



# Sappi Sustainable Finance Framework

*We're unlocking the power of renewable resources to meet the needs of the planet and people while seeding prosperity for all. Together, we're building a thriving world with a biobased, circular economy. In a warming world with increasingly scarce resources, making sustainable solutions is not just our responsibility. It's an opportunity that we're embracing with a spirit of eco-effective ingenuity that's unique to Sappi.*



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## 1. Statement of Purpose

This document outlines the framework under which the Sappi Group (“Sappi”) intends to issue sustainability-linked financing instruments (the “Framework”). This Framework will serve as the basis for future renditions, based on which sustainability linked financing may be executed. The proceeds of such instruments would be directed towards supporting and achieving the Group’s environmental and social objectives as they align with Sappi’s Group Sustainability Charter.

Sappi intends to expand the Framework with use-of-proceeds elements at a later stage. For the time being, only sustainability-linked structures are covered.

Sappi’s approach to sustainability is based on a holistic view **of Prosperity, People and Planet** and is underpinned by our value statement: *At Sappi we do business with Integrity and Courage; making Smart decisions which we execute with Speed. Our values are underpinned by an unrelenting focus on and commitment to safety.*

### Prosperity



#### Intellectual capital

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



#### Financial capital

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



#### Manufactured capital

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

### People



#### Human capital

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



#### Social and relationship capital

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

### Planet



#### Natural capital

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





## 2. Sustainability Commitment

For details see: <https://www.sappi.com/sustainability-and-impact>

## 2.1. Sappi Overview

Sappi is a leading global provider of sustainable wood fibre products and solutions, in the fields of Dissolving pulp, Printing papers, Packaging and speciality papers, Casting and release papers and Bio-energy. As a company that relies on renewable natural resources, sustainability is at our core. Together with our partners, we are moving quickly toward a more circular economy.

Sappi works to build a thriving world by acting boldly to support the planet, people and prosperity. Our products are manufactured from wood fibre sourced from sustainably-managed forests and plantations, in production facilities powered, in many cases, with bio-energy from steam and existing waste streams and many of our operations are energy self-sufficient.

Our products include raw material offerings (such as dissolving pulp (DP), wood pulp and biomaterials) and end-use products (packaging and speciality papers, graphic papers, casting and release papers and forestry products).

Sappi has 12,495 employees in over 35 countries and manufacturing operations on three continents. Sappi has following production capabilities:

- 5.5m tons of paper
- 2.6m tons of paper pulp
- 1.5m tons of dissolving pulp

Sappi also owns and leases 399,996 ha sustainably managed forests in South Africa.

Our market-leading product range is sold and distributed to our direct and indirect customer base across more than 150 countries. These figures place Sappi amongst the world's largest producers in the pulp and paper industry.



Sappi has production facilities in North America, Europe and South Africa.

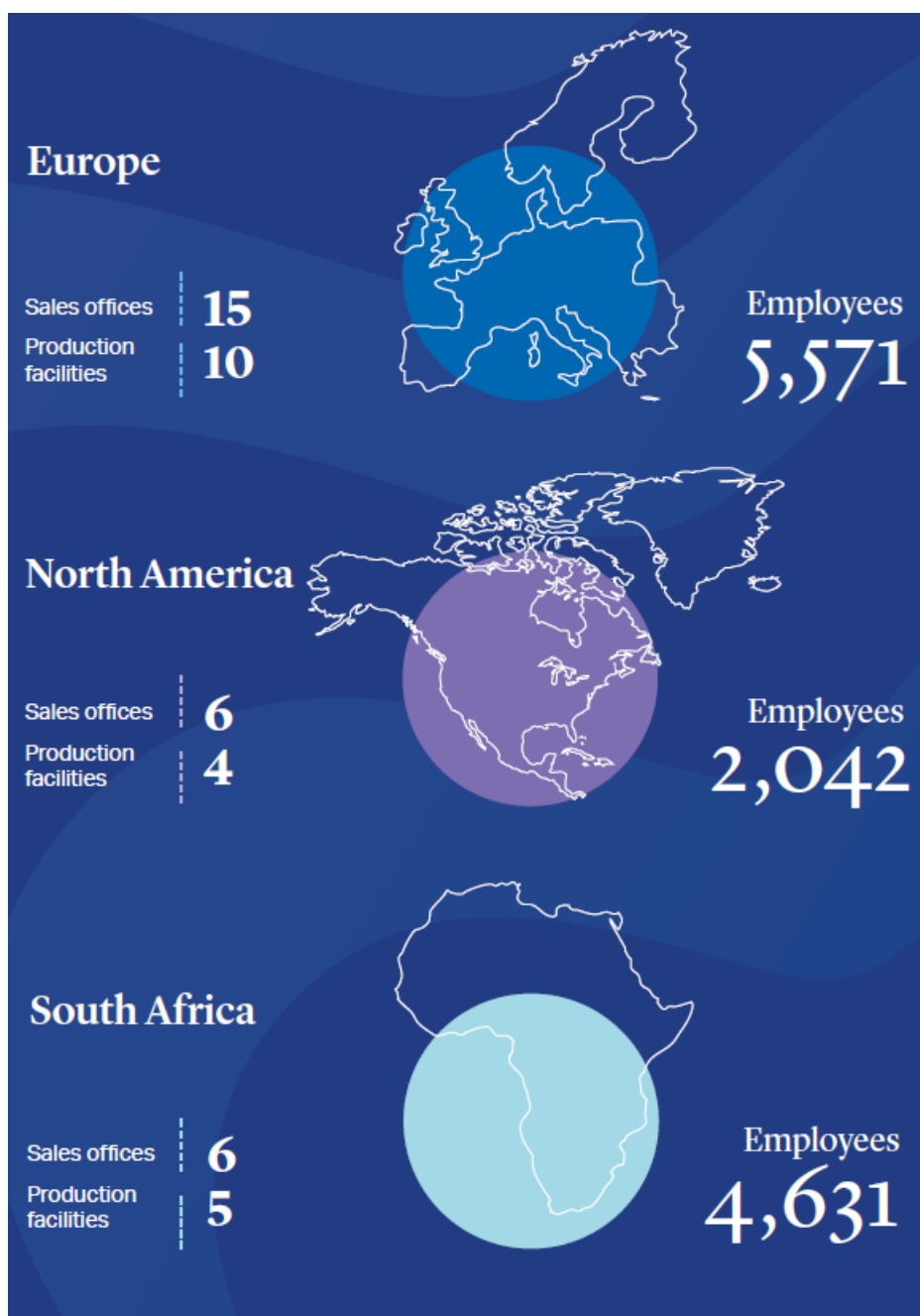
In addition, Sappi Trading operates a network for the sale and distribution of our products outside our core operating regions of North America, Europe and South Africa. Sappi Trading also coordinates our shipping and logistical functions for exports from these regions.

