









2020
Annual
Integrated
Report

sappi

Contents


How to navigate our report

Throughout our annual integrated report, the following icons are used to show the connectivity between sections:







Sappi's 3Ps	Referencing
 Prosperity	 Page
 People	 Online
 Planet	 Risk

Thrive25 strategy

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

Please refer to pages  15 and 19 for more information on our Thrive25 strategy.


Our capitals

 Human capital	 Intellectual capital
 Finance capital	 Natural capital
 Social and relationship capital	 Manufactured capital

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



* Sappi Southern Africa (SSA) priority SDGs.

Please refer to pages  64 and 65 for more information about how we integrate the SDGs into our business.

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About this report

Our **annual integrated report** for the year ended September 2020 provides an overview of how we create value in terms of our purpose, vision and strategy. The report deals with key opportunities and risks in our markets as well as our performance against financial and non-financial objectives, together with our priorities and expectations for the year ahead. While the report addresses issues pertinent to a wide group of stakeholders, the primary audience is our shareholders. Our global and regional sustainability reports address the wider audience in more detail on key material issues. In addition to our annual integrated report (pages 1 to 157), we have included supporting appendices (pages 160 to 180).

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 Council's (IIRC) six capitals model.




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.

Ensuring holistic value creation

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

Value for Sappi is not only about delivering returns to our shareholders, it is about maximising the value of every resource along our value chain to ensure those returns are sustainable. We recognise that our sphere of influence and impact extends beyond our mill gates.

Through this lifecycle approach that harnesses the power of the circular economy, we strive to minimise our negative impacts and increase our positive impacts on people and the planet, while securing sustainable profit margins.

We then measure value created, preserved and eroded in terms of our defined, holistic targets, as outlined and set out in the **Business model** on pages 22 to 25.

Forward-looking statements

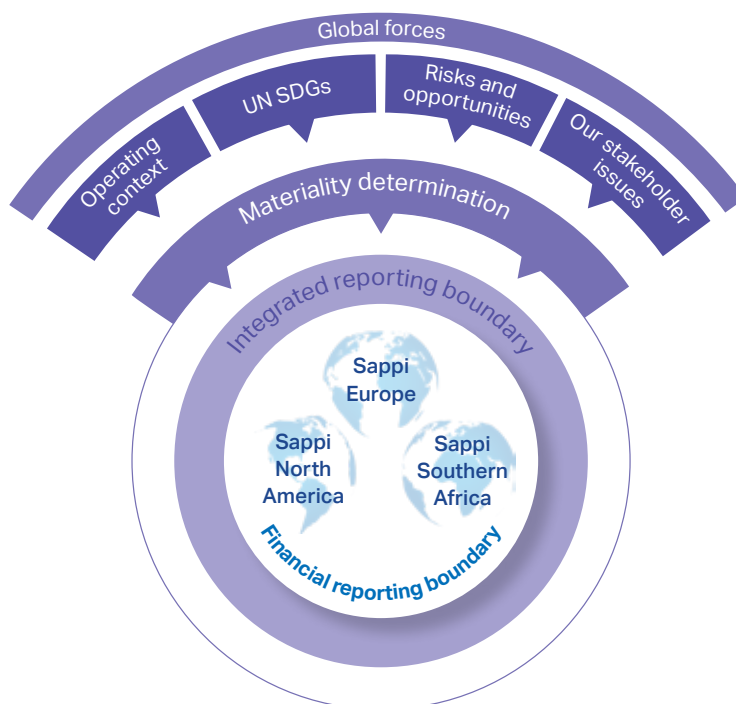
For important information relating to forward-looking statements, refer to page 182.

Scope and boundary

The scope of this report includes all our operations (see **Where we operate** on page 8). We aim to present information that is material, comparable, relevant and complete. The issues and indicators we cover reflect our significant economic, environmental and social impacts, and those we believe would substantively influence the assessments and decisions of investors.

The materiality of the information presented has been determined on the basis of extensive ongoing engagement with our stakeholders and has been assessed against the backdrop of current business operations, as well as prevailing trends in our industry and the global economy (see **Materiality** on page 66).

In preparing this report, we have tracked environmental findings and research, public opinion, employee views and attitudes, the interests and priorities of environmental and social groups, as well as the activities, profiles and interests of investors, employees, suppliers and customers, communities, governments and regulatory authorities.



Our reporting suite

	Report	Frameworks
	2020 Sappi Annual Integrated Report www.sappi.com/annual-reports 	<ul style="list-style-type: none"> • IIRC's International <IR> Framework • Companies Act, No 71 of 2008, as amended (Companies Act) • JSE Listings Requirements • King IV Code on Corporate Governance (King IV™¹)
	2020 Sappi Group Annual Financial Statements www.sappi.com/annual-reports 	<ul style="list-style-type: none"> • International Financial Reporting Standards (IFRS) • Companies Act • JSE Listings Requirements • King IV
	2020 Sappi Group Sustainability Report www.sappi.com/sustainability 	<ul style="list-style-type: none"> • Global Reporting Initiative (GRI) standards • United Nations Global Compact (UNGC) • UN SDGs

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



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Assurance

We obtained external assurance on selected sustainability key performance indicators (KPIs) in our 2020 Sappi Group Sustainability Report. The independent practitioner's limited assurance report is included in the 2020 Sappi Group Sustainability Report. Our sustainability information is also verified by our internal audit team. Their verification process includes reviewing the procedures applied for collecting and/or measuring, calculating and validating non-financial data, as well as reviewing reported information and supporting documentation. In addition, most of our key operations undergo external verification including the Eco-Management Audit System (EMAS) in Europe, ISO 50001 energy certification in Europe and South Africa and globally, ISO 14001 environmental certification, ISO 9001 quality certification and OHSAS 18001 health and safety certification.

We are also assessed in terms of the forest certification systems we use and, in South Africa, our broad-based black economic empowerment (BBBEE) performance is assessed by an external ratings agency. In 2020 Sappi Limited was a constituent of the FTSE/JSE Responsible Investment Index.

Collectively, these external assessments and certifications, as well as interaction with our stakeholders, give us confidence that our performance indicators are reliable, accurate and pertinent. The Social, Ethics, Transformation and Sustainability (SETS) Committee is satisfied that the sustainability information presented in this report has been provided with a reasonable degree of accuracy.

For information on the combined assurance framework relevant to the disclosure in this report, and for the independent auditors' report, see **Group Annual Financial Statements** on www.sappi.com/annual-reports.  This year's report does not include summarised financials. However, the full 2020 Sappi Annual Integrated Report with financials is available on www.sappi.com/annual-reports  in interactive and PDF format.

Board approval

The Sappi Limited board acknowledges its responsibility for ensuring the integrity of the annual integrated report and, to the best of its knowledge and belief, the 2020 Sappi Annual Integrated Report addresses all issues material to the group's ability to create value in the short, medium and long term, and fairly presents the integrated performance of the organisation and its impact. We believe that this report has been prepared in accordance with the International <IR> Framework. The report has been prepared in line with best practice and the board confirms that it has approved the 2020 Sappi Annual Integrated Report and authorised it for release on 17 December 2020.

Sir Nigel Rudd
Chairman

Steve Binnie
Chief Executive Officer (CEO)



Evolve

Evolution in the natural world is a slow process. But in the hyperconnected world in which we live and work, it's fast – and becoming faster all the time. As an example, twenty years ago, very few people had ever heard of the 'Internet of Things'. Ten years ago, the term 'Industry 4.0' had not yet been coined. At the start of 2020, few people had paid attention to terms such as coronavirus, social distancing, lockdowns or infection waves. Yet today, these terms are part of our everyday vocabulary, showing just how fast the world around us is changing.

In response to our rapidly changing landscape, five years ago, we embarked on a strategy of intentional evolution, which involved diversifying our product portfolio in higher margin segments. By 2020, despite market challenges, we had essentially met and in many ways, exceeded this ambition.

Evolution is based on a series of events, processes and responses. Around the world, people are responding to natural resources constraints by seeking responsible alternatives to non-renewables and solutions that are truly sustainable from seed to final product.

We are responding to these needs by building on our success in intentional evolution to accelerate an enhanced journey of evolution aligned with our Thrive25 strategy. We are doing so from a foundation based on a coalition of diverse perspectives and expertise; as well as a history of seeking out and investing in breakthroughs that enable lasting outcomes for our partners and a lighter footprint on the world. We are building on these to ensure that every solution we create supports our goal of making everyday products more sustainable and that we accelerate meaningful change.

Our 2020 reporting theme

There are few straight lines in nature. Even the horizon is not straight at all, but rather a curve of such diameter that it can't be discerned by the naked eye. Instead, the natural world abounds with twists and turns.

The images used on the cover and throughout this report illustrate the fact that the power, resilience and beauty of nature lie in its ability to adapt, curve and go in unexpected directions.

It's appropriate to reflect on this at a time when the coronavirus pandemic and Covid-19 have taken the world in a totally new direction and dramatically altered the global landscape in which we live and work.

The pandemic highlighted the complexity and vulnerability of our interdependence on each other and on nature. It's reminded us that our general expectation that life and business should be a series of linear progressions, is unrealistic. This challenging

new global context – the 'new normal' as some are calling it – also demonstrated that no organisation or individual alone can address the economic, environmental, social and technological challenges of our interconnected world.

In a world of uncertainty and constant change, the ability to adjust and change on a business and personal level is now the constant and will be the measure of success going forward.

Together, we had to adapt – and fast – to changing circumstances related to commerce, community and connection. We're proud of the way our people have pulled together to do so. And we're confident, that working with them and with all our other stakeholders we can leverage the window of opportunity created by Covid-19 to reflect, reimagine and reset our world.

Who we are

Sappi is a leading global provider of powerful everyday materials made from woodfibre-based renewable resources. 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 woodfibre sourced from sustainably managed forests and plantations, in production facilities powered, in many cases, with bioenergy 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 specialties papers, graphic papers, casting and release papers and forestry products).

Paper production
per year

5.7 million tons

Paper pulp
production per year

2.4 million tons

Dissolving pulp
production per year

1.4 million tons

394,000 ha

Owned and leased sustainably
managed forests in
South Africa

Globally we have

12,800

employees¹

Where we operate

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. Sappi Trading also coordinates our shipping and logistical functions for exports from these regions

• Sales offices

- Hong Kong
- Bogotá
- Johannesburg
- México City
- Nairobi
- São Paulo
- Shanghai
- Sydney
- Vienna

• Logistics offices

- Durban

Europe



Employees
5,600

paper mills	5
speciality paper mills	3
paper and speciality paper mill	1
other operation	1
sales offices	15

North America



Employees
2,100

paper mill	1
speciality paper mill	1
paper and dissolving pulp mill	1
pulp mill	1
sales offices	6

South Africa



Employees
4,800

paper mills	2
dissolving pulp mill	1
paper and dissolving pulp mill	1
sawmill	1
sales offices	6

Capacity⁽¹⁾ ('000 tons)

Mills	Products produced	Paper	Pulp
Alfeld Mill	Bleached chemical pulp for own consumption		120
	Speciality paper; flexible packaging paper, paperboard, containerboard, release liner, label paper, functional papers	275	
Carmignano Mill	Speciality paper; dye sublimation paper, flexible packaging paper, inkjet paper and label paper	100	
Condino Mill	Speciality paper; dye sublimation paper, flexible packaging paper, inkjet paper and silicone base paper	60	
Ehingen Mill	Bleached chemical pulp for own consumption and market pulp		140
	Coated woodfree paper and containerboard	280	
Gratkorn Mill	Bleached chemical pulp for own consumption		250
	Coated woodfree paper	980	
Kirkniemi Mill	Bleached mechanical pulp for own consumption		300
	Coated mechanical paper	750	
Lanaken Mill	Bleached chemi-thermo mechanical pulp for own consumption		165
	Coated mechanical (CM) paper and coated woodfree paper	530	
Maastricht Mill	Coated woodfree paper and paperboard	280	
Stockstadt Mill	Bleached chemical pulp for own consumption and market pulp		145
	Coated woodfree (CWF) paper and uncoated woodfree paper	445	
Total Sappi Europe		3,700	1,120
Other operation		Capacity ⁽¹⁾ (million m ²)	
Rockwell Solutions	Coated barrier film and paper		100

⁽¹⁾ Capacity at maximum continuous run rate per annum.Capacity⁽¹⁾ ('000 tons)

Mills	Products produced	Paper	Pulp
Cloquet Mill	Dissolving pulp, kraft pulp for own consumption and market pulp*		370
	Coated woodfree paper	340	
Matane Mill	High yield hardwood pulp for own consumption and market pulp		270
Somerset Mill	Bleached chemical pulp for own consumption and market pulp		525
	Coated woodfree and packaging paper	970	
Westbrook Mill	Speciality paper; casting and release paper	23	
Total Sappi North America		1,333	1,165

Capacity⁽¹⁾ ('000)

Plantations*	Products produced	Hectares	Standing Tons
KwaZulu-Natal	Plantations (pulpwood and sawlogs)**	263	10,671
Mpumalanga	Plantations (pulpwood and sawlogs)**	271	17,067
Total Sappi Forests (owned and leased supply)	Of which 140,000 ha is contracted supply	534	27,738

Capacity (m³) Capacity ('000 tons)

Mills	Products produced	Timber	Paper	Pulp
Lomati Sawmill	Sawn timber (m ³)	102		
Ngodwana Mill	Unbleached chemical pulp for own consumption			210
	Mechanical pulp for own consumption			110
	Kraft linerboard		240	
Stanger Mill	Newsprint		140	
	Bleached bagasse pulp for own consumption			60
Tugela Mill	Office paper and tissue paper		110	
	Neutral Sulfite Semi Chemical pulp for own consumption			150
Sappi ReFibre***	Corrugating medium		200	
	Waste paper collection and recycling for own consumption			103
Total Sappi Paper and Paper Packaging		102	690	633
Ngodwana Mill	Dissolving pulp			255
Saiccor Mill	Dissolving pulp			800
Total Dissolving pulp				1,055
Total Sappi Southern Africa		102	690	1,688

⁽¹⁾ Capacity at maximum continuous run rate per annum.

* Approximately 135,000 hectares of our land is set aside and maintained by Sappi Forests to conserve the natural habitat and biodiversity found there.





** Plantations include owned and leased areas as well as projects.

*** Sappi ReFibre collects waste paper in the South African market which is used to produce packaging paper.

Our strategy and performance

Our strategy

Through intentional evolution we will continue to grow Sappi into a profitable and cash generative, diversified woodfibre group – focused on dissolving pulp (DP), paper and products in adjacent fields.

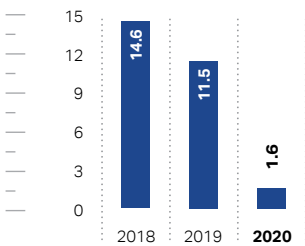
	What this means	How we performed in 2020	Closing out 2015 – 2020
 <p>Achieve cost advantages</p>	<ul style="list-style-type: none"> Continuously improve cost position Continue to maximise global benefits Best-in-class production efficiencies 	<ul style="list-style-type: none"> Group efficiency, procurement and continuous improvement savings > US\$100 million Unfortunate significant downtime in graphic paper due to Covid-19 drop in demand resulted in increased cost per ton Maximised the benefits of OneSappi to achieve cost advantages Successfully integrated Matane Mill in Sappi 	<ul style="list-style-type: none"> During the last five years, Sappi dramatically increased its focus on costs and embedded a culture of achieving ongoing efficiencies and savings throughout the group
 <p>Rationalise declining businesses</p>	<ul style="list-style-type: none"> Maximise production at low-cost mills Continuously balance paper supply and demand in all regions Continue to transition graphic papers capacity to higher margin and growing packaging and speciality papers 	<ul style="list-style-type: none"> Where possible graphic paper production was allocated to the lowest cost machines to reduce cost per ton. Unfortunately, the supply and demand balance were severely affected by Covid-19 Packaging and speciality paper volumes and profitability continued to grow Substituted growing packaging and speciality grades for graphic grades on swing machines which cushioned the drop in demand brought by Covid-19 Announced the closure of graphic coated paper machine capacity in Stockstadt and Westbrook Mills 	<ul style="list-style-type: none"> Sappi effectively managed and rationalised its graphic paper capacity through conversions, closures and carousel opportunities to ensure it remains relevant and profitable in these segments
 <p>Maintain a healthy balance sheet</p>	<ul style="list-style-type: none"> Maintain net debt:EBITDA at ~2x Continuously improve working capital Continue to monitor bond market for opportunities 	<ul style="list-style-type: none"> Net debt:EBITDA at 5.2x Reduced capital expenditure to essential projects to effectively manage liquidity and cash flow. Negotiated covenant suspension period until September 2021 – first measurement December 2021 	<ul style="list-style-type: none"> The targeted net debt:EBITDA ratio of 2x was well maintained during the period to balance future growth opportunities with lower debt. Unfortunately, the unexpected Covid-19 pandemic negatively impacted the objective
 <p>Accelerate growth in higher margin growth segments</p>	<ul style="list-style-type: none"> Grow DP capacity, matching market demand Continue to expand and grow packaging and speciality papers in all regions, targeting 25% of group EBITDA by 2020 Commence commercialisation of Sappi Biotech opportunities 	<ul style="list-style-type: none"> Increased packaging and speciality volumes year on year up 12.9% vs 2019 sustained packaging and specialities EBITDA margin at 13.7% Saiccor Mill expansion was delayed by Covid-19, but project continues and should be concluded during 2021 providing additional DP capacity Strong growth in lignin sales and favourable advancement of other Sappi Biotech opportunities 	<ul style="list-style-type: none"> The business was transformed during the period with the substantial growth in packaging and speciality papers, which contributes meaningfully to the growth of the business. Continued investment in DP and Sappi Biotech opportunities resulted in a stronger and more resilient business

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.

Return on average capital employed (ROCE)

Our strategic performance indicators

ROCE (%)



Why is this important?

ROCE long-term profitability by comparing how effectively assets are performing with how these assets are financed

Ⓡ Linked to executive remuneration

2021 objectives

Finalise Saiccor Mill expansion and ramp up Somerset and Maastricht Mill conversions. Maximise recovery of the graphic paper volume declines from 2020 Covid-19 impact

Self-assessment of 2020 performance



Link to Thrive25 strategic objectives – see page 18 for more info



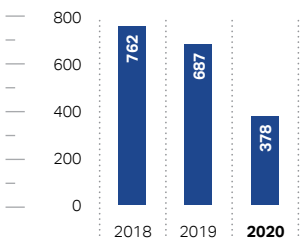
Link to 3Ps



EBITDA (US\$ million)

Our strategic performance indicators

EBITDA (US\$ million)



Why is this important?

