

Sappi Limited (“the Company”)

Social, Ethics, Transformation and Sustainability Committee Terms of Reference

Social, Ethics, Transformation and Sustainability Committee Terms of Reference

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Social, Ethics, Transformation and Sustainability Committee Terms of Reference

1. Introduction

- 1.1 These Terms of Reference will apply to the Social, Ethics, Transformation and Sustainability Committee ('SETS Committee').
- 1.2 The SETS Committee is constituted as a statutory social and ethics committee of the board of directors of Sappi Limited ('Company') in terms of Section 72(4) of the Companies Act no. 71 of 2008 read with Regulation 43 of the Companies Regulations, 2011 ('Companies Act') and as contemplated in section 3.84(c) of the JSE Listings Requirements.
- 1.3 The SETS Committee also performs the functions required of a social and ethics committee under the Companies Act on behalf of Sappi Southern Africa Limited ('Sappi Southern Africa'). Accordingly, although the duties and responsibilities imposed on the SETS Committee, and the rights of the SETS Committee, are specified in these Terms of Reference with reference to the Company, they are, as appropriate, to be read as being imposed on, and being held by, the SETS Committee also in relation to Sappi Southern Africa, even if no explicit reference is made to Sappi Southern Africa.
- 1.4. In addition to the duties and responsibilities of a social and ethics committee specifically set out in the Companies Act and the duties and responsibilities of the SETS Committee specifically set out in these Terms of Reference, the board of directors of the Company ('Board') may from time to time require the SETS Committee to assume other duties and responsibilities to it.
- 1.5 The duties and responsibilities of the SETS Committee do not reduce the duties and responsibilities of the Board, and accordingly do not relieve the directors on the Board from any of their duties and responsibilities. As a result, the SETS Committee is accountable to the Board. The SETS Committee is also accountable to the Company's shareholders as a whole.
- 1.6 Section 76 of the Companies Act imposes the same fiduciary and other duties on the members of a board committee as it does on directors.
- 1.7 These Terms of Reference are to be read with the provisions of the Companies Act, other applicable laws and regulatory provisions, the Company's Memorandum of Incorporation, the King Code on Corporate Governance ('King IV') and the JSE Listings Requirements.

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1.8 In these Terms of Reference, the term:

- “Sappi Group” means the Company and its subsidiaries; and
- “subsidiaries” means “subsidiaries” (as defined in the Companies Act), but irrespective of the jurisdiction in which the subsidiaries are incorporated.

2. Purpose of these Terms of Reference

The purpose of these Terms of Reference is to set out the SETS Committee’s role and responsibilities as well as the requirements for its composition and meeting procedures.

3. Composition of the SETS Committee

- 3.1 The SETS Committee shall comprise of at least three directors of the Company (executive or non-executive). The majority of the members must (i) be independent non-executive directors and (ii) meet certain specific criteria set out in the Companies Act.¹
- 3.2 The members of the SETS Committee must collectively have sufficient knowledge, skills, qualifications, experience and capacity to fulfil their duties effectively.
- 3.3 The SETS Committee is chaired by a non-executive director who has been elected and appointed by the Board on recommendation of the Nomination and Governance Committee and who is not the Chairperson of the Board.
- 3.4 The Board or Nomination and Governance Committee will, from time to time, review and recommend revision (when appropriate) of the composition of the SETS Committee.
- 3.5 Members of the SETS Committee should access, as well as be provided with, appropriate and timely training, both in the form of induction and on an ongoing basis on matters affecting their role and responsibilities as members of the SETS Committee.
- 3.6 The SETS Committee members are required to keep up-to-date with developments affecting the required skill-set.

¹ Not involved in the day-to-day management of the Company’s business and have not been so involved within the three previous financial years.

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4. Role

- 4.1 The SETS Committee has an independent role with accountability to the Board and to the Company's shareholders as a whole.
- 4.2 The SETS Committee does not assume the functions of management, which remains the responsibility of the executive directors, prescribed officers and other members of senior management, nor does it assume accountability for the functions performed by other committees of the Board or the Audit and Risk Committee.
- 4.3 The role of the SETS Committee is to assist the Board with the oversight of social, ethics, sustainability and transformation matters, and to provide guidance to management in respect of management's duties in the fields of social, ethics, sustainability and transformation.