#### **Sales offices**

Hong Kong  
Bogotá  
Johannesburg  
México City  
Nairóbi  
São Paulo  
Shanghai  
Sydney

#### **Logistics offices**

Durban



## 2.2. **Sustainability Strategy**

Sustainability is at the core of Sappi's identity. The long-term vision of Sappi is to be a sustainable business that provides relevant solutions, delivers enhanced value, and is a trusted partner to all our stakeholders. Through collaboration and innovation, we will grow profitably, using our strength as a sustainable and diversified, global wood fibre group, focused on dissolving pulp, graphic, packaging and speciality papers, and biomaterials.

Sustainability is at the heart of our Key Material Issues<sup>1</sup>:


In 2015, through our 2020Vision and One Sappi strategic approach, the company set ambitious sustainability targets, including regional goals, with a base year of 2014. Having reviewed and evaluated our performance with regards to our 2020Vision target, we are proud to report the following improvements:


- 11.5% reduction in intensity of Scope 1 and 2 GHG emissions
- 18.1% reduction of specific water use in water stressed locations
- 83% certified timber delivered to our manufacturing plants


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<sup>1</sup> See graph on the last page in the appendix. For more information on our Key Material Issues please refer to pages 68 – 162 of our 2022 Sustainability Report.

In order to improve on our performance so far, Sappi has committed itself to new goals by 2025, under its Thrive25 business strategy, with a baseline year of FY2019:


	<b>SDG 6</b> <b>Clean water and sanitation</b>	2025 Global Target	South Africa	North America	Europe
	Reduce specific water use in water stressed locations	23%	23%	-	-


	<b>SDG 7</b> <b>Renewable and clean energy</b>	2025 Global Target	South Africa	North America	Europe
	Increase share of renewable and clean energy	8% pts	7% pts	Within 5% of baseline (79.05%) or higher	11%
	Decrease specific total energy	5%	9%	5%	5%

	<b>SDG 8</b> <b>Decent work and economic growth</b>	2025 Global Target	South Africa	North America	Europe
	Achieve zero workplace injuries (LTIFR) from own employees and contractors	Zero Injuries	Zero Injuries	Zero Injuries	Zero Injuries
	Increase proportion of women in management roles	3.7% pts	3.1% pts	4% pts	5.8% pts
	Share of procurement spend with declared compliance with Supplier Code of Conduct	80%	80%	80%	80%
	Participation in Employee Engagement Survey	>85%	>85%	>85%	>85%
	Percentage of staff fully engaged with our business	>75%	>75%	>75%	>75%
	Return on capital employed (ROCE)	2% Above WACC	-	-	-
	<b>Return on net operating assets (RONOA)</b>	-	<b>2% Above WACC</b>	<b>2% Above WACC</b>	<b>2% Above WACC</b>



	<b>SDG 12</b> <b>Responsible Consumption and Production</b>	2025 Global Target	South Africa	North America	Europe
	Launch products with defined sustainability benefits	25 products	5 products	5 products	15 products
	Reduce specific landfilled solid waste	15%	24%	10%	5%
	Promote sustainable growth in our plantations Annual growth in million tons	-	> 4	-	-



 <b>SDG 13</b> <b>Climate action</b>	2025 Global Target	South Africa	North America	Europe
Decrease specific GHG (Scope 1 + 2) emissions	18%	20%	5%	25%
Decrease specific purchased fossil energy	-	21%	-	-

 <b>SDG 15</b> <b>Life on land</b>	2025 Global Target	South Africa	North America	Europe
Share of certified fibre	>75%	>82%	>55%	>78%
Enhance biodiversity in conservation areas	-	10% improvement	-	-

### Additional Priority SDGs in South Africa

  <b>SDG 1 +SDG 4</b> <b>No poverty + quality education</b>	2025 Global Target	South Africa	North America	Europe
Advance Broad-based Black Economic Empowerment (BBBEE)	-	Level 1	-	-

Aside from being a member of the FTSE4Good Index Series and a signatory to the United Nations Global Compact, Sappi is committed to ensuring that its long-term operations align with the United Nations Sustainable Development Goals ('SDGs'). Of the 17 SDGs, Sappi identified seven where it can make the most material contributions which are depicted in the table above.

To measure Sappi's climate impact in the most effective manner, the company committed itself to setting science-based targets through the Science Based Targets initiative (SBTi) in June 2020. The SBTi is a collaboration between Carbon Disclosure Project (CDP), the United Nations Global Compact, World Resources Institute (WRI) and the World-Wide Fund for Nature (WWF).

### 2.3. Sustainability Ratings and Certifications

Being active in particularly sustainability-sensitive industries and regions, Sappi has regularly been evaluated on its impact on the environment.

Sappi has obtained the following certifications:



Sappi Forests: 100% FSC certified

Sappi Forests: 100% PEFC certified



Awarded Platinum Level in sustainability performance by independent rating agency EcoVadis (2022)



Rated 'Prime' by Oekom Research, improved from C+ to B- (December 2022)



Report to the CDP ([www.cdp.net/en](http://www.cdp.net/en)) under its *climate change* (2022 B), *forest* (2022 A-) and *water* (2022 B-) programmes, making our responses publicly available



Confirmed as a constituent of the FTSE4Good Index Series (July 2022)



Validated Science Based GHG reduction target



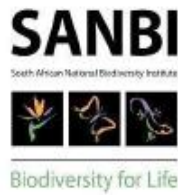
MSCI rating improved to A (May 2022)



Sappi Southern Africa is a Level 1 Broad-Based Black Economic Empowerment contributor



Sappi also builds and activates mutual beneficial partnerships:



Partnered with SANBI to officially proclaim the Roelton Blue Swallow site (120 ha) within the Sappi Sutton Plantation as a nature reserve in April 2021.



Partnering with forestry sector peers to define a roadmap to net zero for the sector



Partnering with EcoVadis, to assess the sustainability performance of Sappi's suppliers through proactive ratings and evaluations using EcoVadis' methodology



Partnering with WWF South Africa in a water stewardship project in the uMkhomazi catchment area.



Joined the Circular Bioeconomy Alliance

Supporting the mandate and activities of the alliance, especially in contributing to the development of a Living Labs initiative in Africa.

In addition, Sappi has obtained the following certifications:

- **ISO 9001:2015** - Quality management
- **ISO 14001:2015** - Environmental management
- **ISO 22000:2005** - Food safety management
- **ISO 45001:2018** - Occupational health and safety management
- **ISO 50001:2011/2018** - Energy management
- **OHSAS 18001:2007** - Occupational health and safety management
- **EN 15593:2008** - Management of hygiene in the production of packaging for foodstuffs

Sappi's papers are produced in mills accredited with the following certifications:

**ISO 9001    ISO 14001**  
**ISO 50001    ISO 45001**

## 2.4. Governance and Sustainability

Sappi has taken extensive measures to ensure the continued incorporation of its sustainability strategy into its corporate managerial- and executive-level decision-making processes. This approach is reflected on multiple governance levels. Through the incorporation of Sappi's Regional Sustainable Councils (RSCs) across Europe, North America and South Africa, our company is able to streamline decision-making processes and translate macro-level sustainable strategy into material solutions customized to local needs. Having all regions individually contribute to the discussion on Sappi's sustainability strategy allows for the consideration of a greater variety of perspectives, which helps the company identify its most crucial targets.

