from 08 February 2024 after completing a detailed handover process. Sappi used Mercer to assist with a recommendation on the appropriate fee levels for the new Chairman. Details of the fee can be found on pages 184 to 185 of the **Remuneration Report**.

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 2023 onwards. Initially the December 2023 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 2023 payment will be made up in the March 2024 payment.

Directors' fees and board committee fees are paid to non-executive directors only.

In order for this special resolution number 1 to be adopted, the support of at least 75% of the voting rights exercised on the resolution by Shareholders present or represented by representative or proxy at the AGM and entitled to exercise voting rights on the resolution is required."

7. Loans or other financial assistance to related or inter-related companies

The Companies Act provides that the board of directors of a company may authorise that company to provide direct or indirect financial assistance (which includes, without limitation, lending money, guaranteeing a loan or other obligation and securing any debt or obligation) to a related or inter-related company, provided that such authorisation shall be made pursuant to a special resolution of the Shareholders adopted within the previous two years, which approved such assistance either for the specific recipient or generally for a category of potential recipients and the specific recipient falls within that category. The board of directors of a company can only approve financial assistance if it is satisfied that:

i. Immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test contained in the Companies Act, and
ii. The terms under which the financial assistance is proposed to be given are fair and reasonable to the company.

Special resolution number 2

"Resolved that the board be and is hereby authorised, in accordance with and subject to the requirements of the Companies Act, the JSE Listings Requirements and the company's MOI, 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 or becomes from time to time related or inter-related to the company on such terms and conditions and in such amounts as the board may determine, 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."

In order for this special resolution number 2 to be adopted, the support of at least 75% of the voting rights exercised on the resolution by Shareholders present or represented by representative or proxy at the AGM and entitled to exercise voting rights on the resolution is required.

8. General authority to repurchase shares

Special resolution number 3

"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 MOI
(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 its 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 effect 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 September 2023
- 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 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.

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 3, 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 140 and 141of the Annual Integrated Report, collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution number 3 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 has been no material change in the financial or trading position of the company and the group since the financial year ended September 2023.

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 3. 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.

9. Signature of documents

Ordinary resolution number 12

"Resolved that any director and the 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 12 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.

E 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 subregister 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 subregister), 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, 05 February 2024.

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 the AGM, 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
  - 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), and
- 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, 05 February 2024. 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, 05 February 2024, 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, 06 February 2024, or
- After 14:00 (South African Standard Time) on Monday, 05 February 2024 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
- 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, or
- Loss of network connectivity or other network failure due to insufficient airtime, internet connectivity, internet bandwidth and/or power outages which prevents any shareholder from participating in and/or voting at the AGM.

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, 26 January 2024 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

14 December 2023

Notes

1. Directors retiring by rotation who are seeking re-election

Zola Nwabisa Malinga (45)
(Independent)

Qualifications: BCom, CA(SA)
Nationality: South African
Appointed: October 2018

Sappi board committee memberships
Audit and Risk Committee

Other board and organisation memberships
Grindrod Bank Limited
Grindrod Financial Holdings Limited
Pepkor Holdings Limited
St Marys School Foundation

Skills, expertise and experience
Ms Malinga is a Chartered Accountant and has extensive experience in investment banking, real estate, corporate finance and governance. She is the founder and Executive Director of Jade Capital Partners, a women-owned investment company with a portfolio of investments in the property and industrial sectors. Ms Malinga is a non-executive director of Grindrod Bank Limited where she chairs the audit and compliance committee, Grindrod Financial Holdings Limited and Pepkor Holdings Limited. Ms Malinga previously served as a non-executive director on Sasol Inzalo Limited, Hospitality Property Fund Limited and Grindrod Limited's boards.

Mohammed Valli Moosa (Valli) (66)
(Independent)

Qualifications: BSc (Mathematics and Physics)
Nationality: South African
Appointed: August 2010

Sappi board committee memberships
Social, Ethics, Transformation and Sustainability Committee (Chairman)
Nomination and Governance Committee

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. He has extensive leadership experience in the public and private sector. He is also an international expert on sustainable development and climate change.

Mr Moosa previously served as Chairman of the world's biggest platinum producer, Anglo Platinum Limited and as Chairman of Sun International Limited. He served on the boards of the financial services group, Sanlam Limited, which has operations in South Africa, India, the UK and in numerous African countries. He served on the board of transport and logistics company, Imperial Holdings, which had operations in Sub-Saharan Africa, Brazil, the Netherlands, Germany and the UK. He participated in establishing two Johannesburg-based private equity funds and the investment house, Lereko Investments.

He was South African Minister of Constitutional Development; the President of the International Union for the Conservation of Nature; Chairman of the United Nations Commission for Sustainable Development; Chairman of the World Wide Fund for Nature South Africa and he served as a member of the National Executive Committee of the African National Congress until 2009 and currently serves on the Steering Committee of the Tokyo-based Innovation for a Cool Earth Forum. He serves on the Presidential Climate Commission as Deputy Chairperson to President Ramaphosa.