5. Responsibilities

The SETS Committee performs all the functions as is necessary to fulfil its role as stated above, including monitoring the Company's activities, having regard to any relevant legislation, other legal requirements, or prevailing codes of best practice, with regard to the following:

5.1 **Social responsibilities**

These responsibilities include:

- 5.1.1 Reviewing Corporate Citizenship Policy, and monitoring the Company's standing regarding social and economic development in terms of the goals and purposes of:
 - 5.1.1.1 The principles set out in the United Global Compact Principles (see **Annexure A** attached).
 - 5.1.1.2 The OECD recommendations regarding corruption (see **Annexure B** attached).
- 5.1.2 Reviewing annually the Company's Public Affairs and Social Impact programmes including sponsorships, donations and charitable giving and recommending changes thereto (if any).

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- 5.1.3 Endorsing the Company's Public Affairs and Social Impact programmes, including sponsorships, donations and charitable giving.
- 5.1.4 Shared Value programmes.
- 5.1.5 South African community-related issues.

5.2 Ethics responsibilities

These responsibilities include:

- 5.2.1 Reviewing the Company's Code of Ethics (including core values) and recommending changes thereto (if any) or endorsing them.
- 5.2.2 Reviewing the Company's ethics management training programmes, and their performance, and recommending changes thereto (if any), or endorsing them.
- 5.2.3 Reviewing results of periodic employee attitude surveys and recommending actions to be taken in response thereto, if any.
- 5.2.4 Identifying ethics risks and opportunities.
- 5.2.5 Overseeing and reporting on organisational ethics, responsible corporate citizenship, sustainable development and stakeholder relationships (including employees and consumers).

5.3 Sustainability responsibilities

These responsibilities include:

- 5.3.1 Reviewing the Company's sustainability charter and related regional objectives, policies and procedures, and endorsing them, subject to any changes thereto (if any) recommended by the SETS Committee.
- 5.3.2 Reviewing sustainability audits (including EIA reports), submissions to the security exchanges in respect of sustainability, and external sustainability reports (including sustainability related reports and information contained in the Company's annual integrated report) and recommending or endorsing action to be taken.

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- 5.3.3 Reviewing environmental, health and public safety matters and reports for each region and Sappi Forests at each formal meeting and recommending or endorsing action(s) to be taken.
- 5.3.4 Reviewing the company's climate change policy and strategy, outcomes of Task Force for Climate Related Financial Disclosure ('TCFD') physical and transitional assessments, performance against Science Base Decarbonisation Targets ('SBTi') and capital plans associated with mitigation and adaptation strategies on an annual basis.
- 5.3.5 Being up-to-date on public policy developments and studying the implications of changes therein to the Company's endeavours.
- 5.3.6 Performing a biennial review of global sustainability reporting standards to determine whether any changes have relevance for Sappi's sustainability disclosures.
- 5.3.7 Reviewing of production efficiency/unscheduled down-time and lost profit opportunities.

5.4 Transformation responsibilities : South Africa

These responsibilities include:

- 5.4.1 Reviewing the Company Policy on Transformation with a focus on RSA, but touching on any issues in other geographies, and ensuring that there is full integration and alignment of all transformation processes within the Sappi Group in South Africa and monitoring the Company's standing in relation to social and economic development in terms of goals and purposes, particularly in respect of:
 - 5.4.1.1 The Employment Equity Act (see **Annexure C** attached).
 - 5.4.1.2 The Broad-Based Black Economic Empowerment Act (see **Annexure D** attached).
 - 5.4.1.3 The Forestry Charter.
- 5.4.2 Reviewing targets for the Sappi Group in South Africa in respect of the above processes, including the Company's annual B-BBEE Scorecard against the target to achieve a level 4 B-BBEE rating.