The Group's Regional Sustainable Councils (RSCs), in Europe, North America and South Africa, are responsible for establishing and implementing our on-the-ground sustainability strategy. Their work is overseen and reviewed by the Group Sustainability Development Council (GSDC). The GSDC reviews key trends and developments together with strategy and implementation and makes recommendations that are fed through to the Social, Ethics, Transformation and Sustainability (SETS) Committee and ultimately, to the Sappi Limited board of directors. The SETS 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 (CSI), ethical conduct, diversity, transformation and empowerment initiatives and targets ongoing sustainability practices. The responsibilities include monitoring the company's activities, having regard to any relevant legislation, other legal requirements and prevailing codes of best practice.

The 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, together with the Audit and Risk Committee, is to assist the board with the oversight of sustainability issues within the company and to provide guidance to management's work in respect of its duties. The chairman of the SETS Committee has served as the President of the International Union for the Conservation of Nature; Chairman of the UN Commission for Sustainable Development; Chairman of the World Wildlife Fund South Africa (WWF-SA) and currently serves as the deputy chair of the South African President's Climate Change Commission.



Sappi's Sustainability governance structure:



Sappi has also established the Sappi Sustainable Financing Committee (“SSFC”) which will hold ultimate responsibility and accountability for this Framework including compliance throughout the life of all Sappi sustainable debt issuances. The committee meets twice a year or when projects are approved that require financing. The SSFC will manage any future updates to this Framework, including the list of Eligible Categories for use of proceeds financing, and oversee its implementation.

The SSFC includes representatives from Sappi’s Sustainability, Treasury, Compliance and Finance departments. Treasury will chair the committee meetings and is responsible for updating this document.

Treasury in collaboration with Sustainability will assess all financing structures from the perspective of use-of-proceeds and decide whether the facility will be a “Green”, “Social” or “Sustainability-linked” facility.





### 3. Sappi Sustainable Finance Framework



### 3.1. Sustainability-Linked Financing

Sustainability-linked financing solutions serve the purpose of creating a bridge between Sappi's funding and sustainability strategies. Through this Framework, Sappi prescribes the methodology and associated procedures to be applied in determining the sustainability-related characteristics of Sappi's forthcoming financing solutions, covering both loan and bond instruments.

### 3.2. Sustainability-Linked Financing Instruments

#### 3.2.1. Sustainability-Linked Bonds

Sappi's Sustainable Finance Framework has been created in accordance with the Sustainability-Linked Bond Principles 2020 ("SLBP"), a voluntary process guideline drafted by the International Capital Market Association ("ICMA"). The purpose of sustainability-linked bonds is to encourage companies to utilize capital markets as a means to further their efforts to create a more sustainable business. These principles provide guidelines on structuring, disclosure practices and reporting mechanisms. Our framework is in alignment with the five core components of the "SLBP":


- I. Selection of Sustainability Performance Targets (SPTs)
- II. Calibration of Sustainability Performance Targets (SPTs)
- III. Bond characteristics
- IV. Reporting
- V. Verification

#### 3.2.2. Sustainability-Linked Loans

Similar to its sustainability-linked bond instruments, Sappi is committed to align this Framework with the Sustainability-Linked Loan Principles 2021 ("SLLP"), a set of voluntary guidelines drafted by the Loan Market Association ("LMA"). The purpose of the guidelines is the promotion of the development and the preservation of the integrity of sustainability-linked loan instruments. The Principles are designed to be applied by market participants on a deal-by-deal basis, allowing for a greater degree of flexibility to suit the underlying characteristics of a given transaction. The core components outlined under the "SLLP" are substantially similar to the ones of the "SLBP".

### 3.3. Selection of Key Performance Indicators (KPIs)

KPIs should be relevant to the company's overall business strategy, quantifiable, verifiable and benchmarked. Sappi has selected KPIs that are measurable or quantifiable on a consistent methodological basis, externally verifiable, and that are able to be benchmarked to a certain extent with peers in the sector.


KPI #1	<b>Decrease specific GHG (Scope 1 + 2) emissions by 18%</b>		
Definition	Reduce ratio of absolute Scope 1 + 2 GHG emissions (kg of CO <sub>2</sub> e) divided by saleable production (adt) by 18% in 2025 with a baseline of 2019.		
Scope	Sappi Group		
Rationale	Taking urgent and appropriate actions to combat climate change impacts is a shared responsibility. We are focused on the continued reduction of Sappi's greenhouse gas emissions.		
Reporting Periodicity and Review	Annually, KPI performance will be included in the Sappi Group Sustainability report. Sappi's external auditor will provide a limited assurance report regarding such KPI performance information.		
Historical Data	Sappi Group Scope 1 + 2 emissions (tons CO <sub>2</sub> e/adt <sup>2</sup> ):		
		Absolute GHG emissions t CO <sub>2</sub> e	Saleable production adt
	2018	5,928	6,475,708
	2019	5,898	6,688,064
	2020	5,226	5,778,794
	2021	5,283	6,299,493
	2022	5,318	6,657,941
Contribution to SDG			

For now, the above KPI and the science-based target is focused on Scope 1 and 2. Scope 3 emissions are defined as indirect emissions not included in Scope 2, occurring from sources that we do not own or control and covering emissions along the value chain. Our Scope 3 carbon footprint is based on guidelines provided by the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (also referred to as the Scope 3 Standard). Sappi is committed to acting responsibly throughout its entire value chain. Calculating Scope 3 emissions allows us to make decisions based on both price and the environmental performance of suppliers and


<sup>2</sup> air dry tons (ADT) – Meaning dry solids content of 90% and moisture content of 10%

service providers. Integrated and non-integrated mills are more comparable when the total Scope 1 + 2 + 3 emissions are considered. The GHG Protocol divides Scope 3 emissions into 15 categories. Sappi reports upstream emissions (Categories 1 to 7 comprising emissions from purchased goods and services, capital goods, fuel and energy related activities, upstream transportation and distribution, waste generated, business travel and employee commuting). Downstream emissions in Categories 8, 9 and 11 are not applicable to Sappi. We do not include Categories 10 and 12 downstream emissions as we are unable to reasonably estimate emissions associated with the various end uses of our products. We do not have line of sight to what the end product and end of life of our products will be.


While our science-based targets are focused on Scope 1 and 2 for now we are working on establishing Scope 3 targets in due course. This requires intensive work and research and once we set a target, we need to ensure that the target is ambitious and achievable. Scope 3 targets will be included in this KPI once set and verified.