EBITDA measures how we performed operationally by excluding the impact of financing, accounting treatments or tax implications

Ⓡ Linked to executive remuneration

2021 objectives

Focus on maximising cash generation through efficient capital expenditure and working capital management

Self-assessment of 2020 performance



Link to Thrive25 strategic objectives – see page 18 for more info



Link to 3Ps

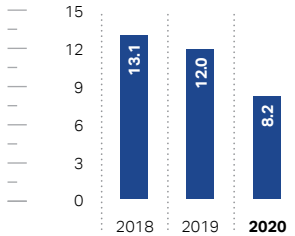


Our strategy and performance continued

EBITDA margin (%)

Our strategic performance indicators

EBITDA margin (%)



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

2021 objectives

Focus on reducing fixed and variable costs and maximise pricing

Self-assessment of 2020 performance



[Link to Thrive25 strategic objectives – see page 18 for more info](#)



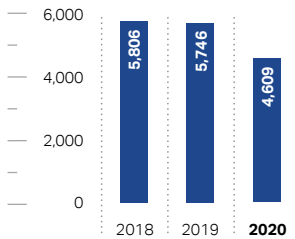
[Link to 3Ps](#)



Sales (US\$ million)

Our strategic performance indicators

Sales (US\$ million)



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

2021 objectives

Continue to grow packaging and specialities post conversions and regain and grow graphic paper volumes from lower 2020 sales

Maximise DP volumes to capacity

Self-assessment of 2020 performance



[Link to Thrive25 strategic objectives – see page 18 for more info](#)



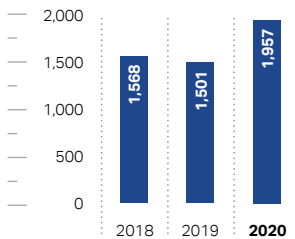
[Link to 3Ps](#)



Net debt (US\$ million)

Our strategic performance indicators

Net debt (US\$ million)



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)

2021 objectives

During 2021 net debt will increase due to finalising strategic capital projects

Self-assessment of 2020 performance



[Link to Thrive25 strategic objectives – see page 18 for more info](#)



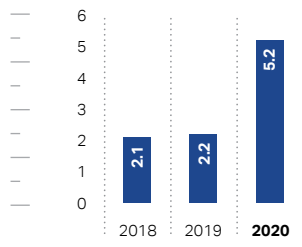
[Link to 3Ps](#)



Net debt:EBITDA

Our strategic performance indicators

Net debt:EBITDA



Why is this important?

The net debt: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

2021 objectives

Covenant suspension negotiated during 2021

Self-assessment of 2020 performance



Link to Thrive25 strategic objectives – see page 18 for more info



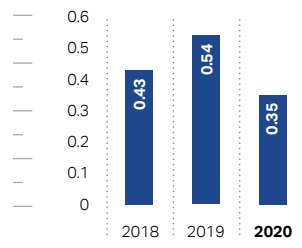
Link to 3Ps



Lost-time injury frequency rate (LTIFR)

Our strategic performance indicators

LTIFR



Why is this important?

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

Ⓡ Linked to executive remuneration

Δ Identified sustainability goal¹

2021 objectives

Reduce LTIFR and zero fatalities

Self-assessment of 2020 performance



Link to Thrive25 strategic objectives – see page 18 for more info



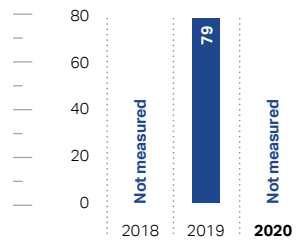
Link to 3Ps



Sustainable engagement (%)

Our strategic performance indicators

Sustainable engagement (%)



Survey takes place every second year

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. We aim to maintain or improve from our 2015 base of 74%

Δ Identified sustainability goal²

2021 objectives

Sustain and/or improve engagement

Self-assessment of 2020 performance



Link to Thrive25 strategic objectives – see page 18 for more info



Link to 3Ps

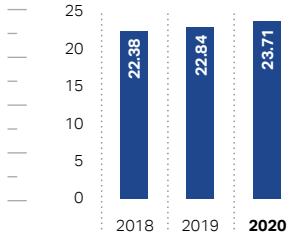


Our strategy and performance continued

Energy intensity GJ/adt

Our strategic performance indicators

Energy intensity (GJ/adt)



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 impact

△ Identified sustainability goal¹

2021 objectives

5% improvement from 2014 base year

Self-assessment of 2020 performance



Link to Thrive25 strategic objectives – see page 18 for more info



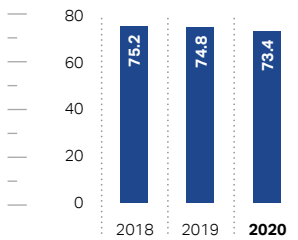
Link to 3Ps



Certified fibre (%)

Our strategic performance indicators

Certified fibre (%)



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 well-being

△ Identified sustainability goal¹

2021 objectives

Maintain or improve percentage certified fibre

Self-assessment of 2020 performance



Link to Thrive25 strategic objectives – see page 18 for more info



Link to 3Ps



¹ For this indicator, we have clear targets for 2020 that we are working towards. See our **2020 Sappi Group Sustainability Report** for more information.

² Not measured as survey takes place every second year.



Our strategy
is uniquely Sappi,
but influenced by
global forces.

Thrive25

Moving towards our Thrive25 strategy

At the heart of all we do – as individuals, as an organisation and a society – is the essential need to not only survive, but to thrive. This principle gave rise to Thrive25. However, just like us, our business is a living organism – growing, adapting and evolving in a continually shifting context.

Global forces

To continue thriving as a global business, we must understand the forces that heavily impact our lives and work. These are listed below, along with how Sappi responds.

Moving towards our Thrive25 strategy

While we're proud of all we've achieved and learnt over the past 80 years, we know that a proud history doesn't necessarily mean a bright future. To thrive as a business, we need to embrace the future and respond to the megatrends that continue to shape our world with a view to be more resilient and adaptive. That's why we're proud to launch our new strategy – Thrive25 – designed to deliver value for our stakeholders in a constantly evolving world.

Global forces	Our response
The move towards a circular economy	Pursuing circular ecosystems and economies – including utilising 100% of each tree we harvest
Climate change continuing to impact businesses and reshape societies	Creating responsibly sourced and sustainable solutions as viable alternatives to fossil-based products
Coronavirus pandemic and the impact of Covid-19	Ensuring employees' safety, supporting our customers and communities and adjusting our business priorities
Resource scarcity and growing concern for natural capital	Promoting the responsible management of natural resources and leading by example
Rising social inequality	Helping local communities prosper, and promoting a diverse and inclusive workforce
Continued erosion of trust in business, coupled with increasing social activism	Partnering with all stakeholders, including non-governmental organisations (NGOs) and our communities, to ensure we are creating solutions for our collective needs
Changing consumer and employee profiles	Evaluating our product mix to align with evolving needs and demand
Globalisation and high levels of connectivity	Collaborating with our partners and providing an integrated OneSappi approach
The rapid pace of technological innovation, including artificial intelligence (AI)	Capitalising on emerging technologies with corresponding internal systems
Growing populations with increasing rates of urbanisation	Addressing the changing needs of these populations while managing our environmental footprint

Our purpose

Why we exist

Sappi exists to build a thriving world by **unlocking the power of renewable resources** to benefit **people, communities, and the planet**

Context

A purpose is so much more than words on a page – it's why we exist. It is our definition, our inspiration, our call to create a brighter future for the world and our business

Our vision

What we're striving to achieve

We will be a sustainable business with an **exciting future in woodfibre** that provides **relevant solutions**, delivers **enhanced value**, and is a **trusted partner** to all our stakeholders

Context

Our vision keeps us clearly focused – bolstering our commitment to reaching our organisational goals over the next five years

Our values

How we do business

As OneSappi, we do business **safely**, with **integrity and courage**, making **smart decisions** that we **execute with speed**

Context

At Sappi, our values are the backbone of our everyday attitude, conduct, and operations

Our business strategy

How we'll get there

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

Context

Thrive25, our new business strategy, builds upon the hard work we began with our 2020Vision - leveraging the power of OneSappi to drive real and sustained value creation

Our strategy demands a clear focus on four key fundamentals:



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 our 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

How it will be applied to each business segment



Dissolving pulp

Focusing on the completion of projects – all while reducing costs and driving sustainability. This happens by optimising product mix, managing South African forestry risks, and carefully tracking timber usage



Graphic papers

Strengthening our competitive position in these contracting markets, realising their strategic importance to the group, and maximising their significant cash flow generation



Packaging and speciality papers

Capitalising on existing strengths and commercialising new products. We will continue to advance paperboard in North America and Europe, cautiously expand paperboard in South Africa, and create new solutions to address global forces



Biomaterials

Responding to a world looking for more sustainable chemical and material solutions. We will extract value from our biorefinery stream


Our sustainability strategy

How sustainability will drive value

Our **commitment to sustainability** is based on being a **trusted, transparent, and innovative partner** in building a **biobased circular economy**

Context

We will create long-term value for all stakeholders from relevant sustainable woodfibre products and through ongoing improvement in key areas.



The strategy we've unfolded marks a pivotal moment in Sappi's history. Harnessing this momentum will ensure that our business - and our world - thrives for years to come.

How we create value

Through our six value streams, we take an integrated approach to value creation, to enable the delivery of our purpose and our Thrive25 strategy.



Forests

Our 100% Forest Stewardship Council™ (FSC™)-certified plantations in South Africa give us a low-cost woodfibre base on which our business depends, and are thus a key pillar of competitive advantage. (FSC-N003159). Our leading-edge tree improvement programmes aim to grow better trees faster, thereby ensuring this advantage is maintained and enhanced.



Manufacturing excellence

We focus on enhancing machine efficiencies, digitising our processes to make the smart factory a reality, reducing variable costs through new practices in logistics and procurement, as well as implementing go-to-market strategies, which lower the cost of serving our customers and increase customer satisfaction.

South African plantations 100% FSC-certified



Bioproducts

We are unlocking the chemistry of trees and meeting the challenges of a carbon-constrained world by establishing a strong position in adjacent businesses including nanocellulose, sugars and furfural, lignosulphonates, biocomposites and bio-energy. Extracting more value from each tree is strengthening our core business model.

Decarbonisation is a key focus

Commercialisation of bioproducts is gaining traction

There is a growing recognition of the necessity for a more circular global economy, as we move away from a 'take, make, dispose' model of production to a more regenerative economic system aimed at minimising waste and making the most of scarce resources. At its heart, our business model is circular and interconnected. And we continue to find ways to maximise the circular nature of our activities.



1. Our values

How we do business

As OneSappi, we do business safely, with integrity and courage, making smart decisions that we execute with speed.

2. Our key relationships

How we remain relevant

Ongoing engagement with our stakeholders, conducted in a spirit of trust and mutual respect, enables more tangible business value creation.

3. Our inputs

What we need – the resources and relationships we rely on

Our integrated approach to sustainable development acknowledges that we depend on Prosperity, People and the Planet (the 3Ps) to thrive. We rely on certain inputs to create value.

4. Our value streams

What we do – our business activities

The value streams set out above reflect our belief that it's our responsibility to use the full potential of each tree harvested.

Dissolving pulp

Dissolving pulp (DP) is a truly sustainable raw material. Our customers transform our DP into products that meet the needs of people around the globe every day. Products that enable fashion, household comfort, personal beauty and hygiene, as well as a healthy lifestyle.



110,000 tpa expansion at Saiccor Mill underway

Packaging and speciality papers

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



Robust demand

Graphic papers

While the digital age has impacted the use of paper, our graphic papers continue to meet the needs of consumers and marketers around the world. They rely on paper for a tactile, emotional experience no other communication medium can replicate.



Paper's haptic qualities enhance marketing and branding

Our purpose

Sappi exists to build a thriving world by unlocking the power of renewable resources to benefit people, communities, and the planet.

5. Our outputs

What we produce – our products, services and waste products

Our diverse product range is designed to serve our customers, meeting their needs today, tomorrow and well into the future.

6. Our outcomes

What we create, preserve or erode – the broader impacts of our business activities

While we acknowledge that our business activities have positive and negative outcomes, we strive to maximise the positive consequences of our value streams in terms of the 3Ps.

7. Our global sustainability goals

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

Monitoring and reporting transparently on our ambitious 3P targets aligns with our OneSappi strategic approach.

Our business model

1 Inputs The resources and relationships we rely on

2 Our activities Our value streams

Prosperity



Financial, intellectual and manufactured capitals



- 18 production facilities across the globe (see page 8)
- Debt: US\$1,957 million
- Equity and liabilities: US\$4,55 million
- Investment: US\$39 million
- Investment in growth: US\$298 million

People



Human, and social and relationship capitals



- Employees: 12,805
- South African contractor employees: approximately 9,250
- Ongoing stakeholder engagement
- Skilled employees – average training spend of US\$434 per employee
- Community upliftment: investment of US\$3 million

Planet



Natural capital



- **Natural capital:**
 - Plantations:
 - 394,000 owned and leased, of which 259,000 is planted
 - The remainder is managed to conserve the natural habitat and biodiversity found there
 - Energy purchased: 2,381 MW
 - Energy generated on site: 1,979 MW
 - Renewable energy 54.4%, of which 68.3% own black liquor
 - Water extracted: 277 million m³ in absolute terms, 36.82 m³/adt in specific terms.
 - Certified fibre used: 73%



Forests



Manufacturing excellence



Bioproducts



Dissolving pulp



Packaging and speciality papers



Graphic papers

3

Outputs

Our products, services and waste products

- 5.7 million tons of saleable production
- New products developed to meet changing customer expectations and market trends
- Our high levels of innovation give our customers a competitive edge in global markets
- 1.4 million tons of waste, of which 351,698 tons is sent to landfill
- 4.08 million tCO₂e absolute direct (Scope 1) GHG
- 1.20 million tCO₂e absolute indirect (Scope 2) GHG
- 93.8% water drawn returned to environment



High levels of forest certification = competitive advantage

- Value created ✓
- Value preserved —
- Value eroded ✗

- Energy intensity: 23.71 GJ/adt
- ✓ High levels of wood certification result in competitive advantage
- ✓ World-leading tree improvement programmes have led to shorter growth times and enhanced fibre gain
- ✓ Training of smallholders in Sappi North America (SNA) and Sappi Europe (SEU) to educate them on more sustainable forestry practices

4

Outcomes

The broader impacts of our business activities



US\$434 average training spend per employee

- ✗ One fatality
 - ✓ Global average of 46 training hours per employee
 - ✓ Productivity: 4.3 hours worked/adt saleable production
- Level 2 BBBEE contributor



Symbio chosen for the development of lightweight bio-composite materials in the European Life Biobcompo project

- ✓ Total assets: US\$5.4 billion —
- ✗ EBITDA: US\$378 million, a decline of 45% year-on-year (y-o-y) —
- ✓ 6% reduction in cash fixed costs y-o-y —
- ✗ Loss of US\$135 million —
- ✗ Net debt: up by 30.38%
- US\$54 million paid to governments through taxation

- ✓ DP used for clothing and household wet wipes – reducing environment
- ✓ Lighter-weight packaging product
- ✓ Expanded packaging portfolio offering sustainable alternatives to fossil-f

5 Actions to enhance outcomes



- 1.1 million tons of commercial downtime (major repercussions for operating efficiency, fixed cost absorption and profitability)
- Investment in R&D to ensure cutting-edge solutions for customers
- Ongoing diversification of our product portfolio into higher margin segments
- Commercialisation of bioproducts gaining traction



- Continued investment in embedding a safety culture across the group
- Focus on entrenching transformation in our South African operations to support inclusive growth
- Investment in training and development of our employees
- Strong governance and Code of Ethics training
- Group Supplier Code of Conduct rolled out to suppliers



- Committed to science-based targets
- Developed a decarbonisation roadmap
- Increased energy self-sufficiency by 6.3% over five years due to focus on reducing purchased energy
- Impact on GHG emissions offset by carbon sequestration
- Continued to adjust our tree breeding strategy to mitigate the impacts of climate change
- Made progress in terms of our 2025 biodiversity goal (vegetation assessment on our land)

US\$925 million paid to employees as salaries, wages and other benefits
 US\$100 million paid to lenders as interest
 0 dividends

ld textiles, baby wipes and
 al impact
 s – reduction in carbon footprint
 ers customers and consumers more
 uel based packaging (plastics)

Examples of our trade-offs

The most difficult decisions made during the year



Balancing employee health and safety with operational continuity as an essential service provider

As an essential business, we continued operations in most regions which meant we had to carefully balance the need to protect the health of our employees, with the need to protect livelihoods and support national economies. We mitigated the risk to our employees through the implementation of strict protocols.

 Risk: ① Safety



Balancing demand with capital investment and employment

Our decision early in 2020 to close Paper Machine 2 (PM2) at our Stockstadt Mill as well as PM9 and the energy complex at Westbrook Mill was accelerated by Covid-19 and poor demand. In making this decision, the board carefully balanced the need to manage liquidity, with demand trends, current macro-economic conditions and the people employed at the mills. The closures followed a consultation process which impacted 245 employees. While the immediate financial consequence of the decision resulted in an estimated restructuring provision of US\$46.4 million, the estimated yearly saving will be about US\$28 million, reflecting our commitment to taking decisive action to reduce costs and respond to market dynamics.

 Risk: ④ Liquidity




Balancing afforestation and biodiversity

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.

 Risk: ⑤ Sustainability expectations

Balancing the need for reduced production with environmental considerations

The need to maintain liquidity by curtailing production impacted on our environmental performance. Curtailment reduces efficiency of the various processes. Accordingly, globally, specific Scope 1 emissions, specific total energy consumption and specific process water consumption all increased.

 Risk: ④ Liquidity
⑤ Sustainability expectations
⑨ Climate change

Balancing capital investment and liquidity

We declared force majeure on the Vulindlela expansion project at Saiccor Mill, postponed annual shuts at certain mills and took downtime on several machines to reduce our capital expenditure and preserve cash flow in FY2020. We have a carefully planned capital investment programme, with clear deadlines and deliverable. In making this decision, the board carefully balanced the short-term benefits against the long-term consequences as these projects will now roll into 2021.

 Risk: ④ Liquidity

Letter to the stakeholders

from the Chairman and Chief Executive Officer (CEO)



Steve Binnie
CEO



Sir Nigel Rudd
Chairman

“

In the short term, management's focus turned to the preservation of liquidity, lowering costs and re-prioritising various strategic actions.”