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5.4.3 Reviewing SSA's progress on Enterprise and Supplier Development ('ESD').

5.4.4 Advising the Board on specific strategies for transformation.

5.4.5 Monitoring the Company's standing in terms of the International Labour Organisation Protocol on decent work and working conditions.

5.5 Global Diversity and Inclusion

5.5.1 Reviewing the Company's policies and actions plans on diversity and inclusion.

5.5.2 Update on skills development.

5.6 Health and safety

These responsibilities include reviewing the Sappi Group safety performance.

5.7 General responsibilities

These responsibilities include:

5.7.1 Liaising with other Board committees and the Audit and Risk Committee in respect of related responsibilities.

5.7.2 In-depth reviews (as and when required).

6. Meetings and procedures

6.1 Frequency

The SETS Committee must hold sufficient scheduled meetings to discharge all its duties as set out in these Terms of Reference and its annual work plan, but subject to a minimum of three meetings per year.

6.2 Attendance

6.2.1 Every director of the Company is entitled to attend the SETS Committee meeting as an observer.

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- 6.2.2 Assurance providers, professional advisors and management may be in attendance at SETS Committee meetings, by invitation only, at the discretion of the Chairperson of the SETS Committee.
- 6.2.3 The Chairperson of the SETS Committee may attend meetings of the Audit and Risk Committee and vice versa, in order to promote effective governance and communication over matters of mutual relevance to the two committees.
- 6.2.4 SETS Committee members must attend all scheduled meetings of the SETS Committee, including meetings called on an ad hoc basis for special matters, unless prior apology, with reasons, has been submitted to the Chairperson or SETS Committee secretary.
- 6.2.5 The Chairperson of the SETS Committee will chair meetings of the SETS Committee, provided that if the Chairperson of the SETS Committee is absent from a meeting, the members present must elect one of the members present to act as Chairperson for the duration of that meeting.
- 6.2.6 Individuals in attendance at SETS Committee meetings as observers or by invitation may participate in discussions but do not form part of the quorum for SETS Committee meetings and may not vote on any matter. Only members of the SETS Committee will have a vote at meetings of the SETS Committee.

6.3 Agenda and minutes

- 6.3.1 A detailed agenda, together with supporting documentation, must be circulated, at least one week prior to each meeting to the members of the SETS Committee, to directors who are to be present as observers, if and, to the extent so determined by the Chairperson of the SETS Committee, to other invitees.
- 6.3.2 SETS Committee members must be fully prepared for SETS Committee meetings in order to provide appropriate and constructive input on matters discussed.
- 6.3.3 The minutes are to be completed as soon as possible after the meeting and circulated to the members for review thereof. The minutes must be formally approved by the SETS Committee at its next scheduled meeting.

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- 6.3.4 Minutes of the meeting, signed by the Chairperson of the SETS Committee, are sufficient evidence that the matters referred to therein have been discussed and, as applicable, decided.

6.4 Quorum and decisions

- 6.4.1 A quorum for meetings or adjourned meetings of the SETS Committee, and for the consideration of matters at a meeting or adjourned meeting, is a majority of members being present at the meeting or adjourned meeting at the time appointed for the meeting or at the time that a matter or resolution is first discussed or proposed. If within half an hour (or such longer period of time as is determined by the members present at a meeting or adjourned meeting) after the time appointed for such meeting or adjourned meeting or within half an hour (or such longer period of time as is determined by the members present at a meeting or adjourned meeting) after the time that a matter or resolution is first proposed, a quorum is not present, the meeting will be adjourned to such other date and time as the members present at the meeting or adjourned meeting determine.
- 6.4.2 The members of the SETS Committee can participate in a meeting of the SETS Committee by means of a teleconference or other electronic equipment by means of which all persons participating in the meeting can hear each other, participate freely in the proceedings and express their views audibly. Any such participation in a meeting will constitute a presence at the meeting.
- 6.4.3 Decisions to be taken at a meeting of the SETS Committee will be taken by a majority vote of those members present and voting (i.e., the support of more than 50% of the votes exercised will be required to approve a resolution), with each member being entitled to exercise one vote. If an equal number of votes are exercised in favour of and against a resolution, the Chairperson of the meeting will not have a casting vote.