KPI #2	Sourcing of certified fibre
Definition	Increase the proportion of certified fibre supplied to our mills annually to above 75%
Scope	Sappi Group
Rationale	With Sappi's excellence in sustainable forest management and commitment to stewardship, we aim to continue to increase our positive contribution to healthy landscapes. We practise sustainable forestry because it provides clean air and water, protects biodiversity and defends against climate change, among many other critical benefits. Forest certification validates our forest management practices and those of our suppliers in the well-managed forests and plantations from which we source wood fibre. We strive to increase the share of certified wood fibre supplied to our mills.
Reporting Periodicity and Review	Annually, KPI performance will be included in the Sappi Group Sustainability report. Sappi's external auditor will provide a limited assurance report regarding such KPI performance information.
Historical Data	Proportion of certified fibre supplied to our mills: 2018: 75% 2019: 75% 2020: 73% 2021: 77% 2022: 77%
Contribution to SDG	



<b>KPI #3</b>	<b>Reduce landfill waste by 15%</b>
Definition	Reduction of landfill solid waste disposal by 15% in 2025 with 2019 as base year.
Scope	Sappi Group
Rationale	Circular thinking, as practised by Sappi, goes beyond mere waste beneficiation. We approach our environmental impact from a holistic perspective grounded in life cycle thinking, from procurement of raw materials and energy through to manufacturing, design and the next life of our products. The benefits of this approach align with our purpose of contributing to a thriving world, one with less waste, lower costs and reduced environmental impact.
Reporting Periodicity and Review	Annually, KPI performance will be included in the Sappi Group Sustainability report. Sappi's external auditor will provide a limited assurance report regarding such KPI performance information.
Historical Data	Sappi Group Landfill waste: 2018: 0.064 t/adt 2019: 0.066 t/adt 2020: 0.061 t/adt 2021: 0.053 t/adt 2022: 0.052 t/adt
Contribution to SDG	



<b>KPI #4</b>	<b>Zero workplace injuries LTIFR: own employees</b>
Definition	LTIFR is the lost-time injury frequency rate, and is calculated by dividing the product of lost-time injuries and a group-wide standard for man hours worked, by the unit's man hours worked, i.e., $LTIFR = LTI * 200\,000 / \text{unit's actual man hours}$
Scope	Sappi Group
Rationale	We aim to provide a safe working environment in which our employees can reach their full potential. Safety is not only a moral imperative, but also an issue that affects productivity and hence, value add to all our stakeholders. Our approach to safety, a core value, is based on the principles of Project Zero – zero fatalities and zero injuries. In addition to addressing hazards in the workplace by means of the OHSAS 18001 and ISO 45001 related systems in place at all our pulp and paper mills, we also address 'at risk behaviour' of our employees through a behaviour-based safety (BBS) system.
Reporting Periodicity and Review	Annually, KPI performance will be included in the Sappi Group Sustainability report. Sappi's external auditor will provide a limited assurance report regarding such KPI performance information.
Historical Data	Sappi Group LTIFR: 2018: 0.55 2019: 0.71 2020: 0.43 2021: 0.48 2022: 0.37
Contribution to SDG	






### 3.3.1. Sappi Southern Africa Key Performance Indicators

As a multinational corporate, Sappi recognises that sustainability focus areas and challenges may differ across our regions. Sappi Southern Africa is an integral part of the global business that raises funding in local currency for the local South African business. Material sustainability objectives in the region include water stewardship, clean energy, responsible waste management, and responsible consumption and production. To ensure meaningful contribution to the SDGs in the region, Sappi has selected the following KPI's for Sappi Southern Africa's debt facilities:

- KPI #1 (Group target): Decrease specific GHG (Scope 1 + 2) emissions
- KPI #3 (Group target): Reduce landfill waste
- KPI #5 (SSA target): Reduce specific process water usage in South Africa
- KPI #6 (SSA target): Sourcing of certified fibre in South Africa


KPI #1 is material in the region as South Africa is a significant contributor to our overall emissions. Reducing waste to landfill is imperative in the region, as availability of landfill sites is diminishing (KPI #3). KPI #5, water management, is a material initiative in the region, as it is classified as water scarce and KPI #6 is of great importance as healthy, resilient and sustainable forests are the foundation of our business.

<b>KPI #5 (SSA)</b>	<b>Reduce specific process water usage in South Africa by 2025</b>
Definition	Reduce specific <b>process water usage in South Africa (m3/adt)</b> by 23% in 2025 with 2019 as the base year.
Scope	Sappi Southern Africa (SSA)
Rationale	<p>Water is essential for the health of the forests and plantations from which we source wood fibre. In addition, pulp and paper operations are highly dependent on the use and responsible management of water resources. Water is used in all major process stages of our production, as well as in the processes of cooling, materials transport, equipment cleaning, and various other purposes.</p> <p>South Africa is classified as a water-stressed country with uneven distribution of rainfall across the country. This creates varying challenges around access to clean water and sanitation for all and it is against this backdrop that responsible water stewardship is essential for Sappi and for a thriving world.</p>
Reporting Periodicity and Review	Annually, KPI performance will be included in the Sappi Group Sustainability report. Sappi's external auditor will provide a limited assurance regarding such KPI performance information.

Historical Data	Sappi Specific Purchased Water Consumption (million m <sup>3</sup> /adt):	
	Year	SSA
	2018	45.5
	2019	44.9
	2020	45.5
	2021	46.6
	2022	48.6
Contribution to SDG		

<b>KPI #6 (SSA)</b>	<b>Sourcing of certified fibre ≥82%</b>
Definition	Increase the proportion of certified fibre supplied to our mills annually to 82% or above
Scope	Sappi Southern Africa (SSA)
Rationale	<p>With Sappi's excellence in sustainable forest management and commitment to stewardship, we aim to continue to increase our positive contribution to healthy landscapes.</p> <p>In South Africa Sappi owns 399,996 ha of land, which traditionally accounts for 67% of the wood requirements for the mills.</p> <p>Ensuring certified fibre is used means we:</p> <ul style="list-style-type: none"> <li>i) make sure our own plantations are managed responsibly and 100% certified;</li> <li>ii) assist suppliers in getting certification to ensure that responsible practices are maintained in our value chain.</li> </ul> <p>Our FSC certification scheme not only delivers on environmental value but also supports socio-economic development for smaller land owners.</p> <p>In early 2021, Sappi was awarded the first ever PEFC forest management certificate in South Africa. This achievement validates that Sappi's forest management practices in South Africa meet the requirements for sustainable forest management set out in the PEFC-endorsed standard for the</p>



	<p>region – Sustainable African Forestry Assurance Scheme (SAFAS).</p> <p>The certification will enable Sappi to offer PEFC certified wood from our plantations in South Africa, giving further assurance to Sappi's local and global customers that the wood raw material originates from responsibly managed forests.</p>
Reporting Periodicity and Review	Annually, KPI performance will be included in the Sappi Sustainability report. Sappi's external auditor will provide a limited assurance report regarding such KPI performance information.
Historical Data	<p>Proportion of certified fibre supplied to our mills:</p> <p>2018: 82%</p> <p>2019: 82%</p> <p>2020: 83%</p> <p>2021: 85%</p> <p>2022: 85%</p>
Contribution to SDG	