Operating review

The group's performance was severely impacted by the Covid-19 pandemic, related lockdowns and the economic aftereffect. Demand for graphic paper and dissolving pulp (DP) was particularly hard hit. Sales volumes for these products decreased by 20% and 18% respectively. The market conditions forced us to take more than 1.1 million tons of commercial downtime, which had repercussions for operating efficiency, fixed cost absorption and profitability. Lower DP volumes exacerbated an already tough operating environment for the segment, as historic low pricing levels persisted throughout the year. The positive highlight for the year was strong growth in sales and profitability for the packaging and specialities segment. A ramp up in volumes from Somerset and stable packaging demand throughout the Covid-19 crisis contributed to this success. The group's EBITDA excluding special items was US\$378 million, compared to US\$687 million in the prior year.

In the short term, management's focus turned to the preservation of liquidity, lowering costs and re-prioritising various strategic actions. Commercial downtime was taken across all segments as required, to match supply to demand and prevent the build-up of inventory. Additionally, non-critical projects were deferred, and some annual maintenance shuts were postponed for a short period.

We made good progress in our efforts to improve safety across the group in the past year. All three regions improved their safety metrics, with Sappi North America following up an already impressive performance in 2019 to achieve an all-time low LTIFR in 2020. This improvement is as a result of an unwavering commitment to Project Zero. We do not accept injuries and accidents are inevitable and safety programmes in each region aimed at personal behaviour, the making of safe choices and leadership engagement. Regrettably we must report a contractor fatality in South Africa during the year. Our target is zero injuries, and we believe we can achieve this with enhanced procedures, training and most importantly, behaviour.

Our board places great emphasis on maintaining Sappi's reputation as an ethical corporate citizen, laying ethical behaviour as the foundation of our business. Values and ethics are not only critical to maintain a licence to operate, but also for developing and maintaining stakeholder trust and to drive performance. 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.

In local currencies, each of the regions increased the profitability of their packaging and specialities segments compared to the prior year, despite the many challenges posed by lockdowns in various industries across the globe. The ramp-up of Somerset PM1, the acquisition and integration of the Matane Mill, the delayed maintenance shut at Ngodwana Mill as well as generally lower input costs all contributed positively to the performance. EBITDA in this segment increased from US\$126 million to US\$179 million. The business has proven to be resilient in difficult economic circumstances and supports our strategy to diversify the product portfolio into higher margin and growing segments.

DP prices started the year at historically low levels and, albeit with periods of relative stability, ended the year even lower. This, in conjunction with the rapid slowdown in customer demand in the third quarter as a result of the lockdown measures implemented by various governments, resulted in EBITDA for this segment dropping from US\$304 million to US\$63 million. Demand and pricing

began to recover in the fourth quarter; however, our sales volumes lagged this market recovery as a result of commercial and operational decisions taken to preserve profitability and liquidity in the group. The project to expand the Saiccor Mill capacity was put on hold through the initial months of the Covid-19 outbreak and is now expected to be completed in the Q3 FY21.

In the first half of the year, graphic paper markets were characterised by weaker orders, offset by lower input costs which resulted in a constant year-on-year performance compared to FY2019. The outbreak of Covid-19 in the second half of the year led to a significant decline in graphic paper usage across the globe in line with the slowdown in economic activity. EBITDA in this segment declined from US\$251 million to US\$131 million. The poor demand, which is unlikely to return to pre-Covid-19 levels, accelerated the decision to close a paper machine at each of Stockstadt and Westbrook Mills during the year. This action, along with closures by other industry participants should result in industry operating rates returning to more profitable levels in the coming year. From a low point in June, we have experienced a gradual improvement in sales each month.

Strategic review (2015 – 2020)

Calendar 2020 was the final year of our strategic 2020Vision. The weak pricing environment for DP at the start of the year, and then the unprecedented effects of Covid-19 and the related lockdowns and economic aftereffects meant that while we remained steadfastly committed to our strategy, we had to adjust to the short and medium-term impacts of the pandemic on our markets, operations and people. During the year we finalised the strategy for the next five-year period, ending 2025, and have named this **Thrive25**. The revised strategy does not meaningfully change our focus or chosen path; however, it embeds sustainability and innovation at the core of our focus and reflects the changing markets and economic conditions we are experiencing at the start of the new decade. We describe our **new Thrive25 strategy** elsewhere in this report on pages 16 – 19.

Our 2020 strategy encompassed the following four main objectives:

- **Achieve cost advantages** – We will work to improve operational and machine efficiencies, maximise procurement benefits and optimise business processes to lower costs
- **Rationalise declining businesses** – Recognising the decreasing demand for graphic papers, we continuously balance paper supply and demand in all regions to strengthen our leadership position in these markets, realising their strategic importance to the group and maximising their significant cash flow generation. Where possible we will convert paper machines to higher margin businesses
- **Maintain a healthy balance sheet** – This will reduce risk and improve our strategic flexibility
- **Accelerate growth in higher margin products** – We will invest in expanding our paper packaging grades, enhancing our DP portfolio and in the extraction of value from our biorefinery stream

These strategic objectives were supported by our value statement: As OneSappi, we do business safely, with integrity and courage, making smart decisions that we execute with speed. Our values are underpinned by an unrelenting focus on and commitment to safety.

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



Achieve cost advantages (2015 – 2020)

Reducing both variable and fixed costs throughout the business is integral both to maintaining or improving margins and to the sustainability of our operations. This is especially true in commodity businesses where we faced declining demand, such as graphic papers. In the past year we set ourselves a target of a US\$54 million (subsequently revised to US\$64 million) reduction in third-party expenditure compared to 2019 through efficiency and raw material usage improvements as well as delivering savings through various procurement initiatives. We are pleased to report that savings of US\$108 million were realised, which helped offset the significant decline in

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We made good progress in our efforts to improve safety across the group in the past year.”

graphic paper and DP volumes. An additional US\$104 million in fixed cost savings was realised in the second half of the year to mitigate as far as possible the impacts of the severe downturn in demand in the graphics and segments. In 2021 we are targeting a further US\$70 million in variable cost savings.

During 2020 we proceeded with the Saiccor Mill 110,000 ton expansion. This project, originally due to be completed towards the end of 2020, will improve our energy and chemical recovery, lowering variable costs. As a result of the Covid-19 lockdown in South Africa we had to stop construction on the project for a period and we now estimate completion of the project will occur in the third fiscal quarter of 2021. During the period that construction was halted we revised the project somewhat, with a focus in lowering future variable costs further. As a result, the higher cost calcium line at Saiccor Mill will now be converted to a magnesium process, with additional savings in energy costs and chemical recovery.

In 2021 we will be undertaking some small pulp mill debottlenecking projects in Europe, which will help improve the paper pulp integration of our specialities and packaging business, lowering our cost base and reducing the volatility of earnings through the pulp cycle.

Letter to the stakeholders continued



Rationalise declining businesses (2015 – 2020)

Graphic paper demand in Europe and North America continues to be in long-term structural decline, and this was exacerbated in 2020 by the economic consequences of the Covid-19 pandemic and associated lockdowns. Maintaining operating rates and lowering costs are key to our strategy to maximise cash generation in these markets. We had to take 970,000 tons of production downtime in this segment during the year, which negatively impacted the profitability of the graphic paper business.

In 2018 we converted PM1 at the Somerset Mill. The capacity of the machine was expanded, and it now has the flexibility to produce both coated graphics paper and paperboard products used in the folding carton and food service markets. During 2020, we ramped up production of the paperboard grades on this machine as we qualified the various products with a range of customers. In 2021, we expect to continue to increase paperboard volumes, thus gradually filling the machine as graphic paper sales volumes decline. In July 2020 we announced the planned closure of PM9 at our Westbrook Mill to lower costs. This machine made the base paper for the speciality casting and release paper produced at that mill. We will now supply this paper from our Cloquet and Somerset Mill facilities, lowering costs and effectively reducing our coated paper capacity in North America by approximately 20,000 tons.

In Europe we focused on cost reduction and our go-to-market strategy – Sappi&You – which has enabled us to be a preferred supplier in the coated woodfree (CWF) grades and has seen us increase both direct sales and market share in a declining market. In 2018 we converted the Maastricht Mill to focus predominantly on paperboard packaging grades in support of our existing packaging and speciality papers business in Europe. In 2019 we furthermore undertook the conversion of PM8 at Lanaken Mill to enable the machine to make either CWF or coated mechanical paper (CM), allowing the transition from CM to CWF production on that machine, bringing our CM capacity in line with that of the expected decline in that market. We also made investments at Egingen Mill to enhance their specialities and packaging offering. In July 2020 we announced the closure of PM2 at our Stockstadt Mill which was completed at the end of September 2020. The combination of the above projects and closures has led to a 440,000 ton reduction in our European graphic paper capacity over the past two years and a 200,000 ton increase in packaging and speciality papers capacity.

In South Africa our exposure to declining markets is limited to newsprint, where we are the last remaining local producer, and office paper. During 2020 we successfully started producing sack grades on the newsprint machine, taking advantage of the desire of retailers and consumers to reduce their use of plastic bags. This will help keep the machine more fully utilised.



Maintain a healthy balance sheet (2015 – 2020)

The decline in profitability of the business in 2020 as a result of the factors mentioned above, along with a largely committed capital expenditure pipeline during the year, resulted in the net debt:EBITDA leverage ratio increasing from 2.2 to 5.2 over the course of the year, well away from our target leverage ratio of two times. The maintenance of adequate liquidity became the major focus of management in the second half of the year as the full impacts of Covid-19 became apparent. Several steps were taken during the year, these included variable and fixed cost containment initiatives, a reduction in capital expenditure, delays to major annual maintenance shuts, furloughing of staff where possible and a focus on optimising working capital.

With the completion of the Saiccor Mill expansion project and aforementioned delays in shuts, capital expenditure levels in 2021 will remain elevated, however we have not committed to any further major capital expenditure projects order to

preserve liquidity and with the aim of managing debt and leverage levels.

During 2019 we refinanced the 2022 Euro bonds with a new seven-year Euro bond at a rate of 3.125%, Sappi's lowest ever rate. We have no significant maturities due before 2023 and we are comfortable with the maturity profile of our debt. Net finance costs may rise slightly to US\$100-110 million as the net debt remains elevated in the coming year. We proactively negotiated the suspension of the measurement of our revolving credit facility (RCF) linked financial covenants through to September 2021 (with the first measurement due in December 2021) to see us through the worst of the Covid-19 impact on our business and financial metrics. Post year-end we announced a ZAR1,8 billion convertible bond issue to fund the completion of the Saiccor Mill expansion project.



Accelerate growth in higher margin products (2015 – 2020)

Following the debottlenecking of the Saiccor and Ngodwana DP Mills in 2018, in the second half of 2019 we completed the upgrades to the Cloquet Mill, adding a further 30,000 tons of DP production capacity. As mentioned above, we initiated the 110,000 ton expansion project at Saiccor Mill during 2019, which, along with additional sales volumes, will decrease production costs for the entire mill, introduce new technology, reduce the environmental footprint and future-proof manufacturing systems. Current market conditions, with low DP prices, viscose customers under significant pressure and excess DP and viscose capacity make a further significant expansion difficult to justify in the medium term.

The packaging and speciality papers segment volumes grew by 7% in 2020, despite the negative impact of Covid-19 on some of our product segments. With higher sales volumes on the converted machines and the related improvement in sales mix and production efficiencies, profitability of the segment improved, aided by lower

purchased paper pulp prices and the increased pulp integration as a result of the acquisition of the Matane Mill. The pressure on fast-moving consumer goods (FMCG) companies to embrace alternative packaging solutions that are more renewable, recyclable and reusable is encouraging joint R&D efforts to provide such solutions. Many of our packaging products are ideally placed to take advantage of this accelerating demand and we made good progress in the last year in launching new products and solutions for our customers. The technology acquired from Rockwell Solutions in 2017 is now ready to be rolled out to additional machines within the group, allowing us to capture more of this market.

Sappi Biotech made further progress in developing new and innovative products, ideally suited to a world looking for more sustainable chemical and material solutions. We continued to grow our lignin business and have taken important steps to enter higher value lignin markets in the near term. The demonstration plant adjacent to our Ngodwana Mill has allowed us to test and optimise the xylose sugars extraction technology on industrial scale for markets such as xylitol. Pending successful commercial arrangements, this may result in final product technology scale-up and ultimate construction of commercial xylose plants at our mills in the United States or South Africa. We will also invest in a pilot plant at our Saiccor Mill in 2022 to test technologies appropriate for the production of furfural. Our cellulose nanofibrils and cellulose microfibrils development is ongoing, with exciting co-development and product acceptance progress made in our paper business as well as with firms in the coatings and cosmetics industries. We have been successful in developing our fibre composite product with automotive producers, with the first commercial applications occurring in 2020.

Sustainability

The events of the past year have highlighted the importance of managing a business in a sustainable manner, balancing the facets of the 3Ps, making trade-offs where required to deliver the best long-term outcome. While the economic pressures resulting from the Covid-19 outbreak impacted our operations and people, as well as the communities we operate in, the importance of addressing climate change and biodiversity loss have not diminished. Governments, society and brand owners exert ever more pressure on companies to do more in this regard. Sappi has always focused on the sustainable management of our operations, on increasing efficiency and maximising value from our sustainable natural resources. Our new **Thrive25** strategy recognises that we need to be more proactive in our dealings with various stakeholder groups and that we must become a trusted partner to these groups to pursue growth opportunities while minimising risk in a complex operating environment. In the past year we made great strides in assessing our risk related to climate change, utilising the recommendations of the Task Force on Climate-Related Financial Disclosure (TCFD), have committed to set a science-based target for our emissions and placed increasing focus on managing risk in our supply chains via our Supplier Code of Conduct.

Looking forward

Underlying demand for most packaging and speciality paper products remains robust, driven by consumer preference and the shift from plastic to paper. First quarter sales volumes will be impacted in both Europe and South Africa by usual seasonal weakness and exacerbated by both the Ngodwana Mill annual maintenance shut which was delayed from the third quarter of FY2020 and the scheduled Somerset Mill annual maintenance shut. These shuts will have an estimated US\$30 million impact on profitability, predominantly linked to the packaging segment.

Some products remain affected by weaker economic activity in certain regions or end-use markets impacted by Covid-19.

Market conditions for DP have improved and pricing has recovered somewhat during October. At the end of November, the Chinese market price had improved to US\$710/ton, driven by an acceleration in DP demand, tighter market balance and higher viscose staple fibre (VSF) prices. However, in the short term, the combination of the mill maintenance shut at Ngodwana Mill, constrained production on the calcium line at Saiccor Mill due to the closure of the Lignotech joint venture and DP pricing which still favours own consumption paper pulp production at Cloquet Mill, will mean that DP sales volumes in the first quarter will be only marginally higher than in the preceding quarter. We are evaluating opportunities to recover some of the lost DP production prior to the completion of the Saiccor Mill expansion project.

Graphic paper demand continues to improve from the impact of Covid-19, and a series of paper machine and mill closures or conversions in the industry recently completed or imminent should improve operating rates in the coming quarter and year. However, a second wave of Covid-19 infections in the US and

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The initiative and resourcefulness of our people enabled us to continue to deliver our products to our customers and make it possible to look forward to an improvement in our underlying performance in 2021.”

Letter to the stakeholders continued

Europe is leading to stricter lockdown conditions and a slowing of the recovery in many countries. Pricing is largely expected to move in line with variable cost movements. Due to the improved supply/demand balance in coated graphics paper in North America, a price increase on SNA-produced web brands has been announced effective in January 2021, matching similar announcements by competitors.

Current liquidity headroom in the group remains good, with cash deposits at the end of the quarter of US\$279 million and committed RCFs of approximately US\$582 million. We negotiated an extension of our credit facility covenant waiver suspension period until September 2021. The first measurement of these covenants will now take place at the end of December 2021.

Capital expenditure in FY2021 is estimated to be US\$370 million and includes approximately US\$100 million related to the decision to delay the Saiccor Mill expansion project and the postponement of major shuts at Saiccor and Ngodwana Mills which reduced capital expenditure in FY2020.

In the first quarter the recovery of the business will continue, driven by improving DP and graphic paper markets. However, this will be offset by the impact on the packaging and speciality segment of the delayed shut at Ngodwana Mill and the scheduled annual maintenance shut at Somerset Mill. As a result, EBITDA in Q1 FY2021 will be below that of Q4 FY2020. We remain encouraged by the resilience of our business and the opportunities offered by our strategic focus on the transition of the business towards higher growth segments.

Appreciation

The Covid-19 pandemic impacted our employees, communities, suppliers, customers, funders and shareholders. Without their support and willingness to collectively seek solutions, the impact of the pandemic on our business would have been even more severe. In these difficult times, close relationships, transparency and trust are most vital. We thank you for the faith you have shown in us.

Our various stakeholder groups contribute in many ways to our performance and sustainability as a group. Our interactions with these stakeholders, their ideas, suggestions and support guide us and we thank them for their contribution.

To our customers who have placed enormous trust on us and our ability to meet their changing and growing requirements through innovation and investments, we thank you. We undertake to continue to work closely with you to ensure we meet both your and our needs for value.

Our employees continue to support the strategic initiatives of the group, and in a year where Covid-19 had a profound impact on how we work, travel and on our day to day lives. They have embraced the values and ethics that are so important to good corporate citizenship. The initiative and resourcefulness of our people enabled us to continue to deliver our products to our customers and make it possible to look forward to an improvement in our underlying performance in 2021. We also thank them for their dedication and hard work.

Thanks to our board for their continued commitment to the group and sound corporate governance. Their valuable insights and encouragement, all while holding us to the highest ethical standards, enable us to execute our strategy with confidence.

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 03 February 2021.



Q&A with the CEO



Steve Binnie
CEO

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We are targeting reductions in both our absolute emissions and emission intensity and in the past year we have committed to setting a science-based target for our emissions reduction initiatives.”

Q1

How did the Covid-19 pandemic impact Sappi, and what actions have you taken to mitigate these affects?

The pandemic has had a profound impact on society. Our priority remains the safety of our people across all of the territories where they are present, and as such our mills and other facilities apply stringent guidelines for social distancing and sanitising. This ensures our operations continued in a safe and uninterrupted manner. By the end of November 2020, 308 confirmed cases of Covid-19 had occurred amongst our employees, predominantly from community transmission outside of the workplace. Sappi provided extensive employee well-being services to all our employees to manage individual fears, stress, loneliness, anxiety or depression through individual sessions, education material, change management and appropriate referrals. These services were furthermore extended to those contractors that did not have ready access to assistance programmes. Special care was given to vulnerable employees to ensure they had the coping skills and support structures in place through a very difficult and abnormal time.