Robertus Johannes Antonius Maria Renders (Rob Jan) (70)
(Independent)

Qualifications: MSc (Mechanical Engineering), MDP
Nationality: Dutch
Appointed: October 2015

Sappi board committee memberships
Human Resources and Compensation Committee
Audit and Risk Committee

Other board and organisation memberships
Walki Group Oy (Chairman)
MEPCO Middle East Paper Company (MEPCO) Member of the Executive committee and Chairman Nomination and Remuneration committee.

Skills, expertise and experience:
Mr Renders is a business consultant. He was a board member of Duropack GmbH from 2012 until the end of May 2015, as well as CEO of Duropack from May 2013 until May 2015. From 2006 to 2010, he served as Chairman of OTOR Société Anonyme, a leading packaging provider in France. Between 1989 and 2006, he held various positions at Svenska Cellulosa Aktiebolaget (SCA), a leading global producer of hygiene products and packaging solutions, including Mill Manager at SCA Packaging De Hoop, Managing Director of SCA Packaging De Hoop, President of SCA Packaging Containerboard, President of SCA Packaging Europe and Senior Vice President Special Project Global Packaging for SCA Group. He has various consulting positions and is also the Chairman of the Supervisory Board of Walki Group Oy based in Espoo (Finland), a company specialising in sustainable packaging and engineered material solutions. Since November 2022, Mr Renders accepted a board position at MEPCO based in Jeddah, Saudi Arabia. A leading paper manufacturer, packaging and tissue, and recovered paper collection company in the Middle East

Shareholders' diary

Annual general meeting	07 February 2024
First quarter results released	February 2024
Second quarter and half-year results released	May 2024
Third quarter results released	August 2024
Financial year-end	September 2024
Preliminary fourth quarter and year results	November 2024
Annual Integrated Report posted to shareholders and posted on website	December 2024

Proxy form

for the Annual General Meeting

Sappi Limited
(Registration number: 1936/008963/06)
JSE share code: SAP
ISIN: ZAE000006284
(Sappi or the company)

Capitalised (defined) terms have the meanings given to such terms in the Notice of AGM, to which this proxy form is attached.

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 subregister 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 subregister)).

If you are unable to attend the eighty-seventh (87th) AGM of the company to be held at 14:00 (South African Standard Time) on Wednesday, 07 February 2024 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 AGM 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 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, 05 February 2024. 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 to 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 Ms ZN Malinga as a director of Sappi			
Ordinary resolution number 2 – Re-election of Mr V Moosa as a director of Sappi			
Ordinary resolution number 3 – Re-election of Mr RJM Renders as a director of Sappi			
Election of Audit and Risk Committee members			
Ordinary resolution number 4 – Election of Ms ZN Malinga as a member and chairperson of the Audit and Risk Committee			
Ordinary resolution number 5 – Election of Dr B Mehlomakulu as a member of the Audit and Risk Committee			
Ordinary resolution number 6 – Election of Mr RJAM Renders as a member of the Audit and Risk Committee			
Ordinary resolution number 7– Election of Mr LL von Zeuner as a member of the Audit and Risk Committee			
Ordinary resolution number 8 – Election of Ms E Istavridis as a member of the Audit and Risk Committee			
Ordinary resolution number 9 – Re-appointment of KPMG Inc. as auditors of Sappi for the financial year ending 30 September 2024 and until the conclusion of the next annual general meeting of Sappi			
Ordinary resolution number 10 – Non-binding endorsement of remuneration policy			
Ordinary resolution number 11 – Non-binding endorsement of remuneration implementation report			
Special resolution number 1 – Non-executive directors' fees			
Special resolution number 2 – Loans or other financial assistance to related or inter-related companies			
Special resolution number 3 – General authority to repurchase shares			
Ordinary resolution number 12 – 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 proxy form

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, 05 February 2024:

   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, and
- A proxy is entitled to exercise, or abstain from exercising, any voting right of the shareholder without direction, except to the extent the form of proxy provides otherwise.

Administration

Sappi Limited

Registration number:
1936/008963/06
JSE code: SAP
ISIN code: ZAE 000006284

Group Company Secretary

Ami Mahendranath

Secretaries

Sappi Southern Africa Limited
108 Oxford Road
Houghton Estate
Johannesburg, 2198
South Africa

PO Box 52264
Saxonwold, 2132
South Africa

Tel +27 (0)11 407 8464
Ami.Mahendranath@sappi.com
www.sappi.com

Transfer Secretaries

Computershare Investor Services
Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank, 2196
South Africa

Private Bag X9000
Saxonwold, 2132
South Africa

Tel +27 (0)11 370 5000
Fax +27 (0)11 688 5238
proxy@computershare.co.za
www.computershare.com

Corporate Affairs

André Oberholzer
Group Head Corporate Affairs
Tel +27 (0)11 407 8044
Andre.Oberholzer@sappi.com

Investor Relations

Tracy Wessels
Group Head Investor Relations and Sustainability
Tel +27 (0)11 407 8391
Tracy.Wessels@sappi.com

JSE Sponsor

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 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.