### 3.4. Calibration of Sustainability Performance Targets (SPTs)

<b>SPT #1</b>	<b>Decrease specific GHG (Scope 1 + 2) emissions by 18%</b>
Benchmark	In June 2022 the SBT Initiative (SBTi) validated Sappi's 2030 reduction targets for Scope 1 and Scope 2 as consistent with a well below 2°C scenario. The SBTi certification is attached to the appendix.
Target Year	2025
Baseline Year	2019
Baseline Figure	883.4 kg CO <sub>2</sub> e/adt
Action Plan	<p>We continue to develop our climate strategy and have made significant progress in developing our near-term plans to mitigate our greenhouse gas emissions with the identification of key projects that will decarbonise our operational impact over the next five years.</p> <p>Those projects include, amongst others:</p> <ul style="list-style-type: none"> <li>• The recently completed €35 million phase 1 modernisation of the power plant boiler at Gratkorn Mill, Europe's largest paper mill. During the transitional phase, the new state-of-the-art boiler will run predominantly on natural gas. In FY2023 phase 2 will install the necessary biomass handling equipment to enable a full conversion to biomass.</li> <li>• Our capacity expansion project at Saiccor Mill involved conversion from calcium to magnesium pulping and was commissioned in FY2022. The technology used has enabled halving of fossil fuel emissions and a reduction in gas emissions of 40%.</li> </ul>
Calculation Methodology	<p>Sappi Group Scope 1 emission calculations based on the GHG Protocol, using IPCC emission factors (Chapter 2, Table 2.2, 2006<sup>3</sup>) and 5th Assessment GWP factors.</p> <p>Sappi Group Scope 2 emissions calculated based on the market-based method as defined by the GHG Protocol.</p>

SPT #2	Sourcing of certified fibre
Benchmark	Robust, internationally recognised and third-party verified forest certification systems are effective tools for promoting sustainable consumption and production, as well as combating deforestation and illegal logging through proof of legality and responsible practices. Accordingly, we strive to increase the amount of certified fibre supplied to our mills and prioritise responsible management on our plantations in South Africa.
Target Year	Annual
Baseline Year	2019
Baseline Figure	75% for every year
Action Plan	<p>All Sappi's mills in Europe, United States, and Canada are both Programme for the Endorsement of Forest Certification (PEFC) and Forest Stewardship Council (FSC), and in the United States also Sustainable Forestry Initiative (SFI) Chain of Custody (CoC) certified.</p> <p>Sappi's own tree plantations in South Africa are both PEFC and FSC-certified. The mills in South Africa are FSC CoC-certified and will achieve PEFC CoC certification soon. This approach enables us to offer a wide product portfolio of certified products and gives us full traceability of purchased wood-based raw material. In so doing, we hope to drive responsible production and consumption patterns and demand for wood-based products originating from certified forests.</p> <p>In 2022, 77% (2021: 77%) of all the wood-based raw material supplied to Sappi's mills originated from FSC or PEFC (incl. SFI) certified forests. In Europe, North America and South Africa, the share of certified wood fibre supplied in 2022 was respectively: 87% (2021: 87%), 59% (2021: 57%), and 85% (2021: 85%). Much of the wood fibre we use is dual certified.</p> <p>Actions undertaken to meet the target:</p> <p>We continue to participate in efforts to expand sustainable forestry practices and certification: SNA works closely with a variety of programmes dedicated to providing logger education and continuous education, including SFI State Implementation Committees, Maine Forest Products Council,</p>



	<p>Maine Tree Foundation, and numerous academic programmes (providing financial and in-kind support).</p> <p>In South Africa, we helped to develop the SAFAS and have also established a group FSC scheme for small and medium sized growers, paying growers in the scheme a premium for certified timber delivered. In FY2022, the scheme had 39 members representing a planted area of 45,600 hectares and 306,400 tons delivered. We are currently piloting SAFAS certification for small growers.</p>
Calculation Methodology	Annual confirmation and verification by KPMG of fibre sourcing.

<b>SPT #3</b>	<b>Reduce landfill waste by 15%</b>
Target Year	2025
Baseline Year	2019
Baseline Figure	65.9 kg/adt
Action Plan	<p>Projects to reduce landfill waste:</p> <ul style="list-style-type: none"> <li>Wastewater treatment sludge is a major contributor to specific landfilled solid waste at Somerset Mill in the USA. Typically, it's combusted as fuel, but when the mill is not running at optimal capacity, it is sent to landfill. A Lean Six Sigma (LSS) project team at the mill was tasked with minimising sludge sent to landfill and maximising sludge fuel value. By reviewing how the sludge moves through the mill systems, the team was able to identify periods in which the feed of sludge was disrupted or fully stopped. Utilising LSS Define, Measure, Analyse, Improve and Control (DMAIC) techniques, the team were able to isolate the factors contributing to the stoppage and improve the uptime of our sludge feed from a baseline of 90% to over 98%.</li> <li>The SA Government launched its EPR programme during 2021. It outlines a new approach to waste management for paper, packaging and some single use products, lighting and electrical and electronic equipment. The aim is to divert waste from landfills and increase recovery, recycling and reuse of materials. Sappi is a member of the Fibre Circle, the producer responsibility organisation created for the South Africa paper and paper packaging sector.</li> </ul>