The group's focus was to preserve liquidity and cash flow, and we implemented various cost saving measures across our operations, curtailed excess production and where possible, deferred non-essential capital expenditure and applied measures to optimise working capital. On balance, our packaging and speciality paper markets were relatively unaffected by the pandemic. Certain categories of packaging products, generally those related to food or medicine, were positively affected, however, other packaging or speciality products experienced periods of reduced demand, primarily as a result of the temporary closure of customers' plants or operations as a result of lockdowns in various geographies. Graphic paper demand was negatively affected globally, and a slow recovery has been underway since May/June. We do not expect a full return to pre-Covid demand levels in this segment, perhaps returning to 80-85% of 2019 demand by our second fiscal quarter of 2021. The second wave of Covid-19 in Europe could de-rail this recovery once again. DP demand experienced a very sharp correction in April as retailers globally were forced to close outlets and sales of garments declined by 80% or more in many geographies. Demand, however, has returned quicker than initially expected as retail outlets opened once again, and supply chains were replenished. Demand for DP at present is close to pre-Covid levels.

Q&A with the CEO continued

Q2

DP prices remained depressed throughout the year, what do you believe will lead to a sustained recovery in pricing and profitability?

DP prices remained below the cash cost of marginal cost producers for the entire year, and while they have risen some US\$70/ton from their lows, they remain unsustainably low at present. A perfect storm of low paper pulp prices, excess DP and VSF capacity, low cotton and polyester pricing and a Chinese textile industry already impacted by US/China trade tensions was further impacted by the global Covid-19 pandemic and lockdowns which closed clothing retailers for extended periods. Clothing sales have rebounded quickly, and supply chains that emptied rapidly during our third and fourth quarter are now being restocked, leading to a more rapid increase in demand for DP than initially expected. Encouragingly, textile prices increased, and this has led to the rise in DP prices. Excess DP capacity was temporarily removed through the swinging of many DP mills capable thereof to paper pulp. VSF operating rates also recovered and hence profitability improved for our customers. A return to normalised levels of profitability for this segment will require a combination of further textile price increases and higher paper pulp prices. In the case of the latter, indications are that prices will start to rise in the coming year, and that this will support further DP price increases.

Q3

Both absolute debt levels and leverage have increased in the past year. How will you manage these?

Market conditions are steadily improving for graphic papers and DP, albeit from a low base. As operating rates in graphic paper improve with capacity reductions by both Sappi and competitors in CWF and CM in the US and Europe, profitability will improve. Higher DP prices, coupled with increased sales volumes in the latter part of the year as the expansion of the project at Saiccor Mill is complete, will further boost profitability. However, debt levels and leverage ratios are likely to remain elevated as we complete the Saiccor Mill expansion project and the quarters most impacted by the economic impacts of Covid-19 remain part of the bank covenant calculation. As a result of this we negotiated the suspension of our covenant measurement till end September 2021, when we believe much of the short-term impact from Covid-19 will be behind us, and we have focused on the preservation of liquidity and cash flow management since the onset of the pandemic. Discretionary capex projects were postponed, and no new major capital commitments have been made. We have no significant debt maturities due before 2023 and thus will not need to refinance debt while credit metrics are under pressure, finance costs will be a little higher in the coming year due to higher average net debt levels.

Q4

As the decline in graphic paper demand seems to have worsened in the past year, do you have further plans to convert additional graphic paper machines to packaging and speciality paper grades?

While we foresee a time when further conversions may be attractive, our focus in the medium term is to expand our barrier paper technology capabilities via the utilisation of the technology acquired in the Rockwell acquisition at our Alfeld Mill. This should be complete by mid-2022 and will allow us to take advantage of the growing demand for more environmentally friendly packaging solutions. Furthermore, both Somerset PM1 and the Maastricht Mill conversions continue to ramp up production of paperboard, displacing graphic paper production on these machines. Operating rates on our graphic paper machines are likely to return to pre-Covid-19 levels in 2021, both as a result of the recovery in these markets from their lows, but also as a result of significant capacity reductions already announced or implemented by competitors and ourselves in 2020 and 2021. These improved operating rates will not only support improved margins, but also reduce the need to convert machines in the near term.

Q5

Your Thrive25 strategy seems to be an evolution of the 2020Vision, was a more radical change not required given the events of the past year?

The board and senior management of Sappi believe that the core of our 2020Vision strategy remains relevant to our business today. While the Covid-19 pandemic rebased graphic paper demand to a lower level than previously envisaged, the actions of the industry as a whole to balance supply and demand through closures and conversions will allow this segment to operate at reasonable margins. More importantly this will generate the cash that allows our business to fund the strategic investments in growing and higher margin segments. Our position as leading European and North American graphic paper suppliers, with well-invested low-cost mills, gives us confidence that these assets have a sustainable future. DP experienced a tough year for pricing in 2020 and a temporary drop in demand, but the growth prospects for DP remain attractive as Viscose and Lyocell continue to meet the demands of the textile industry for natural cellulosics. Our position as a low-cost producer, particularly with the low-cost wood supply to our South African operations and ongoing expansion and upgrade of the Saiccor Mill, gives us confidence that we will again generate attractive returns in this segment. Legislation, consumer preference and brand owner focus on sustainability continue to drive the shift from plastic to paper in many categories of packaging and speciality paper. Our investments in the packaging and speciality papers segment over the past seven years have positioned us well in respect of technology, R&D, cost base and customer service to take advantage of this shift. Given the impacts on our business of the past year, the **Thrive25** strategy also recognises that there will need to be two phases to the continued evolution of our business of the next five years. In the initial period we will focus on strengthening the balance sheet and returning leverage levels to more appropriate levels for a cyclical industry like ours, before making further investments in the growing and higher margins segments. Where the **Thrive25** strategy does clearly differ is the embedding of sustainability and innovation within the overall business strategy, recognising that as an industry that utilises renewable resources there is both great opportunity and an ethical obligation to reduce adverse impact inherent in our business.

Q6

Climate change has been identified as a top risk for business globally, how does Sappi intend to address this risk?

We are addressing climate change through two main mechanisms. Firstly, we are targeting reductions in both our absolute emissions and emission intensity and in the past year we have committed to setting a science-based target for our emissions reduction initiatives. The first significant step towards this ambitious target is the work we are currently doing at Saiccor Mill where we are installing a new recovery boiler and converting the calcium line to magnesium. This will lead to a significant reduction in the fossil fuel energy requirements and increase our renewable energy usage. Secondly, we have created a working group to implement the recommendations of the TCFD. See **Helping to mitigate climate change** on page 82. This will allow us to more effectively evaluate climate-related risks and opportunities, make better capital allocation decisions and make more informed strategic decisions. This work will be completed in the coming year and will inform our climate change strategy.



Reimagine

Stars form when celestial clouds collapse, feeding a rotating disc of gas and dust into a dense, hot central core. Amongst other things, pulsating stars give off carbon, a key ingredient for life as we know it. From chaos, something beautiful – and essential – is created.

We can view this as a metaphor for the coronavirus pandemic that infected and affected people regardless of nationality, class or wealth, leaving intense disruption in its wake. However, it also ushered in a global drive to reimagine our way of being on the planet. A new agenda for change is emerging, gaining traction and raising questions that will not go away.

Questions like: How do we reimagine a collective future where changed behaviours will allow us to live more in balance with nature than before? How do we

maintain and even intensify the sense of connection, caring and community that was one of the unexpected, but welcome, impacts of the pandemic? How do we deal with the uncertainty on the horizon when future surges of Covid-19 occur?

At Sappi we are taking bold, decisive action to respond to these challenges by extracting the full potential of trees and woodfibre to develop practical innovations for everyday impact and innovate what we should, not just what we can. We're also establishing and maintaining proactive dialogue with all our stakeholders as well as working with and supporting local communities.

In doing so, we can not only create a more sustainable future, but also unlock significant long-term value for all our stakeholders.

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 Sappi's strategy, taking into account recommendations as set out in the following standards and frameworks: ISO 31000 risk management - principles and guidelines.

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.

Group board of directors

Assumes overall responsibility for risk governance

Group Audit and Risk Committee

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

Line management in each region, business unit and operation

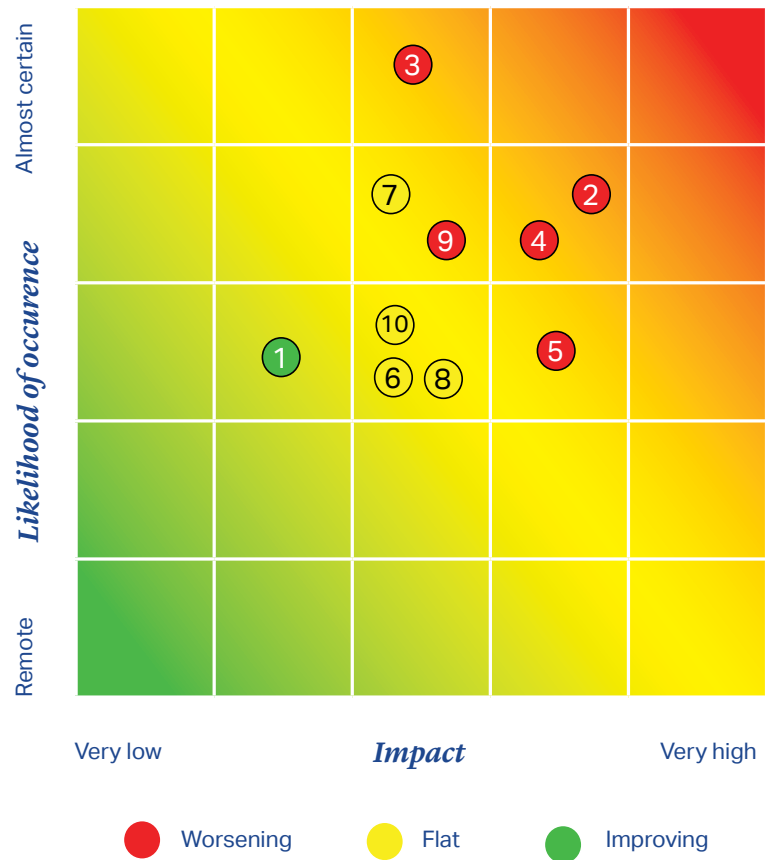
Responsible for implementing regional risk management processes

Group Internal Audit

Provides independent assurance on the risk management process

Risk appetite and tolerance

Sappi has 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, e.g. return on investment.



Top 10 risks

Residual risk ranking

- | | |
|--|--|
| <ul style="list-style-type: none"> 1 Safety 2 Cyclical macro-economic context and competitive industry 3 Evolving technologies and consumer preferences 4 Liquidity 5 Sustainability expectations | <ul style="list-style-type: none"> 6 Project implementation and execution 7 Uncertain and evolving regulatory landscape 8 Employee relations 9 Climate change 10 Cyber security |
|--|--|

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

Our **2020 Risk Management Report** provides a detailed discussion of the group’s risk factors, and can be accessed on www.sappi.com/annual-reports

Risk management continued

1 Safety

(2019: 1)

Root cause

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

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.

Thrive25 strategy objectives impacted



3Ps impacted



Related material issues

- Ensuring the safety of our employees and contractors
- Engaging more closely with our employees
- Supporting sound labour relations

2 Cyclical macro-economic context and competitive industry

(2019: 2)

Root cause

Our business is impacted by cyclical changes in global economic conditions, including fluctuations in exchange rates, supply, industry capacity and output levels, and demand. Global economic turmoil (including that caused by the Covid-19 pandemic) can lead to significant decreases in volume, as well as pressure on our prices in the markets where we operate. We continue to operate in a highly competitive environment. Over the past few years, consolidation in the pulp and paper industry – leading to larger, more focused companies – has become more prevalent.

Mitigating actions

- Monitor the balance between supply and demand
- Impair operating assets when needed
- Implement capacity closures as required
- Improve efficiencies and reduce costs across the business
- Enhance customer service, innovation, and efficient manufacturing and logistics
- Drive performance to set our businesses apart from competitors
- Increase pulp integration – as an example, through our acquisition of Matane Mill.

Thrive25 strategy objectives impacted



3Ps impacted



Related material issues

- Containing costs and ensuring appropriate capital allocation
- Supporting sound labour relations

3 Evolving technologies and consumer preferences

(2019: 3)

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.

Mitigating actions

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

Thrive25 strategy objectives impacted



3Ps impacted



Related material issues

- Sourcing responsibly
- Meeting long-term demand growth for cellulosic-based fibres
- Increasing the sustainability of our products through circular design and adjacent markets
- Developing and commercialising innovations in addition to adjacent businesses
- Sourcing woodfibre responsibly
- Prioritising renewable and clean energy
- Helping to mitigate climate change

4 Liquidity

(2019: not ranked)

Root cause

Our principal sources of liquidity are cash generated from operations and available under our credit facilities, and other debt arrangements. Our ability to generate cash depends mainly on general economic, financial, competitive, market and regulatory factors. Our cash flow from operations may be adversely impacted by a downturn in world-wide economic conditions (including as a result of the effects of the Covid-19 pandemic), which could result in a decline in global demand for our products.

Mitigating actions

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

Thrive25 strategy objectives impacted



3Ps impacted



Related material issues

- Containing costs and ensuring appropriate capital allocation
- Meeting long-term demand growth for cellulosic-based fibres

Risk management continued

5 Sustainability expectations

(2019: not ranked)

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. Sappi's operational impact and environmental footprint need to support and demonstrate Sappi's sustainability commitments and actions.

Mitigating actions

- Product certifications
- Enhanced health and safety specifications
- Recyclability
- Product innovation (including 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
- Promote our social and environmental credentials through media – social and otherwise.

Thrive25 strategy objectives impacted



3Ps impacted



Related material issues

- Sourcing responsibly
- Increasing the sustainability of our products through circular design and adjacent markets
- Developing and commercialising innovations in addition to adjacent businesses
- Sourcing woodfibre responsibly
- Prioritising renewable and clean energy
- Helping to mitigate climate change
- Focusing on water stewardship
- Accelerating circular business models
- Safeguarding and restoring biodiversity

6 Project implementation and execution

(2019: 6)

Root cause

To deliver against our strategy, we invest in several capital expenditure projects across the group. The success of these projects depends on several factors, including time to completion, delivery of expected outcomes and remaining within the parameters of the approved budget. Should our projects not track against expectations – it could impact our reputation and, ultimately, our market share.

Mitigating actions

- Select and appoint contractors dedicated to quality and safety
- Evaluate and address any shortcomings between contractor and supplier interfaces
- Ensure the adequate availability of skilled human resources
- Consider various contracting philosophies specific to the regions in which we operate
- Leverage modern tools, including technology, to improve project management functions across project phases
- Cultivate relationships with main suppliers
- Source cross-functional global teams and additional internal experts, where applicable, to provide detailed oversight and review
- Track relevant risk metrics across project phases to ensure successful execution
- Provide operational and maintenance training.

Thrive25 strategy objectives impacted



3Ps impacted



Related material issues

- Containing costs and ensuring appropriate capital allocation
- Meeting long-term demand growth for cellulosic-based fibres

7 Uncertain and evolving regulatory landscape

(2019: 7)

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.

Mitigating actions

- Remain up to date on changes to applicable legislation
- 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 greenhouse gas (GHG) emission requirements, and take action accordingly
- Cooperate across regions to apply best practices in sustainability.

Thrive25 strategy objectives impacted



3Ps impacted



Related material issues

- Maintaining ethical behaviour and compliance

8 Employee relations

(2019: 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.

Mitigating actions

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

Thrive25 strategy objectives impacted



3Ps impacted



Related material issues

- Ensuring the safety of our employees and contractors
- Engaging more closely with our employees
- Supporting sound labour relations
- Attracting, developing and retaining key skills

Risk management continued

9 Climate change

(2019: emerging risk)

Root cause

Climate change will have an unavoidable effect on our business in the form of transitional, reputational and physical impacts. The latter include 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 the availability of raw materials, including 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 – already in place in some regions in which we operate (South Africa and Europe) – as a response to climate change and such taxes could impact profitability to an increasing extent in future.

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
- Formulate a climate change strategy under the auspices of our Task Force on Climate-Related Financial Disclosure (TCFD) work
- Sappi Southern Africa has engaged National Treasury to motivate taking into account carbon sequestration by companies that own their own forests when calculating carbon tax. Sappi's process starts with the planting of trees and our supply chain is carbon positive
- Group-wide decarbonisation initiatives are in place.

Thrive25 strategy objectives impacted



3Ps impacted



Related material issues

- Increasing the sustainability of our products through circular design and adjacent markets
- Developing and commercialising innovations in addition to adjacent businesses
- Sourcing woodfibre responsibly
- Prioritising renewable and clean energy
- Helping to mitigate climate change
- Focusing on water stewardship
- Accelerating circular business models
- Safeguarding and restoring biodiversity

10 Cyber security

(2019: emerging risk)

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.

Mitigating actions

- Mitigate against cyber-attacks and information security breaches through our multi-layered information technology 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.

Thrive25 strategy objectives impacted



3Ps impacted



Emerging risks and opportunities

While we ensure that our risk management processes are aligned with our strategy, we also take into account that our risks are liable to change. We continue to observe trends and developments within the macro-environment, and are monitoring the following risks as they become topical.

Automation and data exchange in manufacturing technologies (Industry 4.0)

Root cause

At Sappi, we recognise the opportunities presented by smart systems and automation, digitisation, data analytics and machine learning. Similarly, we can leverage these systems to optimise our production and maintenance processes, logistics and supply chains, together with enhanced innovation and speed to market. Failing to invest in and pursue Industry 4.0 opportunities, or keeping pace with ongoing developments, could negatively impact the sustainability of our business.

Mitigating actions

- Leverage our strong foundation of continuous technology improvement and intentional evolution to enhance our competitive advantage
- Maximise the use of data analytics
- Enhance efficiency and productivity of our processes
- Track information on quality, raw materials and environmental stewardship
- Enhance workforce training and development
- Utilise intelligent solutions through satellite imaging and drones in our forestry operations.

Incidents of social unrest

Root cause

Social unrest in South Africa continues to escalate – the result of a disaffected population protesting about lack of service delivery and job opportunities. This has been exacerbated by the outbreak of Covid-19, leading to the country's unemployment rate reaching 30.8%. Should South Africa's broader issues not be resolved, the impact on our business could be disruptive.

Mitigating actions

- Engage with relevant stakeholders through integrated community forums
- Our Enterprise and Supplier Development (ESD) department is helping to promote entrepreneurship through a focused capacity building programme focused on small, medium and micro enterprises (SMMEs)
- We continue to promote entrepreneurship and drive social impact through our Sappi Khulisa programme. Currently, the programme involves over 3,644 growers and approximately 103 SMMEs.