6.5 Conflicts of interest/Personal financial interests

- 6.5.1 At the beginning of each meeting of the SETS Committee, each member is required to declare whether he/she has any conflict of interest in respect of any matter on the agenda. Without limiting that obligation, a member

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with a personal financial interest² in a matter to be considered at a meeting of the SETS Committee or who knows that a related person has a personal financial interest in the matter, is required to disclose the interest at the start of each meeting, in accordance with section 75 of the Companies Act, and must:

- Disclose any material information in relation to the matter known to the member.
- On request of the SETS Committee, disclose any observations or pertinent insights in relation to the matter.
- Leave the meeting for the duration of any other deliberations on the matter, and cannot vote on the matter.
- Not subsequently execute any document relating to the matter unless the SETS Committee specifically requests or directs the member to do so.

6.5.2 If a member acquires, or knows that a related person has acquired, any personal financial interests post-approval by the SETS Committee of a matter, he/she must promptly disclose the nature and extent of the interest and material circumstances relating thereto to the SETS Committee.

6.6 Written resolutions

On written notice to all of the members of the SETS Committee of not less than 5 (five) days, or such shorter period as may be agreed unanimously by the members, a written resolution signed by a majority of the members of the SETS Committee will be valid and effective as if it had been passed at a meeting of the SETS Committee duly called and constituted, and such resolution can be signed in counterparts.

7. Authority

7.1 The SETS Committee acts in accordance with the delegated authority of the Board as recorded in these Terms of Reference.

² A personal financial interest is, inter alia, "a direct material interest . . . , of a financial, monetary or economic nature, or to which a monetary value may be attributed:" – Companies Act section 1

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- 7.2 The SETS Committee has the power to investigate any activity within the scope of these Terms of Reference.
- 7.3 The SETS Committee, in the fulfilment of its duties, may call upon the Chairperson of the other Board committees or of the Audit and Risk Committee, any of the executive directors, prescribed officers, other members of senior management or assurance providers to provide it with information, subject to following a Board approved process.
- 7.4 The SETS Committee has reasonable access to the Company's records, facilities and employees necessary to discharge its duties and responsibilities, subject to following a Board approved process.
- 7.5 The SETS Committee may authorise one or more designated members of the SETS Committee and/or one or more members of the executive to give effect to, or to take steps to facilitate or enable, decisions of the SETS Committee.
- 7.6 The SETS Committee has the right to obtain independent outside professional advice to assist with the execution of its duties and responsibilities, at the Company's cost, subject to a Board approved process being followed.

8. Review Terms of Reference

- 8.1 Reviewing these Terms of Reference annually and proposing changes when appropriate.
- 8.2 Drawing matters within these Terms of Reference to the attention of the Board as the occasion requires.
- 8.3 Reporting, through one of its members, to the Board on matters within these Terms of Reference.
- 8.4 Reporting, through one of its members, to the shareholders at the Company's annual general meeting on the matters within these Terms of Reference.

9. Work plan

The SETS Committee must establish an annual work plan (as set out at the back of these Terms of Reference) for each year to ensure that all relevant matters are covered by the agendas of the meetings planned for the year.

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10. Evaluation

The SETS Committee will perform a formal self-evaluation of its effectiveness every two years and report the results thereof to the Board.

11. Fees

With the approval of shareholders required in terms of section 66(9) of the Companies Act:

- SETS Committee members will be remunerated for their services on the Committee.
- The Chairperson of the SETS Committee will be paid additional fees for services rendered as Chairperson on the SETS Committee.

The Board will decide on the amount of the fees to be proposed to shareholders for approval.

12. Approval of these Terms of Reference

These Terms of Reference were recommended to the Board for approval by the Chairperson of the SETS Committee in May 2022.

Chairperson of the SETS Committee

These Terms of Reference were approved by the Board in May 2023 and will be due for review in November 2023.

Chairperson of the Board
10 May 2023