<p>Calculation Methodology</p>	<p>Specific Landfilled solid waste (tons/adt) refers to the tons of waste sent to landfill onsite and off-site per adt of saleable production. Waste quantities are input in tons, with moisture content included (as is). In the case of landfilling, “on site” refers to a Sappi owned site whereas “off-site” refers to a non-Sappi owned site. The amount of waste being sent to landfill (on- and off site) is then calculated and reported with the following equation:</p> $\text{Specific landfilled solid waste (on\&off site)} \left( \frac{t}{adt} \right) = \frac{\left( \text{Landfilled on site} \left( \frac{t}{a} \right) + \left( \text{Landfilled off site} \left( \frac{t}{a} \right) \right) \right)}{\text{Saleable Production} \left( \frac{adt}{a} \right)}$ <p>With the amount of waste then being landfilled calculated with:</p> $\begin{aligned} &\text{Landfilled on site} \left( \frac{t}{a} \right) \\ &= \left( 1. \text{Bark from own operation landfilled on site} \left( \frac{t}{a} \right) \right) \\ &+ \left( 2. \text{Primary sludge from pulp and paper mill landfilled on site} \left( \frac{t}{a} \right) \right) \\ &+ \left( 3. \text{Secondary sludge from biological treatment landfilled on site} \left( \frac{t}{a} \right) \right) \\ &+ \left( 4. \text{Wood waste, sawdust, slivers landfilled on site} \left( \frac{t}{a} \right) \right) \\ &+ \left( 5. \text{Paper, board, packaging waste landfilled on site} \left( \frac{t}{a} \right) \right) \\ &+ \left( 6. \text{Other combustible waste landfilled on site} \left( \frac{t}{a} \right) \right) \\ &+ \left( 7. \text{Sodium sulphate rejects landfilled on site} \left( \frac{t}{a} \right) \right) \\ &+ \left( 8. \text{Slaker rejects landfilled on site} \left( \frac{t}{a} \right) \right) + \left( 9. \text{Lime mud landfilled on site} \left( \frac{t}{a} \right) \right) \\ &+ \left( 10. \text{Wires\&felts landfilled on site} \left( \frac{t}{a} \right) \right) + \left( 11. \text{Domestic waste landfilled on site} \left( \frac{t}{a} \right) \right) \\ &+ \left( 12. \text{Plastics\&Polystyrene landfilled on site} \left( \frac{t}{a} \right) \right) \\ &+ \left( 13. \text{Boiler ashes landfilled on site} \left( \frac{t}{a} \right) \right) \\ &+ \left( 14. \text{Hazardous waste landfilled on site} \left( \frac{t}{a} \right) \right) + \left( 15. \text{Used oil landfilled on site} \left( \frac{t}{a} \right) \right) \\ &+ \left( 16. \text{Other metals, iron, cans landfilled on site} \left( \frac{t}{a} \right) \right) \\ &+ \left( 17. \text{Oil contaminated waste landfilled on site} \left( \frac{t}{a} \right) \right) \\ &+ \left( 18. \text{All other waste, rolls, small chemicals landfilled on site} \left( \frac{t}{a} \right) \right) \\ &+ \left( 19. \text{Other waste, specify} \left( \frac{t}{a} \right) \right) + \left( 20. \text{Other waste, specify} \left( \frac{t}{a} \right) \right) \\ &- \left( \text{Waste reclaimed from landfill for beneficiation} \left( \frac{t}{a} \right) \right) \\ &- \left( \text{Waste used for capping purposes} \left( \frac{t}{a} \right) \right) \end{aligned}$
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	<p><i>Landfilled off site <math>\left(\frac{t}{a}\right)</math></i></p> <p><i>= same calculation as Landfilled on site, but all parameters just change to OFF site</i></p>
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<b>SPT #4</b>	<b>Zero workplace injuries LTIFR: own employees</b>
Target Year	2025
Baseline Year	2019
Baseline Figure	LTIFR of 0.71
Action Plan	<p>Consistent messaging around Project Zero and the 'I Value Life' safety campaign, including the maturing Stop, Think before you Act journey in Sappi Forests. Continuous sharing of incidents, near misses and best practices across the group.</p> <p>Examples of regional initiatives taken to meet our safety goals:</p> <ul style="list-style-type: none"> <li>• Establishing a standardised audit system based on the handbook, completing audits at Gratkorn and Alfeld Mills – a process which will be rolled out in the other operations going forward.</li> <li>• Introducing a new recognition initiative – 'Safety Star of the Week'</li> <li>• Sharing of Lesson Learnt High (Potential Near Misses) Near misses are logged and captured on the deviation system</li> <li>• Engaging regularly with employees, labour unions, contractors and communities and joint Safety Leadership Councils</li> </ul>
Calculation Methodology	Annual confirmation and verification by KPMG.



SPT #5 (SSA)	Reduce Specific process water usage in South Africa (m3/adt) by 23%																		
Target Year	2025																		
Baseline Year	2019																		
Baseline Figure	44.51m³/adt																		
Action Plan	<p>Our decision to establish water related Thrive25 targets in South Africa was based on stakeholders’ general perception that the country is facing high levels of water stress. This is based on devastating droughts in recent years and on the fact that South Africa’s average rainfall, at 490 mm per year, is half the world average.</p> <p>Examples of initiatives taken to meet our water use goals:</p> <ul style="list-style-type: none"><li>• The recently completed Saiccor expansion project includes a water saving capital investment that will improve Saiccor’s water efficiency by 17%. This is the largest and most strategic investment that will contribute materially to achieve our 2025 water target.</li><li>• We have finalised a Water Stewardship agreement with the World Wide Fund for Nature South Africa (WWF-SA), aimed at improving water security in the uMkhomazi catchment area.</li><li>• Furthermore, we have various smaller capital projects at each of our manufacturing sites to reduce steam usage and improve water efficiency.</li></ul>																		
Calculation Methodology	<p>Total water withdrawal includes water drawn for all purposes including water to process, water to communities and cooling water. Sources of withdrawn water includes rivers, own storage dams, ground water from boreholes and potable water.</p> <p>Total group water withdrawal and process water (included in the total) in (million m³/annum):</p> <table><tr><td>Year</td><td>Total Water</td><td>Process Water</td></tr><tr><td>2018</td><td>291.2</td><td>224.1</td></tr><tr><td>2019</td><td>299.6</td><td>231.4</td></tr><tr><td>2020</td><td>277.1</td><td>215.0</td></tr><tr><td>2021</td><td>287.1</td><td>220.5</td></tr><tr><td>2022</td><td>300.8</td><td>229.0</td></tr></table>	Year	Total Water	Process Water	2018	291.2	224.1	2019	299.6	231.4	2020	277.1	215.0	2021	287.1	220.5	2022	300.8	229.0
Year	Total Water	Process Water																	
2018	291.2	224.1																	
2019	299.6	231.4																	
2020	277.1	215.0																	
2021	287.1	220.5																	
2022	300.8	229.0																	

	<p>Specific process water extracted relates directly to our manufacturing activities and the process to produce our products. It is therefore measured against the saleable production manufactured (adt). Process water drawn by Sappi South Africa measured in m3/adt since 2018 is as follows:</p> <table border="1"> <thead> <tr> <th>Year</th><th>SSA Process Water (m3/adt)</th></tr> </thead> <tbody> <tr> <td>2018</td><td>45.5</td></tr> <tr> <td>2019</td><td>44.9</td></tr> <tr> <td>2020</td><td>45.5</td></tr> <tr> <td>2021</td><td>46.6</td></tr> <tr> <td>2022</td><td>48.6</td></tr> </tbody> </table> <p>Important to note is that 97% of extracted water is returned to the source after the manufacturing process.</p> <p>Annual external assurance report by KPMG.</p>	Year	SSA Process Water (m3/adt)	2018	45.5	2019	44.9	2020	45.5	2021	46.6	2022	48.6
Year	SSA Process Water (m3/adt)												
2018	45.5												
2019	44.9												
2020	45.5												
2021	46.6												
2022	48.6												

<b>SPT #6 (SSA)</b>	<b>Sourcing of certified fibre ≥82%</b>
Target Year	2025
Baseline Year	2019
Baseline Figure	81.9%
Action Plan	<p>Sappi Southern Africa's own tree plantations are both PEFC and FSC-certified. The mills in South Africa are also FSC CoC-certified. This approach enables us to offer a wide product portfolio of certified products and gives us full traceability of purchased wood-based raw material. In so doing, we hope to drive responsible production and consumption patterns and demand for wood-based products originating from certified forests.</p> <p>Sappi's own forest plantation are not totally sufficient to meet the demand of Sappi South Africa's operations. While there is a high level of vertical integration a portion of the annual wood requirements has to be purchased from third parties. Certified wood sources are a priority and are purchased whenever possible.</p>