Land restitution

Root cause

Generally, Sappi supports the land claim initiatives in South Africa, and we continue to engage with relevant parties in several land claims. Of concern to us is the slow pace of implementation and the length of time taken to conclude claims. The forestry industry continues to be a key driver of growth in the country's rural areas – if government could unlock this potential growth driver by ensuring a faster process, the attendant benefit would flow directly to the rural communities. However, should this issue not be resolved, it could heighten social tensions and social unrest which, in turn, could negatively impact our operations.

Mitigating actions

- Enter into supply agreements with land reform beneficiaries, which range from pure supply agreements to comprehensive forestry enterprise development agreements
- Provide technical and business training
- Offer administrative support
- Continue to buy timber from beneficiaries.

Our key relationships

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

This means improving our understanding of – and proactively partnering with – various stakeholders, driving sustainability solutions and, in particular, meeting the changing needs of every employee at Sappi.



Employees

Unions

Suppliers and contractors

Customers

Investors

Communities

Government and regulatory bodies

Industry bodies and business

Civil society and media

To achieve this, we establish and maintain proactive dialogue with all our stakeholders. In doing so we recognise that stakeholder needs are dynamic and that we need to be responsive to the evolving stakeholder landscape. In addition to responsiveness, our approach to engagement is based on the principles of inclusivity, materiality, relevance and completeness.

We assess the quality of our relationships both informally, as set out on the following pages and formally – regular employee and customer surveys, community forums and Poverty Spotlight 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 and legitimacy and ethics.

Trust is not possible without an ethical culture underpinning our everyday activities, which is why we train our employees, customers and suppliers on our Code of Ethics and also promote awareness of the Sappi hotlines in each region which allow all stakeholders to report breaches of the code in full confidentiality without fear of reprisal.

Read more: **Maintaining ethical behaviour and compliance** page 69.



United Nations Global Compact (UNGC) Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.



Employees

Self-assessment of quality of relationship: Good

Why we engage

As we take Sappi into the future based on the clear roadmap entrenched in our **Thrive25** strategy, leadership's task is to help our people understand the plan and clear their path to success. Our aim is to unlock the wide-ranging, significant expertise of our people today and tomorrow. In doing so, we secure our exciting future in woodfibre as a business that provides relevant solutions, delivers enhanced value and is a trusted partner to all our stakeholders.

Shared priorities

Our response

Constructive action with regard to Covid-19

- Our main focus is on the safety of our people and on providing them with support, information and resources
- In addition, we were able to continue to operate throughout the lockdowns which enabled us to reduce the impact on our people
- Our operations were classified as essential and wherever possible, we provided the IT support and human resources processes to allow people to work from home
- Where people did contract coronavirus, they were provided with support and isolated according to health and safety protocols
- In each region, we established Covid-19 information hubs to support our staff, customers and their families

Read more: **Covid-19 and our response** page 62.

Involvement in safety

- The theme for Global Safety Awareness week was 'I Value Life'. In the light of the Covid-19 pandemic, virtual webinars and e-media were used to convey the messages to our people
- Ensuring the safety of our employees and contractors is part of our collaborative approach to doing business. Health and safety committees are in place at all our operations. Through these committees, our people are consulted about the development/review of policies and procedures and changes that affect workplace safety or health:
 - In **SEU**, formal health and safety committees are in place at different levels of the business in line with statutory requirements. All employees are represented by the safety committees
 - In **SNA**, all unions have the opportunity to participate in joint management worker safety committees
 - In **SSA**, (including Sappi Limited), health and safety representatives are elected from non-supervisory staff. In line with legislation, there is one representative for every 50 workers
 - **Sappi Trading** does not have formal joint management worker health and safety committees due to the small size of the offices, but there are appointed safety officers

Effective wellness and recognition programmes

- Well-being and wellness programmes are tailored to the needs of each region
- Our recognition programmes include:
 - Sappi Limited**
 - *Technical Innovation Awards*
 - *CEO Award for Excellence*
 - SEU**
 - *Annual Coryphaena Award*
 - SNA**
 - *TOUTS Recognition Awards and*
 - *periodic regional President's Awards*
 - SSA**
 - *Excellence in Achievement Awards (EAA)*
 - *Annual Safety Awards*
 - Sappi Trading**
 - *SMART Awards*

Read more: **Ensuring the safety of our employees and contractors** page 75.

Our key relationships continued

Employees continued

Shared priorities	Our response
<p>Connection with Sappi's strategic goals and high levels of engagement</p>	<p>We conduct engagement surveys every second year, with the last one taking place in 2019. Questions probe issues such as whether our people feel they have the right tools and resources to do their jobs well; whether their goals for career growth are being met, whether they feel safe at work and whether they are clear on the direction in which Sappi is moving.</p> <p>In 2020, group and regional leadership engaged extensively on the close out of our 2020Vision business strategy and the launch of our Thrive25 strategy. In South Africa, we introduced the Ask Alex initiative whereby the regional SSA Chief Executive Officer (CEO) held employee roadshows (in person and online), with employees who were encouraged to ask him questions related to current and future operating conditions. In Europe, the CEO established virtual update briefings and in North America virtual briefings were also undertaken.</p> <p>Read more: Engaging more closely with our employees page  76.</p>
<p>Resources that enable our people to grow intellectually, fulfil their potential and drive innovation in Sappi; policies and procedures that promote a diverse workforce</p>	<p>In FY2020 we:</p> <ul style="list-style-type: none"> • Invested an average of US\$434 per person in training and development • Established a 2025 gender diversity target • Continued to provide access to self-learning modules <p>Read more: Attracting, developing and retaining key skills page  78.</p> <p> UNGC Principle 6: <i>The elimination of discrimination in respect of employment and occupation.</i></p>
<p>Encourage employee volunteerism through initiatives like</p>	<p>SEU: Support of various local education, cultural and environmental projects based on annual requests and identified needs.</p> <p>SNA: The Employee Ideas that Matter initiative through which we provide grants to employees to fund their individual projects to support good in local communities. Sustainability Ambassadors also lead and participate in local events, supporting community in programmes as well as educating the community about the wood products industry, sustainable forestry practices, mill operations and the importance of recycling.</p> <p>SSA: Employee well-being committees at each mill support local community projects as well as Mandela Day.</p> <p>Read more: Sharing value with our communities page  79.</p>
<p>Understanding of Sappi's commitment to sustainability, which underpins our strategy</p>	<p>Globally, targeted internal publications and social media campaigns linked to global days like Global Ethics Day and our signing up to Business for Nature's call to action #natureiseveryonesbusiness enhance understanding of the sustainability landscape in general as well as our actions to ensure that we play an active role in driving responsibility within this landscape, in particular.</p> <p>Given the launch of our Thrive25 strategy and 2025 targets, which are aligned with the UN SDGs, communication focused on SDG targets to show our people how they can become part of the global and regional drive and raise awareness of how our individual actions can collectively count towards a greater change.</p> <p>SNA runs an active Sustainability Ambassador programme and held a virtual Sustainability Ambassador Assembly workshop this year. Due to the virtual nature of the workshop, there was a greater diversity of participation since there were no travel costs involved.</p>

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 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 establishing an ethical culture where corporate citizenship is promoted, we ensure the ongoing viability of our business, enhance reputation and become an employer of choice

Challenges for value creation

- Recruitment and retention of key skills
- Loss of institutional memory as older employees retire



Unions

Self-assessment of quality of relationship: Fair

Why we engage

Unions are important members of civil society and can contribute meaningfully to addressing societal challenges and creating sustainable growth and prosperity for all. In 2020, globally, 57% of our workforce was unionised, with 75% belonging to a bargaining unit. Given these high levels of representation, it makes sound business sense to maintain constructive relationships with our employees and their representatives to maintain and promote productivity, stability and engagement.

Shared priorities	Our response
<p>Freedom of association, collective bargaining and disciplined behaviour</p>	<p>Sappi endorses the principles of fair labour practice as entrenched in the UNGC and Universal Declaration of Human Rights. At a minimum, we conform to and often exceed labour legislation requirements in countries in which we operate. Protecting the right to freedom of association and collective bargaining is fundamental to the manner in which we do business. We engage extensively with representative trade unions. Discussions range from remuneration issues, to training and development, health and safety and organisational changes.</p> <p>Given the active role taken by labour in South Africa, we have established a number of structures to enhance ongoing positive engagement with union leadership. This is facilitated by structures such as the National Partnership Forum, which includes senior members of management and senior union leaders who hold regular meetings where business, safety and union challenges are discussed.</p> <p>Disciplined behaviour is essential for individual well-being, and to achieve our group goals and objectives. In each region, disciplinary codes ensure appropriate procedures are applied consistently, while grievance policies entrench the rights of employees, including the right to raise a grievance without fear of victimisation, right to seek guidance and assistance from a member of the human resources department or their representative at any time and the right to appeal to a higher authority, without prejudice.</p> <p>Read more: Supporting sound labour relations page 77.</p>  <p><i>UNGC Principle 3: Businesses should uphold freedom of association and the effective recognition of the right to collective bargaining.</i></p>
<p>Safety and wellness initiatives</p>	<p>The health and safety committees at all our operations provide a forum for consultation about the development/review of policies and procedures and changes that affect workplace safety or health. Wellness programmes include fitness and medical screening programmes, as well as psychological and financial support.</p>
<p>Remuneration, working hours and other conditions of service</p>	<p>Our labour standards ensure that our remuneration practices are fair, with compensation levels set to reflect competitive market practices and internal equity as well as company and individual performance. In rural areas, forest products companies like Sappi are often the only, or major, employers, which makes the local population very dependent on the company and which could, in turn, lead to exploitative behaviour and an indirect form of forced labour. Against this backdrop, in all three regions, labour is sourced on the open market, we pay market-related wages in line with or above local legislation and ensure that working hours and practices are fair.</p>  <p><i>UNGC Principle 4: The elimination of all forms of forced and compulsory labour.</i></p>
<p>Resolving grievances, engaging on strategy</p>	<ul style="list-style-type: none"> • Well-established grievance channels, disciplinary procedures and whistleblower protocols provide a non-retributory framework • We regularly engage with unions on economic conditions, market dynamics and growth plans

Opportunities for value creation

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

Challenges for value creation

- Multi-union landscapes, particularly in North America and South Africa, add to complexities in the labour environment
- Unrealistic expectations about wage increases, particularly in light of the Covid-19 pandemic

Our key relationships continued






Customers

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

Why we engage

The more closely we engage and collaborate with our customers, the more likely we are to understand and respond to their evolving needs by offering relevant solutions in the form of sustainable and practical products and services. This partnership approach builds the loyalty and long-term relationships that enable us to thrive.

Shared priorities	Our response
<p>High levels of service</p>	<p>In SEU, we enhanced services levels by launching Paperini that allows customers to accurately track their paper deliveries. The tool, which can create an automated arrival notification and, subsequently, an automated credit note, is currently being trialled by several logistics and carrier companies in Europe. We also established new infrastructure in Sweden and Denmark that enables us to distribute paper to printers within 48 hours.</p> <p>The SNA eCommerce site is a customer portal with multi-language capability that connects customers 24/7 to real-time information such as order status, inventory checks, document printing, claims reporting and order placement so they can plan and manage their business better. This included access to our carbon calculator where the GHG emissions associated with their order can be determined, as well as the amount of emissions avoided by using a Sappi product that has a lower carbon footprint than the US pulp and paper industry average. In 2020, Sappi expanded the eCommerce customer experience to include casting and release globally.</p> <p>During Covid-19 lockdowns, all regions ensured that they engaged with customers to ensure we could meet their immediate requirements.</p>
<p>New or enhanced products that meet rapidly changing market demand</p>	<p>Consumers have become increasingly aware of social and environmental issues and our customers are looking to us for help in this regard. Against this backdrop, our innovation and sustainability teams enable us to put sustainability at the heart of everything we produce, enhance our understanding of our customers' current and future needs and enable us to bring new products to market at a faster pace.</p> <p>Where relevant, we will conduct R&D and develop products to suit customers' specific needs.</p> <p>Read more: Developing and commercialising innovations in addition to adjacent businesses page 74.</p>
<p>Support for paper, packaging, dissolving pulp (DP) and sustainability goals</p>	<p>In FY2019, Sappi joined the Sustainable Apparel Coalition (SAC) and in 2020, Cloquet Mill completed the Higg Facility Environmental Module (FEM) sustainability self-assessment for Verve, our DP brand. The results position the mill as a leader in sustainable practices, evidenced by a low environmental footprint. The Higg FEM self-assessment tool is part of the Higg Index suite of tools that was developed by the apparel industry to evaluate materials, products, facilities, and processes based on environmental performance, social labour practices, and product design choices.</p>
<p>Information and campaigns to promote print as a communication medium and encourage the use of packaging</p>	<ul style="list-style-type: none"> • Globally and regionally, we continue to participate in industry initiatives like TwoSides • SNA participates in the Paper and Paper Packaging check-off programme that promotes the sustainable nature of paper and packaging • We also participate in a number of tradeshows such as the PRINTING United tradeshow in Dallas, Texas (USA) where we presented our new Transjet Drive dye sublimation paper, different papers for large format inkjet printing and our new Ultracast casting and release papers • The Covid-19 pandemic meant that events we sponsor, like the Citrus Symposium in South Africa were postponed. The pandemic also precluded our participation in the usual number of trade shows. However, where possible, we interacted on online platforms. For example, the Sappi Packaging and Speciality Papers (PSP) sales and marketing teams hosted their first virtual Interpack Fair. Based on the motto 'Pro Planet: Paper Packaging – welcome to the new pack-age', the virtual event featured six livestream presentations that focused on our management of the Covid-19 situation, as well as our global packaging product offering

Shared priorities	Our response
<p>Information about the fibre sourcing and production processes behind our brands</p>	<p>Customers generally approach us for information about the fibre sourcing and production processes behind our brands, including carbon footprint. In response to these requests, in SEU, SNA and SSA we publish Paper Profiles and/or information sheets for our papers. We also respond to many questionnaires from our customers that collect data on our carbon reduction plans and performance. In SNA, we hold customer council meetings and have developed our own GHG emissions' calculator that quantifies the amount of emissions associated with a customer order and how those emissions compare against the industry average.</p> <ul style="list-style-type: none"> • At the request of our customers we participate in EcoVadis. All three regions achieved platinum medals in the latest EcoVadis rating. The platinum rating, a new medal category created in 2020, recognises the top 1% of companies evaluated for their environment, labour and human rights, ethics and sustainable procurement performance. • We also publish covering topics like climate change, as well as forest and energy certification.
<p>Technical and thought leadership information</p>	<p>Globally, a series of technical brochures and thought leadership pieces are available on our website: www.sappi.com </p> <ul style="list-style-type: none"> • Communication regarding the haptics of touch and neuroscience of touch speak to the power of printed communication • The PSP site provides targeted information on packaging and speciality papers (www.sappi-psp.com)  • The POP site is aimed at marketers, creatives, designers and printers looking to innovate in their categories (www.sappipops.com)  • Sappi etc is an educational platform for designers and printers (www.sappi.com/sappietc) <p>Our paper and paper pulp product offerings are supported by strong technical teams at our technology and R&D centres.</p>

Opportunities for value creation

- Meet customer needs for products with an enhanced environmental profile
- Innovate to align with evolving market trends
- Increase awareness of the importance of sustainability
- Promote our customers' own sustainability journeys
- Keep abreast of market developments
- Showcase our products and promote the Sappi brand

Challenges for value creation

- Confusing harvesting and forest management with deforestation and lack of understanding about the manner in which the forests and plantations from which we source woodfibre help mitigate global warming

Collaborating to boost disruptive innovation

We joined forces with VIGC (Flemish Innovation Centre for Graphic Communication) and EY to launch one of the first graphic arts industry hackathons – a method of creative problem solving designed to boost disruptive innovation. During 24 hours, teams of start-ups, scale-ups, corporates and students, supported by a team of experts and coaches, could collaborate and create digital and innovative solutions relevant for the graphic arts industry. After the hacking, ideas were presented to a mixed jury. Winners of the innovation contest were given the opportunity to showcase their Minimum Viable Product/s to experts and industry decision-makers at VIGC's Het Congress event. They also received a Sappi sponsorship of EUR3,000 as well as three months of mentorship by Sappi experts to help bring their ideas to fruition.

Our key relationships continued



Communities

Self-assessment of quality of relationships: Fair to good

Why we engage

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

Community engagement meetings take various formats in our mills in the regions where they operate. These range from broad liaison forums for business, local government and communities to legally mandated environmental forums that form part of the licensing conditions of mills. In South Africa, there are local farmer and community forums related to our forestry communities.

In response to the Covid-19 pandemic, we refocused our response to enable rapid community support including through support for local (in our operating communities) clinics, hospitals, feeding schemes and schools. Read more on page 62.

Shared priorities	Our response
<p>Community support including employment, job creation, business opportunities, economic and social impacts/ contributions and community support</p>	<p>SEU</p> <ul style="list-style-type: none"> • Employees are encouraged to nominate and participate in local community projects and events • At a local community level our focus is to add to the well-being, safety and health of our communities. We support various local schools, sports and hobby clubs, forest products industry students, local safety and environmental organisations and local charities • As a pilot project, one of our mills created an opportunity for youth in the community to be sustainability ambassadors and engage with sustainability projects • Sappi is a partner in the Marc Cornelissen Brightlands Award, which encourages talented pioneers to persevere in creating a sustainable world <p>SNA</p> <ul style="list-style-type: none"> • Each unit has a community connections group to channel local support • Education programmes are supported at targeted colleges and universities as are programmes to encourage study in fields relevant to our operations • Our employees participate in initiatives like Living Lands and Waters and the Charles River Watershed Association focused on environmental stewardship and education • The Ideas that Matter programme continues to recognise and support designers who support good causes. Since 1999 the programme has funded over 500 non-profit projects and has contributed more than US\$13 million to a wide range of causes around the world that use design as a positive force in society • The Employee Ideas that Matter programme provides direct funding to the non-profit organisations that our employees are most passionate about <p>SSA</p> <ul style="list-style-type: none"> • Community support has been bolstered by the creation of a dedicated multi-disciplinary team comprising of the ESD team, the Human Resources team and the Corporate Citizenship team. This structure has been rolled out at each mill site and is referred to as the Community Management Committee (CMC). The purpose of this CMC is to identify shared value opportunities which help identify and support local entrepreneurs as well as to promote the sourcing of goods and services from local suppliers where possible. The CMC also reports on the employment of locals and ensures investment in communities addresses specific needs. The CMC at all times aims to collaborate with government, non-governmental organisations (NGOs) and the private sector for scale. • Given South Africa's significant development needs, the bulk of community support is allocated to this region. Support is directed to education, environment and socio-economic development, based on helping communities help themselves. • Initiatives include: <ul style="list-style-type: none"> – Sappi Khulisa, our enterprise development scheme for timber farmers – The Abashintshi Youth programme – Education throughout the education value chain, including early childhood development (ECD); Khulisa Ulwazi, our training centres for small growers and two training centres for local unemployed youth at Saiccor and the Ngodwana Mills – Support for local tourism through our mountain biking and trail running sponsorships and promoting recreational riding on Sappi land <p>Read more: Sharing value with our communities page 79.</p>

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Opportunities for value creation

- Enhanced licence to operate and thrive
- Promoting socio-economic development that could, in the long term, lead to increased demand for our products
- Initiation of real social mobilisation and change for the better

Challenges for value creation

- Unrealistic expectations for jobs, supplier opportunities and service delivery
- Ensuring mutual ownership and commitment



Industry bodies, related memberships and organised business

Self-assessment of quality of relationships: Good

Why we engage

Business makes a significant positive contribution to society and is a core partner in developing the world we want to see. Being an active member of trade, voluntary and other business forums and bodies ensures that we help to spread this message, and that issues of concern to us are included in the agenda. We also support and partner with industry initiatives aimed at promoting the use of our products. One of our longest global relationships is with the UNGC, to which we have been a signatory since 2008. Under our **Thrive25** strategy, which emphasises partnership and collaboration, we have been focusing more intensively on working closely and more often with those who share both our values and commitment to our industry.

Shared priorities	Our response
<ul style="list-style-type: none"> • Issues that affect the sustainability of our industry and products that promote sustainability • The impact of increased regulations on business • The social and environmental credentials of our products • Ensuring that the positive role played by business in society is amplified and recognised 	<p>Globally we:</p> <ul style="list-style-type: none"> • Committed to the science-based targets initiative in line with our group-wide decarbonisation strategy. Read more: Prioritising renewable and clean energy page 81 • Signed up to Business for Nature’s Call to Action: #natureiseveryonesbusiness • Participated in a biodiversity information pilot with a range of brand owners, and biodiversity experts under the auspices of the Textile Exchange. The latter will be using the information to develop a biodiversity rating tool for brand owners • Collaborated with one of our DP customers on a blockchain project to enhance traceability within the supply chain • Joined the 4evergreen alliance, a group of prominent companies and organisations from all areas of the fibre-based packaging industry, to work together towards a more sustainable economy that minimises the product’s environmental impact. We are collaborating with the 4evergreen alliance to develop a greater understanding of recyclability in packaging, understand the future need for recycling systems and communicate findings to stakeholders • Established a collaboration agreement with HP Indigo’s Alliance One programme, which covers commercial and market-related topics. Our Magno Gloss and Satin ranges, and our GalerieArt Gloss and Silk products have also all been certified for use on the HP Indigo-installed base • Provided comments to the Nordic Swan criteria renewal process • Participated in the task force under the auspices of the Green Resource Initiative established to propose legislation to combat deforestation • Continued to support The Prince of Wales Global Sustainability Fellowship in Transforming the Pulp and Paper Industry (at the Cambridge Institute for Sustainability Leadership). The fellowship seeks to contribute new pathways within the context of the sustainable pulp and paper industry • Partnered with WWF-SA on a water stewardship project in a key catchment in South Africa • Continued to be an active member of the Sustainable Apparel Coalition Raw Materials Roundtable, and the 2020 Higg FEM Task Team
<p>Clean energy generation, climate policy and climate regulations</p>	<ul style="list-style-type: none"> • The European Green Deal is a set of policy initiatives by the European Commission with the overarching aim of making Europe climate neutral in 2050. Sappi regularly submits inputs to policy consultations both directly and via the Confederation of European Paper Industries (CEPI) • The Society of American Foresters (SAF) promotes and supports science-based policies and actions that consistently recognise the positive role that forest management plays in: mitigating GHG emissions through the sequestration of atmospheric carbon in resilient, well-managed forests (trees and soil); producing wood-based products to replace both non-renewable materials and fossil fuel-based energy sources. This policy was scheduled to be updated per SAF protocol. Sappi helped to rewrite the policy, expanding the discussion on the role that trees play in sequestering carbon, both as a living tree as well as a wood product • The energy manager for Somerset Mill is a member of the Maine Climate Council, an assembly of scientists, industry leaders, bipartisan local and state officials, and engaged citizens to develop a four-year plan to put Maine on a trajectory to reduce emissions by 45% by 2030 and at least 80% by 2050. By executive order, the state must also achieve carbon neutrality by 2045 • In South Africa, Sappi is subject to a carbon tax that came into effect in 2019 and is due for payment at the end of October 2020. While we recognise the need to reduce fossil fuel usage in South Africa, the country urgently needs to promote socio-economic development and enhance competitiveness. Carbon tax poses a potential risk to such growth and competitiveness. We engaged National Treasury via PAMSA to motivate taking into account carbon sequestration by companies that own their own forests. Sappi’s process starts with the planting of trees and our total supply chain is carbon positive. We are still awaiting clarity on whether the proposal will be accepted

Our key relationships continued

Industry bodies, related memberships and organised business continued

Our response

Our membership of industry and related associations or bodies.

Sappi Limited

- Business Leadership South Africa
- Cambridge Institute for Sustainability Leadership (CISL)
- CEO Initiative
- Ethics Institute
- International Stakeholder member of the programme for the Endorsement of Forest Certification (PEFC)¹
- Paris Pledge for Action
- Sustainable Apparel Coalition
- TAPPI (Technical Association of the Pulp and Paper Industry)
- Textile Exchange
- UNGC

SEU

- 4evergreen alliance
- Biobased Industries Consortium (BIC)
- BioChem Europe
- CELAB: Towards a Circular Economy for Labels
- CEFLEX: A circular economy for flexible packaging
- CEPI
- Eurograph
- Ligninclub
- Print Power
- The Alliance of Energy-Intensive Industries
- TwoSides

SNA

- American BioFuels Association (ABFA)
- American Forests and Paper Association (AF&PA)
- Alliance for Pulp & Paper Technology Innovation (APPTI)
- Biorenewable Deployment Consortia (BDC)
- Forests in Focus

- Forest Products Working Group
- Forest Stewardship Council (FSC)
- Paper and Paper Packaging Board
- Ruffled Grouse Society
- Sustainable Packaging Coalition (SPC)
- Sustainable Forestry Initiative® (SFI®)
- TwoSides
- University of Maine Paper Surface Science Consortia
- University of Minnesota Sustainable Forests Education Cooperative

SSA

- Business Unity South Africa
- Fibre Processing and Manufacturing Skills Education and Training Authority (SETA)
- Forestry South Africa
- FSC
- National Business Initiative (NBI)
- Manufacturing Circle
- Packaging SA
- Paper Manufacturers' Association of South Africa (PAMSA)
- Printing SA (PIFSA)
- Recycle Paper ZA
- South African Chamber of Commerce and Industry (SACCI) and local chambers of commerce and industry
- TwoSides

Sappi Forests

- BiCEP (Biological Control of Eucalypt Pests)
- Biorenewable Deployment Consortium (BDC)
- CAMCORE Eucalyptus Genome Network (EUCAGEN)
- Forestry and Agricultural Biotechnology Institute (FABI)
- The Tree Protection Co-operative Programme (TPCP) – founding member

Opportunities for value creation

- Address complex topics
- Develop sustainable, transparent supply chains
- Maintain and expand markets for our products
- Enhance understanding of our social and environmental credentials
- Influence policy
- Promote dialogue

Challenges for value creation

- High costs and resource allocation of certain industry memberships.

¹ PEFC logo licence code: PEFC/07-32-76.

Joining forces to help progress a sustainable circular economy

In FY2020 we joined the 4evergreen alliance that operates under the auspices of CEPI and brings together participants across the packaging value chain including pulp and paper manufacturers, converters and brand owners. The alliance aims to boost the contribution of fibre-based packaging in a circular and sustainable economy that minimises climate and environmental impact.

The alliance works to:

- Increase awareness about the benefits of fibre-based packaging materials
- Improve the overall recycling rates of fibre-based packaging materials
- Produce guidelines and tools to enhance recyclability through packaging design, collection and sorting

The alliance is a timely response to support Europe's Single Use Plastics Directive, designed to accelerate development of alternative packaging and enable consumers to make more climate-friendly choices. The work of the alliance is also championing change towards the aim of the European Green Deal: climate neutrality by 2050. Our SEU Sustainability Manager is a co-lead in 4evergreen's Information Workstream.

Enhancing understanding of land use and GHG emissions

A member of the Sappi Forests Research team has been working with the World Resources Institute on the GHG Protocol Carbon Removals and Land Sector Initiative Project. This working group will develop guidance on:

- Types of emissions, removals and sequestration within the land sector
- Carbon emissions and removals from land use (e.g., forest management, crop and livestock production, bioenergy feedstock production, soil carbon, etc.)
- Carbon emissions and removals from land use change (e.g., deforestation, afforestation, wetland conversion, etc.), as well as direct and indirect land use change and related impacts from changes in production
- Agricultural GHG emissions (e.g., livestock methane emissions, soil nitrous oxide emissions, etc.)
- Biogenic removals and temporary to long-term storage in biogenic products/materials (e.g., furniture, building materials, etc.)
- Biogenic carbon dioxide emissions and removals from bioenergy production and consumption (e.g., biomass, biofuels, biogas)
- Land sector accounting approaches
 - Use of land-based vs. activity-based accounting methods
 - Addressing the timing of removals and emissions
 - Separate biogenic carbon emissions and removals accounting vs. bringing biogenic emissions and removals into Scopes 1, 2 and 3
- Quantification methods and data sources:
 - Reporting requirements
 - Target setting and tracking changes over time
 - Alignment with or revisions to other GHG Protocol standards and guidance

Our key relationships continued



Shareholders, bondholders and banks

Self-assessment of quality of relationships: Good to excellent

Why we engage

Our aim is to provide shareholders, bondholders and banks with transparent, timely, relevant communication that provides them with an understanding of our industry, sets out the manner in which we hope to achieve our growth ambitions and facilitates informed decisions.

Shared priorities	Our response
<ul style="list-style-type: none"> • Understanding Sappi’s strategy return on investment • Transparent information about risks, opportunities and environmental, social and governance (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 	<ul style="list-style-type: none"> • Our Investor Relations (IR) department engages with shareholders and analysts on an ongoing basis • Our Chairman and CEO also engage with shareholders on relevant issues. We conduct ad hoc mill visits and road shows, and issue announcements through the Johannesburg Stock Exchange (JSE) – Stock Exchange News Services (SENS), in the press and on our website (see www.sappi.com/SENS). We publish our annual integrated report (see www.sappi.com/annual-reports) and sustainability reports (see www.sappi.com/sustainability) on the group website. Shareholders can attend and participate in the Annual General Meeting (AGM) as well as the four quarterly financial results briefings • We engage with various ratings agencies, particularly in terms of ESG performance. Recognising the importance of climate change in a financial context, we are incorporating the recommendations of the TCFD into our decision-making processes (read more: Helping to mitigate climate change page 82) • We participate in the Carbon Disclosure and Forest Footprint Disclosure projects every year, making our submissions publicly available • Our Chief Financial Officer (CFO) and Head of Treasury engage with bondholders, banks and rating agencies continually on the performance of the company. A key point of discussion in FY2020 was the suspension of our credit facility financial covenants from June 2020 to September 2021

Opportunities for value creation

- Understanding of and commitment to our strategic direction
- Enhanced reputation
- Greater investment confidence
- Broader licence to invest

Challenges for value creation

- Slow post-Covid-19 economic recovery
- Uncertainty about regulatory developments, for example: carbon tax



Government and regulatory bodies

Self-assessment of quality of relationship: Good

Why we engage

We engage with government departments and regulatory bodies to provide input into issues and regulations that affect our industry. We also engage with regional and local governments and local authorities to obtain support for our operations, show how our activities contribute to local economic and social development and identify issues where we can work together for our mutual benefit.

A key issue in FY2020 was the classification of our operations as essential to enable us to continue with operations throughout the various national lockdown periods. Positive relations with governments enable us to provide assistance or partner on larger scale projects to bring positive impacts to communities and society.

Shared priorities	Our response
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<ul style="list-style-type: none"> • The social and economic benefits of our industry nationally as well as at a local level • Increased investment • Energy issues in general and in particular government moves on carbon taxation • The impact of increased regulations on business 	<ul style="list-style-type: none"> • In Europe, we actively follow and influence policy processes to support the development of policies that are both ambitious and practical for the private sector to implement. Sappi is represented on the High-Level Group on Finance and Sustainability Transition as well as the High-Level Group on Trade Policy Innovation • We reviewed and provided input to the draft report of the European Parliament with Recommendations to the Commission on an European Legal Framework to Halt and Reverse European-driven Global Deforestation (2020/2006(INL)) • We support specific government initiatives, including in South Africa, the Public and Private Growth Initiative (PPGI) which targets agriculture (including forestry) as one of the key sectors growth and under which the Forestry Master Plan falls. Under the auspices of Forestry South Africa, we are providing input into the plan • In North America we review and provide input to pending legislation and regulations impacting our industry through state and Federal trade associations
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Opportunities for value creation

- Promote understanding of issues and challenges as well as the strategic value of our industry
- Help create a more receptive regulatory and policy environment

Challenges for value creation

- Policies that 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 regulatory developments, for example: carbon tax
- Administrative delays

Our key relationships continued



Suppliers and contractors

Self-assessment of quality of relationship: Good

Why we engage

Suppliers and contractors are partners in Sappi's safety, sustainability and ethics journey. They contribute to and enable our progress. Consumers are focused on the whole value-chain and not merely the end-product. The actions and commitments of suppliers and contractors are thus critical to us and our customers.

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

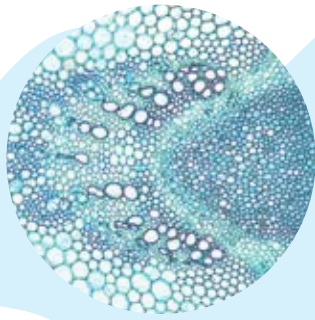
Shared priorities	Our response
<ul style="list-style-type: none"> • Safety • Transparency 	<p>Given our focus on zero harm in the workplace, we work with our contractors to ensure that they follow Sappi's safety systems.</p> <p>In South Africa, Sappi Forests continues to work closely with contractors and their workers to implement the innovative Stop and Think Before You Act safety initiative.</p> <p>Globally, our procurement team made progress in assessing suppliers against our Supplier Code of Conduct: SEU: 61% of spend covered; SNA: 10% and SSA 1%.</p>
<ul style="list-style-type: none"> • Increased value • Decreased costs • Security of fibre supply • Certification • Income generation and job creation 	<p>SEU: In Europe, we procure wood through the well-established wood sourcing companies Metsä Forest in Finland, proNARO in Germany, Sapin in Belgium and Papierholz Austria in Austria all of which operate with an established pool of forest owners and wood suppliers.</p> <p>In addition, we are a member of the Confederation of European Paper Industries (CEPI), which participates in actions supporting and promoting the development of sustainable forestry management tools.</p> <p>SNA: The Sappi Maine Forestry Programme and the Sappi Lake States Private Forestry Programme, staffed by SNA foresters, offer a wide range of services to landowners including contracting with experienced loggers and providing plans to enhance wildlife habitat and forest health. We work directly with landowners, loggers and suppliers to encourage sustainable forest management and provide markets for woodfibre material from harvesting and stand improvement activities. We continue to evaluate, promote and support smallholder certification options where feasible, thereby adding value to both the landowner and marketplace. Procurement practices extend far beyond avoiding controversial sources by requiring the promotion of biodiversity, logger training, forest research, landowner and community outreach, and implementation of best management practices for soil and water conservation, as evidenced by our conformance to the Sustainable Forestry Initiative® (SFI®) Fibre Sourcing Standard.</p> <p>SSA: Qualified extension officers provide growers in our Sappi Khulisa enterprise development scheme with ongoing growing advice and practical assistance. We have established a training centre, Khulisa Ulwazi, for Khulisa growers. The objective is to develop growers' and contractors' skills so that they can conduct silviculture operations economically and to a high standard. Training material has been developed in conjunction with the Institute of Natural Resources and covers area like entrepreneurship, fire management, harvesting planning, leadership and management development, as well as safety.</p> <p>In the past 10 years, we have settled claims involving 39,950 hectares of which claimants took ownership of 8,151 hectares and claims for 11,271 hectares in which claimants preferred to seek compensation. Many of these properties previously belonged to commercial farmers who had supply agreements with Sappi. For many of the land claims in which we have been involved, and where there has been a change in ownership, we continue to buy the timber and help to manage those plantations.</p> <p>Sappi Forests continues to pay growers in our group certification scheme a premium for certified timber.</p> <p>Our ESD department continues to develop and mentor SMMEs.</p>

Opportunities for value creation

- Security of woodfibre supply
- Improved supplier relations
- Better understanding of the requirements of the Sappi group
- Expanded basket of certified fibre
- Support for local economic development
- Support for emerging supplier/ contractor development

Challenges for value creation

- Ensuring that SMMEs have the right social and environmental procedures in place



Civil society and media


Self-assessment of quality of relationships: Good

Why we engage

We maintain an open relationship with the media, believing that an informed media is better able to serve public reporting and debate on any issue.

We continue to engage with the media on our belief that it's our responsibility to use the full potential of each tree we harvest. We engage with civil society organisations on issues of mutual interest and belong to key organisations relevant to our operations. We engage with various civil society groups on our societal and development impact.

Globally we interact and engage with a wide range of non-governmental organisation (NGO), especially through our participation with the forest certification systems (FSC, PEFC and SFI®) and our international stakeholder membership of the PEFC. We leverage these platforms to actively contribute to the growth of forest certification world-wide and collaborate with diverse stakeholders.

Shared priorities	Our response
<ul style="list-style-type: none"> • Business developments • The future of our industry • Our impacts on our communities • Protecting the environment 	<ul style="list-style-type: none"> • Join key credible organisations as members • Develop personal relationships and engage continually • Provide support to and sponsorship for key organisations on issues of mutual interest <p>SEU: We are actively involved in The Forests Dialogue (TFD) Steering Committee and provide annual sponsorship to the organisation. We contributed to the development of a new forests and climate initiative and supported the development of a number of publications including TFD's 20th anniversary book.</p> <p>SNA: We support the Ruffed Grouse Society and the University of Minnesota Sustainable Forests Education Cooperative.</p> <p>SSA: In terms of civil society, our forestry operations belong to a number of fire associations, given that fire is a key risk on our plantations. We also provide funding for BirdLife South Africa and have established a project which coordinated efforts to re-establish the <i>Warburgia salutaris</i> (pepper-bark tree) in communities and the wild.</p> <p>Read more: see our 2020 Sappi Group Sustainability Report at www.sappi.com </p>

Opportunities for value creation

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

Challenges for value creation

- Misunderstanding of our environmental impacts



Resilience

Rocks are the ultimate symbol of resilience. They are fused together over time from solid crystals of different minerals. These natural processes bind them all together, imparting strength and resilience. But even rocks are shaped and reshaped over time by natural forces like water, wind and sun.