	<p>In 2022, 85% (2021: 85%) of all the wood-based raw material supplied to Sappi's mills originated from FSC or PEFC (incl. SFI) certified forests. Much of the wood fibre we use is dual certified. With the continued expansion of our mills and subsequent growth of our business, there will be an increased demand for wood fibre in our supply chain. As a result, to maintain this target, deliberate effort will be required from us.</p> <p>Actions undertaken to meet the target:</p> <ul style="list-style-type: none"> <li>• In South Africa, we operate a FSC group scheme, which offers FSC certification for 42 private members with 41,000 ha of land as at the end of FY2022. We offer growers in this scheme a premium for certified timber, thereby encouraging them to invest in sustainable management practices.</li> <li>• In South Africa, we helped to develop the SAFAS and have also established a group FSC scheme for small and medium sized growers, paying growers in the scheme a premium for certified timber delivered. In FY2022, the scheme had 39 members representing a planted area of 45,600 hectares and 306,400 tons delivered. We are currently piloting SAFAS certification for small growers.</li> </ul>
Calculation Methodology	Annual external assurance report by KPMG.





### **3.5. Characteristics of Financial Instruments**

Sappi intends to issue sustainability-linked instruments for general corporate purpose incorporating one or multiple KPIs defined in the section “Selection of Key Performance Indicators (KPIs)”. The financial and/or structural characteristics may vary depending on the Sustainability-linked Financing Instrument as defined in section 3.2. The final terms of the instruments may include coupon step-ups, coupon step-downs and/or higher repayment amounts. The frequency of SPTs measurement will depend on the Sustainability-linked Financing Instrument, but will be conducted at least once a year.

### **3.6. Reporting**

Sappi has been publishing its annual sustainability report for over 10 years, the contents of which are aligned with the company’s annual integrated reports. Non-financial disclosures are published on Sappi’s website. These documents are prepared in line with the Global Reporting Initiative’s (GRI) standards. In its 2022 Group Sustainability Report, Sappi commissioned KPMG South Africa to undertake a limited assurance engagement with regards to Sappi’s performance on the following SPTs: Direct emissions (Scope 1) tCO<sub>2</sub>e; Indirect emissions (Scope 2) tCO<sub>2</sub>e; Employee (Own) LTIFR (rate); and Contractor LTIFR (rate); solid waste to landfill; share of certified fibre and specific process water usage in South Africa.

Sappi remains committed to the principle of transparency and the monitoring of the performance of the Framework’s appointed SPTs. Annually, and/or in case for any date/period relevant for assessing the trigger of the SPT performance leading to a potential financial adjustment, Sappi will publish and keep available on its official website a Sustainability-Linked Finance update within the annual Group Sustainability Report and/or a separate report.

The following information will be disclosed in the report:

- up-to-date information on SPT performance, including the baseline (where relevant) and the performance against the SPT,
- any relevant information enabling investors to monitor the progress of each SPT towards the SPT(s)
- limited assurance statement by Sappi’s auditor or an independent qualified external reviewer, such as an environmental consultant or independent rating agency

If appropriate, reported information may also include:

- qualitative and/or quantitative explanation of the contribution of the main factors driving the evolution of the SPT on an annual basis;
- re-assessments of SPTs, restatement of the SPT and/or pro-forma adjustments of baselines or SPT scope;

Sappi will seek to align its reports with the latest standards and practices, as prescribed by ICMA and LMA. Where appropriate, the report will detail its methodology, baselines, and assumptions.

### **3.7. Verification Assurance**

#### **3.7.1. Ex-ante external review**

Sappi commissioned ISS ESG to prepare the Second Party Opinion report. The Report assessed the contents of this Framework and its alignment with the Sustainability Linked Bond Principles 2020 and Sustainability Linked Loan Principles 2021. This document is published on Sappi's official website.

#### **3.7.2. Ex-post verification**

Within the context of its current non-financial disclosure practices, Sappi already employs measures to obtain independent ex-post verification of its published information.

For its 2022 Sappi Group Sustainability Report, KPMG South Africa has provided external limited assurance on nominated sustainability SPTs. Relevant sustainability information is also verified by Sappi's internal audit team. This process involves the reviewing of procedures applied for collecting and/or measuring, calculating, and validating non-financial data and evaluating reported information and supporting documentation.

All SPTs are covered in the limited assurance performed for Sappi's non-financial disclosure and these published values will be reviewed at least once a year and when SPT performance may lead to a potential financial adjustment of a given financial instrument.



## 4. Appendix





## 4.1. Disclaimer

This document is intended to provide non-exhaustive, general information. This document may contain or incorporate by reference public information not separately reviewed, approved or endorsed by Sappi and accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by Sappi as to the fairness, accuracy, reasonableness or completeness of such information.

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 cyclicity, such as levels of demand, production capacity, production, input costs including raw material, energy and employee costs, and pricing);
- the Covid-19 pandemic;
- the impact on our business of adverse changes in global economic conditions;
- unanticipated production disruptions (including as a result of planned or unexpected power outages);
- changes in environmental, tax and other laws and regulations;
- adverse changes in the markets for our products;
- the emergence of new technologies and changes in consumer trends including increased preferences for digital media;
- the 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.

This document is not intended to be and should not be construed as providing legal or financial advice. It does not constitute an offer or invitation to sell or any solicitation of any offer to subscribe for or purchase or a recommendation regarding any securities and nothing contained herein shall form the basis of any contract or commitment whatsoever and it has not been approved by any security regulatory authority.