They're a reminder that none of us are impervious to the global forces shaping our world. Forces like climate change, urbanisation, social inequality and of course, the new reality brought about by the coronavirus pandemic and Covid-19.

We've proven our resilience to succeed in the 'new normal' and we will continue to do so as we work to accelerate our decarbonisation journey, meet the changing needs of rapidly urbanising populations while managing our environmental footprint and promoting a diverse, inclusive workforce.

At Sappi we operate across different geographies, meeting the needs of customers from New Zealand to New Mexico, but our common purpose makes us stronger and more resilient: Sappi exists to build a thriving world by unlocking the power of renewable resources to benefit people, communities, and the planet. This is our inspiration and our call to create a brighter future for the world and for our business.

Our operating context

Our operating context

Our external operating environment presents risks and opportunities, impacts our ability to generate value and informs our response to our stakeholders as well as our approach to material matters. We expect to see the global forces identified under our Thrive25 strategy to continue until at least 2025. Set out below are specific issues that arose in 2020, the one that dominated all others, of course, being Covid-19.

Current issues

Our response

The fall-out of Covid-19

Please refer to the infographic on pages 62 and 63.

The purchasing power of Millennials and Gen Z-ers continues to grow

Our innovative solutions and planet-positive actions such as our commitment to the science-based targets initiative and Business for Nature's 'Nature Is Everyone's Business' campaign, together with our shared value/social impact approach to doing business are widely communicated across social media.

Reducing carbon footprint and use of plastic

We have capitalised on the opportunity presented by responsible consumerism to expand our lightweight packaging to meet demands for products with a lower carbon footprint and eco-friendlier, natural alternatives. We are also expanding our dissolving pulp (DP) capacity at Saiccor Mill. As a fibre produced from natural and renewable resources, Verve provides the value chain with a sustainable choice not only within the broader textile sphere which includes cotton and polyester, but as a preferred sustainable choice within the DP market.

The pace of the development and adoption of new technologies continues to accelerate

We are taking advantage of new technologies and eco-friendlier processes to offer sustainable solutions that improve people's lives.



Current issues

Inequality, gender and social justice

Increased social need

Our response

The problems of systemic racism, gender-based violence and citizen exclusion came to the fore during 2020 in many geographies.

We draw on our history and culture as a South African company to ensure that our internal processes, policies and actions address these issues. As engaged corporate citizens, we commit to listening and ongoing learning.

Our focus on promoting a diverse, inclusive workplace is highlighted by the fact that under our **Thrive25 SDG8: Decent work and economic growth target**, we have established a target to increase the proportion of women in management roles.

The Covid-19 epidemic drove a rise in social need. We took decisive action to keep our staff and communities safe, also supporting people and their families if they did become ill.

The nature of our business is such that we support rural economies and rural communities, both of which were severely impacted by Covid-19. We created opportunities for skills development and local businesses and supported medical and social services as well as local clinics and hospitals, thereby helping to mitigate the impact of economic hardship. In line with our focus on social impact and shared value, we engaged more extensively with community leaders and community forums to ensure alignment of support and management of expectations.



Covid-19 impacts and our response

The overall economic effect of Covid-19 and related lockdowns, together with changes in consumer behaviour, severely impacted our business. The pandemic required swift action, adaptability and resilience to mitigate the risk to all our stakeholders. As the health and safety of our employees is the highest priority at Sappi, stringent safety and health measures were implemented and responsibly adhered to by staff across all our sites. This kept our infection rates relatively low and enabled us to continue operating as an essential service provider. Our key priorities were providing support to our employees and to society. Next was responding to our customers' needs with product innovations and improved efficiencies.

Support to our people

- Protocols including temperature checks, sanitiser points and deep cleaning
- Covid-19 information sites on www.sappi.com and the intranet with posters, live dashboards and government information relevant to each region
- A dedicated mailbox allowed employees to ask questions
- Ongoing communication with employees regarding the latest developments
- Some employees were furloughed but there were no large-scale Covid-related retrenchments

Mills

- Access was restricted to employees essential to production, with social distancing strictly enforced
- All unnecessary movement through the mills was banned and communal areas closed off
- Shift handover became remote and all work areas were professionally sanitised between shifts
- 'No-go' zones were for employees not involved in operations in those areas
- Screen dividers were installed in control rooms

Offices

- Minimal number of employees on site
- Excellent IT support enabled the majority of employees to work from home



Support to society

- Employees and Works Councils donated EUR100,000 to the Hardship Fund
- Lanaken Mill donated 500 pairs of safety glasses to local care homes for the elderly, as well as to community nurses
- Cloquet Mill donated Tyvek suits and safety goggles to the Cloquet Area Fire District which were used to protect paramedics and other staff from Covid-19 infection while Somerset Mill donated over 500 Tyvek suits to the Redington-Fairview General Hospital in Skowhegan, Maine. Somerset Mill donated safety glasses to the SKILLS Inc. organisation
- SNA donated US\$5,000 to Allen Manufacturing (our pick and pack/fulfilment centre in Maine) to help them manufacture face masks for consumers
- Our Technology Centre in Pretoria partnered with a local company to produce Sappi's first prototype hand sanitiser
- We donated scarce items to clinics and schools, including 16,000 l of hand sanitiser, 28,500 surgical masks, paper products and 130,000 kg of instant porridge
- Using illustrated infographics on WhatsApp, Sappi's Abashintshi team educated community members on how to combat the disease
- Saiccor and Ngodwana Mills trained apprentices in mask making, manufacturing 73,000 masks



Resilience and agility

- Our board of directors and regional leadership teams volunteered a 10% reduction in salaries or fees for the three months ending June 2020, as well as forfeiting short-term incentive bonuses for 2020. In SNA the reduction applied to all salaried employees
- In all regions, our operations were classified as 'essential', which meant production could continue – with the exception of Condino Mill, which had to close for 10 days
- Our essential classification meant that we could participate in Covid-related economic activity, such as the provision of paper labels for canned goods, packaging and specialities to meet e-commerce needs, as well as DP used in disinfectant wipes and hospital gowns
- Production was curtailed across all sites while annual maintenance shuts and non-essential projects were delayed
- Due to government lockdowns that stopped all construction projects, we declared force majeure declaration on our expansion project (Vulindlela) at Saiccor Mill
- Graphic paper sales declined by 20% as retailers and consumer-related businesses reduce advertising spend and printers halted production
- DP demand reduced by 18% as retail stores were shut and clothing sales suffered
- In response to reduced DP demand, we switched some DP production at Ngodwana and Cloquet Mills to paper pulp for internal consumption as well as external sales
- SSA responded to the decline in certain categories by:
 - Applying the newsprint machine at Ngodwana Mill to produce lightweight liner in the light of significantly reduced newspaper demand
 - Producing white packaging grades at Stanger Mill in response to lower office paper sales
 - Expanding Lomati Mill's product offering to include pre-packaged shelving
- Resilient performance from the packaging and specialities businesses, with an increase in EBITDA from US\$126 million in FY19 to US\$179 million



Severe impact on planet parameters

- Globally there was a 14% decrease in saleable production for FY20 compared to FY19 – due to weak markets, especially for graphic papers in Europe. Between Qs 1&2 (to end of March) and Qs 3&4 (to end of September), production dropped by 25.3%. As curtailment reduces efficiency of the various processes, globally there were the following impacts:
 - Total specific energy intensity increased by 14.5% when comparing Qs 1&2 with Qs 3&4 and by 7% year-on-year (y-o-y)
 - Similarly, specific process water usage was lower at the end of Q2 (33.36 m³/adt) than in FY2019 (34.17 m³/adt) but increased by 24.4% when comparing Qs 1&2 with Qs 3&4 and by 7.2% y-o-y
 - Specific Scope 1 and 2 greenhouse gas (GHG) emissions increased by 6.6% when comparing Qs 1&2 with Qs 3&4.

SDGs Q&A

Graeme Wild, Sappi Limited Group Head: Investor Relations and Sustainability



Graeme Wild
Sappi Limited Group Head:
Investor Relations and
Sustainability

“Enhancing energy self-sufficiency, improving energy-use efficiency and decreasing our reliance on fossil fuels, thereby reducing our carbon footprint, are key strategic goals”

Q1

When did Sappi first commit to the United Nations (UN) Sustainable Development Goals (SDGs)?

We formalised our commitment in 2019 in alignment with the UN Summit on the SDGs – the first global summit since the adoption of the 2030 Agenda for Sustainable Development in September 2015. Having said that, as a signatory to the UN Global Compact (UNGC) since 2008, we have incorporated the UNGC’s Ten Principles across all business operations and supply chains for more than a decade – a good baseline for any company engaging with the SDGs. So, in a way, we were working to integrate the SDGs into our business well before they were finalised.

Q2

What did ‘formalising’ Sappi’s commitment to the SDGs involve?

We established a working group drawn from colleagues across all regions to prioritise the SDGs most relevant to our business, develop related action plans and translate them into specific business targets.

Q3

Could you describe the SDGs you have prioritised and their relevance to Sappi’s business?

Let’s look at the SDGs we have prioritised at a global level first. *SDG6: Clean water and Sanitation* is relevant to Sappi because water, a life-giving natural resource, is one of our key process materials. In addition, our tree plantations in South Africa, while not irrigated, depend on rainfall to grow. In terms of *SDG7: Affordable and Clean Energy*, as an energy-intensive industry, Sappi’s fuel choices have a major impact on air emissions. Our related action plan is to increase the share of renewable energy within our total energy consumption and to continually improve and look for new energy solutions. To this end, we have established a 1.5 Future Energy Technologies & Decarbonisation ‘cluster’. This cluster is tasked with exploring and developing novel technologies for fuel shift and deep decarbonisation in terms of Scope 1 and 2 emissions, with a particular emphasis on energy, pulping, papermaking and bleaching.

SDG8: Decent Work and Economic Growth aligns with our focus on being a responsible corporate citizen by providing a safe working environment in which our employees can reach their full potential. We facilitate social and economic well-being by using labour drawn from local communities, and the services of small and medium enterprises situated in the areas around plantations and production facilities. We also have a best practice training programme and follow a shared value approach to business, which means that communities close to our operations benefit from our extensive socio-economic development programmes.



Q3 continued

Could you describe the SDGs you have prioritised and their relevance to Sappi's business?

There are many points of relevance for how Sappi can contribute to *SDG12: Responsible Consumption and Production*, especially from the perspectives of manufacturing, product design and product use/end of life. Our manufacturing process begins with sustainably managed, renewable forest resources and we operate according to circular economy principles. We do so by using resources efficiently and reducing waste generation, from manufacturing processes through to end-of-life product recycling. With investments in research and development (R&D) and new product development, we continually strive to create new products and value from woodfibre and side streams. Not only does this work improve resource use, but in many cases, it also generates products that have superior sustainability credentials to the conventional products that they replace.

For Sappi the obvious and direct connection to *SDG13: Climate Action* is through our CO₂ emissions. Enhancing energy self-sufficiency, improving energy-use efficiency and decreasing our reliance on fossil fuels, thereby reducing our carbon footprint, are key strategic goals. For each of our mills we are developing decarbonisation roadmaps to identify and plan for the necessary investments.

SDG15: Life on Land has particular relevance for Sappi, given that our business is dependent on sustainably managed and sourced woodfibre. Globally, we enhance sound forestry management practices by utilising credible, third-party verified forest certification schemes. We neither harvest nor buy woodfibre which originates from tropical natural forests and our wood sourcing causes zero deforestation. In South Africa, Sappi owns and leases 394,000 ha of land of which approximately 26% is managed for biodiversity conservation.

In terms of *SDG17: Partnerships for the Goals*, while Sappi is already engaged in and has been contributing to many partnerships and collaborations, there are many further opportunities in the sustainability field for us to become more involved. Over the past year, we became a founding partner of 4evergreen, an alliance of fibre-based packaging leaders in Europe, joined the Sustainable Apparel Coalition and committed to setting science-based emission reduction targets in collaboration with the Science Based Targets initiative (SBTi) in addition to many other collaborations.



Q4

What SDGs have you prioritised at local level?

Sappi is headquartered in South Africa which is a developing country. Accordingly, in this region we have also prioritised *SDG 1: No Poverty* and *SDG 4: Quality Education*, both of which align with our commitment to the national drive to promote socio-economic development.



Q5

Please explain the link between your priority SDGs and targets?

In 2020 we closed off our previous set of targets and set new 2025 targets under our new **Thrive25** business strategy. The indicators we selected are aligned with our seven priority SDGs. We believe the targets set are sufficiently ambitious to enable us to accelerate progress and support the achievement of these SDGs. We see them as a way of entrenching sustainability further into our core business, while strengthening our connection to the 2030 global agenda. For example, the goal linked to *SDG12: Responsible Consumption and Production* involves the number of products launched annually with defined sustainability benefits.



Q6

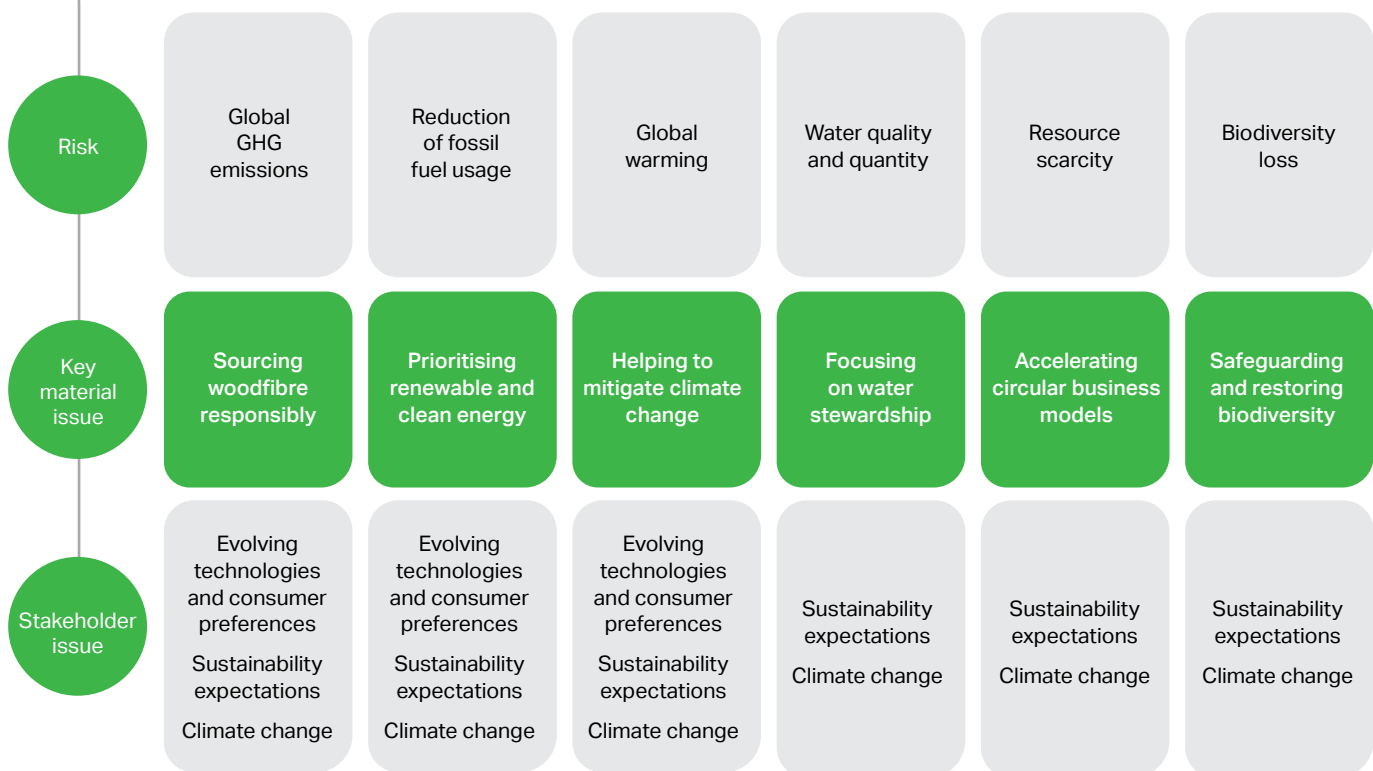
Any closing thoughts?

Given the sheer complexity of sustainability, the SDG framework gives us focus. It also offers a common language to engage our employees and to guide our interaction with our customers and other stakeholders. Integrating the SDGs into our **Thrive25** business strategy has also given us more clarity and purpose for unlocking the power of renewable resources to help build a thriving world.