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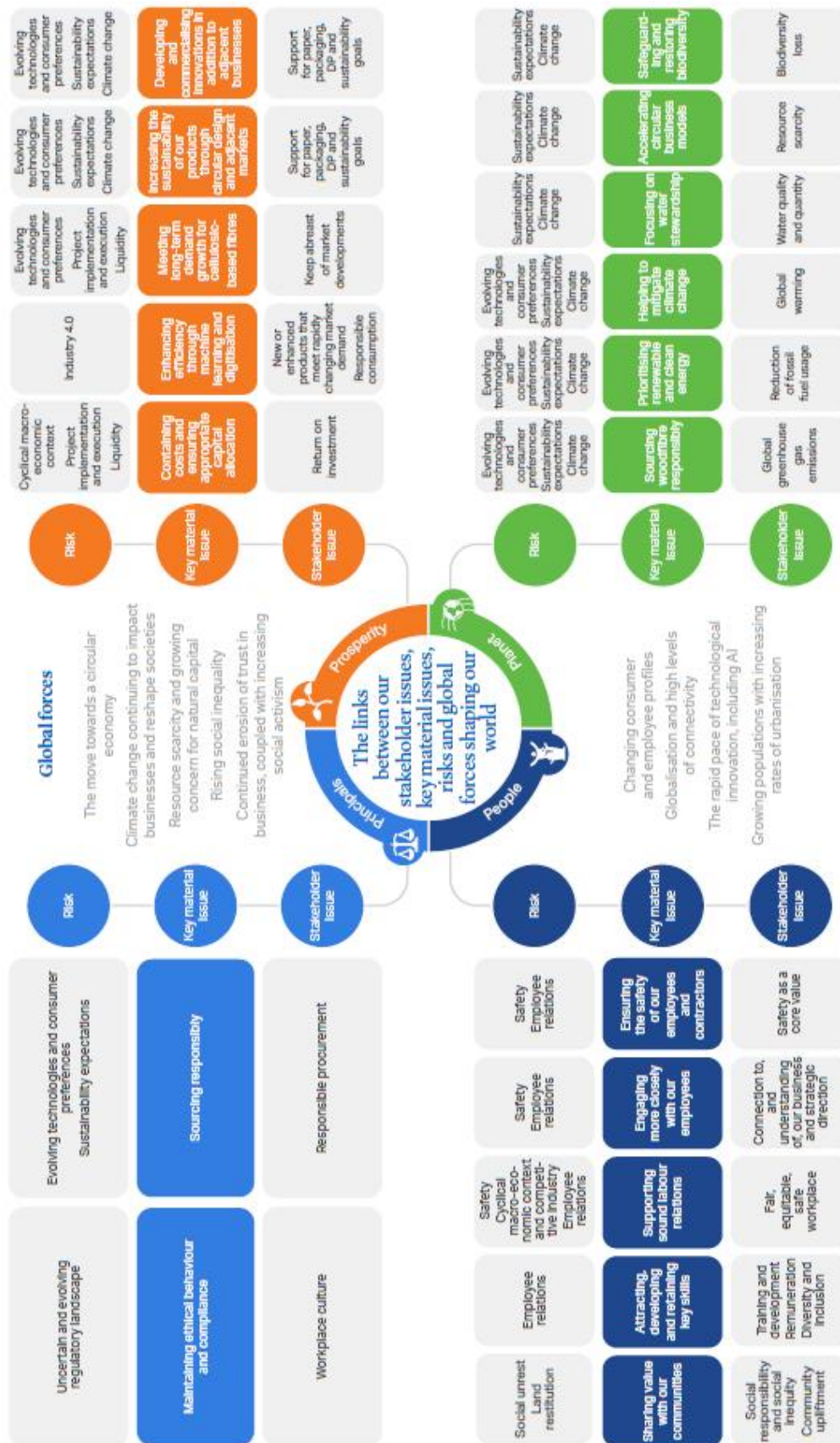
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## 4.2. Thrive25 Strategy

 <p>Grow our business</p>	<ul style="list-style-type: none"> <li>• Grow dissolving pulp (DP) capacity, matching market demand</li> <li>• Continue to expand and grow packaging and speciality papers in all regions. Commence commercialisation of biotech opportunities</li> <li>• Optimise Graphic paper segment.</li> </ul>	<ul style="list-style-type: none"> <li>• Packaging and speciality papers constitutes 25% of 2022 sales volumes</li> <li>• Packaging and speciality papers EBITDA increased 37% y-o-y and contributed 27% of group EBITDA</li> <li>• Increased packaging and speciality papers volumes y-o-y up 9% vs 2021</li> <li>• Pulp sales increased 15% compared to the prior year</li> <li>• Successful commissioning of DP expansion project at Saiccor</li> <li>• Concluded the agreement to sell three European graphic paper mills to consolidate our graphic paper assets and focus on core graphic paper categories</li> <li>• Strong growth in lignin sales and favourable advancement of other biotech opportunities.</li> </ul>
 <p>Sustain our financial health</p>	<ul style="list-style-type: none"> <li>• Target net debt at approximately US\$1 billion and sustain net debt:EBITDA* at 1.5x through the cycle</li> <li>• Optimise capital management</li> <li>• Maximise return on capital employed (ROCE)</li> <li>• Review pricing strategies to secure optimal value</li> <li>• Continue to monitor bond market for opportunities.</li> </ul>	<ul style="list-style-type: none"> <li>• Reduced net debt to US\$1,163 million</li> <li>• Generated &gt; US\$500 million cash</li> <li>• Focused capital expenditure (capex) on essential projects to effectively manage liquidity and cash flow</li> <li>• Average net sales price per ton up 28% y-o-y.</li> </ul>
 <p>Drive operational excellence</p>	<ul style="list-style-type: none"> <li>• Drive our safety-first culture</li> <li>• Continuously improve our cost position</li> <li>• Continue to maximise the benefits of our global footprint</li> <li>• Best-in-class production efficiencies to secure increased volumes.</li> </ul>	<ul style="list-style-type: none"> <li>• Record safety performance</li> <li>• Group efficiency, procurement and continuous improvement savings &gt; US\$110 million</li> <li>• Volumes and pricing improved resulting in improved profitability</li> <li>• Maximised the benefits of OneSappi to achieve cost advantages.</li> </ul>
 <p>Enhance trust</p>	<ul style="list-style-type: none"> <li>• Improving our understanding of, and proactively partnering with, all stakeholders</li> <li>• Driving sustainability solutions</li> <li>• Meeting the changing needs of every Sappi employee.</li> </ul>	<ul style="list-style-type: none"> <li>• Validated our decarbonisation targets with the Science Based Targets initiative (SBTi)</li> <li>• Actively supported local communities through community forums</li> <li>• Followed Task Force on Climate-related Financial Disclosures (TCFD) recommendations</li> <li>• Expanded Supplier Code of Conduct compliance and initiated EcoVadis partnership</li> <li>• Sustained Level 1 broad-based black economic empowerment (BBBEE) in South Africa.</li> </ul>

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

#### 4.3. Sustainability Strategy (reference from page 6.)





#### 4.4. SBTi Verification Certificate



info@sciencebasedtargets.org  
www.sciencebasedtargets.org



### Approved science-based target

The Science Based Targets initiative has validated that the corporate greenhouse gas emissions reduction target(s) submitted by

#### Sappi Limited

have been deemed to be in conformance with the SBTi Criteria and Recommendations (version 4.2). The SBTi's Target Validation Team has classified your company's scope 1 and 2 target ambition and has determined that it is in line with a well-below 2°C trajectory.

The official target wording is:

*Sappi Limited commits to reduce scope 1 and scope 2 GHG emissions 41.5% per ton of product by 2030 from a 2019 base year\*. Sappi Limited also commits that 44% of its suppliers by spend will have science-based targets by 2026.*

*\*The target boundary includes biogenic emissions and removals from bioenergy feedstocks.*

Date of issue: Jun, 2022

Certificate Number: SAPP-SOU-002-OFF

An initiative by