Integrating our key material issues

into our value creation approach

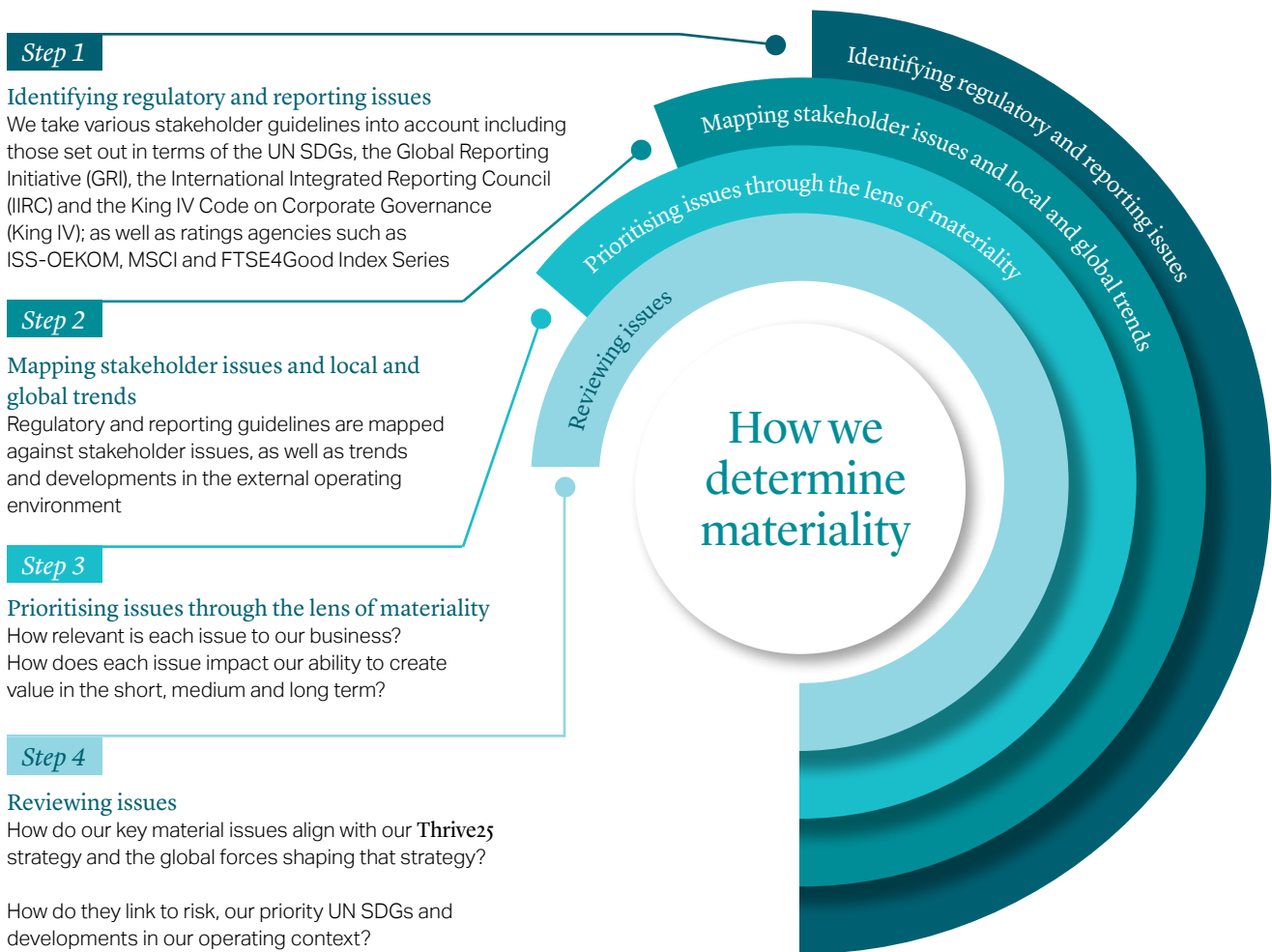




Our key material issues

The issues set out on the following pages are those that we believe underpin our strategic risks and opportunities and have the highest potential impact – negative and positive – on stakeholder value. Further information on each of these issues can be found in our 2020 Sappi Group Sustainability Report available at www.sappi.com

How we determine materiality



Principles

Sourcing responsibly

Why it's material

As a responsible corporate citizen, sourcing ethically is not only the right thing to do, it's important for value creation and a thriving world. Visibility into the supply chain helps identify issues and risks early and address consumer concerns about issues like child labour, illegal logging, bribery and corruption, among others.

How this issue links to other aspects of our business

Our global priority SDGs



Our top ten risks

- 3 Evolving technologies and consumer preferences
- 5 Sustainability expectations

Our strategic fundamentals



The global forces shaping our Thrive25 strategy

- Resource scarcity and growing concern for natural capital
- Continued erosion of trust in business, coupled with increasing social activism

Key developments in 2020

We continued to move forward with the implementation of the Supplier Code of Conduct. In SEU, 61% total spend is currently covered by agreements into which the provisions of the code are embedded, 10% in SNA and 1% in SSA.

Maintaining ethical behaviour and compliance

Why it's material

Our reputation as an ethical company – largely determined by the ethical behaviour of our employees and representatives – underpins our ability to unlock further growth opportunities. Accordingly, we view ethics as the foundation of our business. Values and ethics are not only critical to maintain a licence to operate but also for developing stakeholder trust and for driving performance. We place a high premium on adherence to ethical behaviour as encapsulated in our Code of Ethics. The latter creates clear boundaries and a consistent framework across cultures and geographies as to what constitutes ethical behaviour

How this issue links to other aspects of our business

Our global priority SDGs



Our top ten risks

- 7 Uncertain and evolving regulatory landscape

Our strategic fundamentals



The global forces shaping our Thrive25 strategy

- Continued erosion of trust in business, coupled with increasing social activism

Key developments in 2020

In line with our emphasis on ethical behaviour, we implemented a comprehensive training programme across all regions in 2020. Topics covered ranged from environmental law to anti-fraud and corruption. These training initiatives – incorporating relevant and practical examples – have been implemented to inculcate the correct ethical behaviour and responses to avoid a tick-box approach to ethics.

Our key material issues continued

Prosperity Containing costs and ensuring appropriate capital allocation

Why it's material

Unless we grow profitably, we cannot achieve our vision of being a sustainable business with an exciting future in woodfibre that provides relevant solutions, delivers enhanced value and is a trusted partner to all our stakeholders.

How this issue links to other aspects of our business

Our global priority SDGs



Our top ten risks

- 2 Cyclical macro-economic context
- 4 Liquidity
- 6 Project implementation and execution

Our strategic fundamentals



The global forces shaping our Thrive25 strategy

- Changing consumer and employee profiles
- Growing populations with increasing rates of urbanisation

Key developments in 2020

During Covid-19, all our production, warehousing and distribution facilities were designated as essential throughout our operating geographies. Other than the temporary closure of our Condino Mill in Italy for 10 days, all facilities were operational in alignment with lockdown and social distancing guidelines. However, the actions taken by governments across the world to reduce the spread of the virus created significant uncertainty in our markets and in general reduced demand or made it difficult for product to reach its destination. This necessitated the implementation of various **cost saving measures across our operations** to preserve liquidity and cash flow.

These measures included furloughing a number of employees in Europe and North America on temporary unemployment; curtailing **excess production** including temporarily shutting Paper Machine 7 (PM7) at our Lanaken Mill and applying measures to **optimise working capital**. Where possible, we **deferred non-essential capital expenditure**. Due to government lockdown regulations which stopped all construction projects, we declared force majeure at Saiccor Mill (discussed in further on page 63 and 72). We also **shifted annual maintenance shutdowns** at Ngodwana, Saiccor and Tugela Mills to as late as possible and **postponed other material discretionary projects** including Ngodwana Energy, our sugar extraction plant at Ngodwana Mill, the fuel rod plant at Tugela Mill and the planned furfural pilot plant at Saiccor Mill.

In line with our focus on taking decisive action to reduce costs and respond to market demand and disclosure in 2019 that we would review our assets in Europe and North America, we permanently shut PM9 and major components of the energy complex at our **Westbrook Mill**. We shifted PM9's base paper production to Cloquet and Somerset mills, thereby leveraging our premium papermaking assets in the region and continuing to provide an integrated solution to our global casting and release paper customer base. The restructuring has allowed us to compete more effectively and enabled Westbrook Mill to focus on its core competencies of specialty coating, texture application and customised product designs, restoring the site as a healthy financial contributor.

In addition, following a thorough consultation process, we reached an agreement with mill employees to permanently close **PM2 at Stockstadt Mill** (coated woodfree paper production capacity of 240,000 tpa). The mill will now focus on its growing uncoated woodfree offering.

The actions taken mean that both mills are now better placed to compete in the marketplace and deliver increased returns.

Enhancing efficiency through machine learning and digitisation

Why it's material

According to McKinsey, companies that are digital leaders in their sectors have faster revenue growth and higher productivity than their less digitised peers. They improve profit margins three times more rapidly than average and, more often than not, have been the fastest innovators and the disruptors and transformers of their sectors.¹

How this issue links to other aspects of our business

Our global priority SDGs



Emerging risks



Industry 4.0

Our strategic fundamentals



The global forces shaping our Thrive25 strategy

- Globalisation and high levels of connectivity
- The rapid pace of technological innovation, including AI

Key developments in 2020

We continued to promote our **data driven culture** to drive productivity and profitability. This involves standardising and consolidating regional data science platforms and digital transformation strategies to support our global Industry 4.0 initiatives, including machine learning and advanced analytics technologies. We are making extensive use of digital twins to promote discovery, interpretation, and communication of meaningful patterns in data.

In the Sappi context, a digital twin is a virtual model of a process, or semi-finished or finished product. By pairing the virtual and physical worlds, we can analyse data and monitor systems, thereby anticipating and avoiding problems before they occur, preventing downtime, developing new opportunities and planning for the future through the use of simulations.

As an example: we have created a digital twin for every DP batch produced at Saiccor Mill. Each batch contains information relating to all the upstream processes that contributed to that batch, including timber, liquor and digester cook, washing and bleaching. This digital twin data ensures that process engineers have all the necessary data available in context to analyse issues in the plant.

Other workstreams include testing the suitability of using microdots for tracking and timber tracing from felling to the chip pile at the mill.

¹ The McKinsey Global Institute: Digitization, AI, and the future of work: imperatives for Europe.

Our key material issues continued

Meeting long-term demand growth for cellulosic-based fibres

Why it's material

Our extensive capacity in the DP sector is aligned with our strategy of diversifying into higher margin segments and positioning ourselves for future growth. This is highlighted by the completion of DP debottlenecking projects at Cloquet, Saiccor and Ngodwana Mills in recent years, thereby expanding our capacity to offer consumers fibres manufactured from a natural, renewable resource rather than from fossil fuels.

Global quarantine measures in 2020 negatively impacted textile and apparel markets, with our DP sales falling 18% year-on-year. However, Hawkins Wright¹ expect global textile markets to have recovered fully by 2022. This is partly due to the fact that while demand for office and formal wear remains subdued, many retailers are reporting strong demand growth for casual clothing and leisure wear, items which typically comprise a higher proportion of wood-based textile fibre than in the office wear segment.

How this issue links to other aspects of our business

Our global priority SDGs



Our top ten risks



- 3 Evolving technologies and consumer preferences
- 4 Liquidity
- 6 Project implementation and execution

Our strategic fundamentals



The global forces shaping our Thrive25 strategy

- Changing consumer and employee profiles
- Growing populations with increasing rates of urbanisation

Key developments in 2020

We continued with our combined ZAR7.7 billion **Vulindlela capacity expansion and upgrade project at Saiccor Mill** in KwaZulu-Natal in the first six months of FY2020. However, because of the coronavirus outbreak and nationwide lockdown, we declared force majeure at the end of March, at which stage the project was 65% complete. Work on the expansion recommenced fully in July and completion is now anticipated in Q3 FY2021.

In 2020, in view of our **decarbonisation plans** (discussed on page 81), the decision was made to switch to **magnesium sulphite technology**, which is significantly more environmentally friendly than the calcium sulphite process currently in place at Saiccor Mill. As the current calcium sulphite pulp line is the source of lignin raw material, this switch will result in the permanent closure of LignoTech South Africa (SA), a joint venture between Borregaard and Sappi. Following the conversion, pulping chemicals will be recovered and reused resulting in a more efficient and environmentally friendly plant. The conversion of the pulp line will be completed mid-2021. In the interim, the calcium sulphite pulp line will be operated to some extent, resulting in limited production of liquid lignin by LignoTech SA until the permanent closure comes into effect – this will take place when the conversion of the calcium line is completed.

¹ Hawkins Wright: The outlook for DP: Demand, supply, costs and prices, September 2020.

Increasing the sustainability of our products through circular design and adjacent markets

Why it's material

Natural resources are the life force of our planet. Without many of these resources, life as we know it would not exist. Against this backdrop, we use renewable woodfibre and strive to use the full potential of each tree we harvest to contribute to a biobased circular economy. Our bioproducts are sustainable alternatives extracted from woodfibre to reduce the need for fossil-based materials used in everyday products.

How this issue links to other aspects of our business

Our global priority SDGs



Our top ten risks

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

Our strategic fundamentals



The global forces shaping our Thrive25 strategy

- The move towards a circular economy
- Climate change continuing to impact businesses and reshape societies
- Resource scarcity and growing concern for natural capital

Key developments in 2020

Symbio, our bio-composite cellulose fibre, brings the haptics of nature, strength and reduced environmental footprint to plastic composite materials. This product is present in various components of large scale production automobiles and has been chosen as feedstock for the development of lightweight bio-composite materials, for the European Life Biobcompo project. The project, which includes leading vehicle and automotive parts manufacturers, aims to reduce vehicle carbon emissions by 8% through the replacement of conventional mineral fillers with biobased fibres, promote the use of more sustainable resources and demonstrate these technologies at industrial scale. Symbio is also being successfully used in kitchen and homeware products, bringing natural content to daily use items.

The commercialisation of our **Valida nanocellulose** gained traction with many repeat orders. As the use of sanitiser became more widespread during Covid-19, Valida was used as an opacifier and thickener in sanitising gels, providing a natural alternative for acrylate-based polymers and microplastics. When suspended in water, Valida cellulose fibrils form an insoluble 3D network based on hydrogen bonding and mechanical

entanglement. Valida's other unique benefits include:

- Derived from renewable resources – sustainable alternative to fossil-fuel based polymers and microplastics
- Superior skin feel and moisturising qualities
- Unique texture
- High safety standards in terms of skin irritation, sensitisation, blockage and penetration – the product has passed cosmetics ingredient safety studies including those by SGS, a leading inspection, verification, testing and certification company

Other areas of use include:

- Personal care products and cosmetics
- Decorative paints and coatings
- Construction applications
- Paper – we have been successfully developing our own advanced paper products, using our Valida technology, on various paper machines in all regions. This holds potential for a next generation of packaging, graphics and functional papers

Sappi is becoming increasingly recognised as a key player in **lignosulphonate** markets – we continue to target higher value markets, many of which use lignin to replace oil-derived products. This particularly in view of the fact that

markets increasingly require products based on renewable natural resources. We are expanding from traditional uses such as dust control and concrete admixtures to:

- Lignin-based intermediates as substitution for phenols which are widely used in resins and polyols used in rigid foams
- Lignin-based intermediates for use in glues
- Lignin-based animal feed binders with natural antimicrobial and antifungal functionality to improve animal performance (gut health)
- Granulation aids for agricultural products
- Fuel pellet binders
- Replacement for starch in the manufacture of recycled paper

We have successfully illustrated the ability to extract **xylose sugars** as co-product from DP production at Ngodwana Mill, the technology is now ready for deployment; the 25 MW biomass power plant at Ngodwana Mill in which we have a 30% stake is under construction and our technologies to produce furfural as co-product at our DP mills is ready for industrial scale illustration with plans to do so well advanced.

Our key material issues continued

Developing and commercialising innovations in addition to adjacent businesses

Why it's material

Innovation is at the heart of Sappi's strategy. No growth is possible without innovation. We view innovation not as an end in itself, but as an avenue for the provision of sustainable, competitive advantage that will make a significant difference. We make ongoing investments into R&D (US\$39 million in FY20) and promote a culture of innovation through the annual Technical Innovation Awards. Together with the wide-ranging, significant expertise of our people, these factors mean we are well positioned to collaborate with our stakeholders and offer relevant solutions, thereby generating meaningful revenue. Our focus is on understanding what our customers – and potential customers – need, and adapting to that need.

How this issue links to other aspects of our business

Our global priority SDGs



Our top ten risks

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

Our strategic fundamentals



The global forces shaping our Thrive25 strategy

- The move towards a circular economy
- Climate change continuing to impact businesses and reshape societies
- Resource scarcity and growing concern for natural capital

Key developments in 2020

Ongoing legislative edicts and consumer concern mean companies are rethinking their packaging needs. Governments, retailers and brand owners all over the world are seeking paper-based packaging solutions for their products, and eco-conscious consumers and shoppers are pressuring brand owners for **more biodegradable, recyclable and compostable packaging**, all reflecting a more circular economy. Against this backdrop, we continued to develop our packaging paper solutions with integrated functionality. For example, we recently added a 91 g/m² version to our high-barrier paper range, opening up additional applications for manufacturers of branded goods. All high-barrier papers from Sappi ensure that the product quality of foods and other goods is preserved. They feature barriers against oxygen, water vapour, grease and mineral oil as well as outstanding print results, a wide range of finishing options, complete recyclability and integrated heat sealability.

Sappi Rockwell Solutions launched a **new r-PET lidding film** to give our customers a greater choice of options to meet their own sustainability goals. This makes Sappi Rockwell one of only two suppliers in this industry to provide recycled peelable coatings. These films combine the high performance of Rockwell's heat-seal, anti-fog and

barrier coatings with base polyester film made from food-contact-approved r-PET, delivering environmental, waste and cost benefits to food manufacturers and retailers.

There is a global movement to limit or eliminate solvent-based casting systems to reduce chemical waste and pollution. We invested in chemistry and technology to create the industry's first premium high-fidelity casting paper compatible with solvent-free systems – **Ultracast Viva**, which we launched in 2020. Performance improvements include reduced curl, increased reusability and easier handling with expanded temperature limits for polyvinyl chloride (PVC), semi-polyurethane (PU) and 100% PU including aqueous PU chemistry.

With the world rapidly moving to adopt the internet of senses, one of printed paper's unique selling propositions, touch, is becoming increasingly important. Developed by SEU, our latest **graphic paper, Raw**, takes this to a new level. Raw offers a true uncoated feel with a coated print performance, while also delivering high bulk and natural whiteness. We expect the product to be used in high-value commercial print products, such as books, coffee-table journals and lifestyle catalogues.

In Europe, we collaborated with a machine manufacturer on a project for a well-known cereal manufacturer that

switched its fully automated production to **paper-based, sealable barrier pouches**. Two further application projects focused on confectionery and snacks are already in the development stage. The project has given us and our collaboration partner a strong position to successfully implement paper-based packaging solutions for future customer demands.

High demand for low grammages

Sappi's considerable expertise in functional paper packaging is evident in low grammages with an integrated mineral oil and grease barrier. The light papers with grammages of 75 g/m² and higher are particularly popular. This keeps products such as rice, cereals, tea and chocolate free of mineral oil saturated hydrocarbons (MOSH) and mineral oil aromatic hydrocarbons (MOAH) residue and prevents any mineral oil from getting into the final product during production and transportation. Sappi offers these packaging papers in several other grammages, which are ideally suited to primary and secondary packaging. Papers like Sappi Guard MS also offer impressive heat sealability, resulting in a reduction in production steps as additional sealing media are not required.

People

Ensuring the safety of our employees and contractors

Why it's material

In terms of our safety-first culture, we believe that nothing is so important that it cannot be done safely and that every individual has the power to have a positive impact. We do not accept that injuries and accidents are inevitable and remain committed to zero harm. We aim to achieve this through the continuance of improved personal behaviour and making safe choices underpinned by risk assessments, group sharing of all incidents and root cause investigations, enforcement of compliance and leadership engagement with our people.

How this issue links to other aspects of our business

Our global priority SDGs



Our top ten risks

- 1 Safety
- 8 Employee relations

Our strategic fundamentals



The global forces shaping our Thrive25 strategy

- Continued erosion of trust in business, coupled with increasing social activism

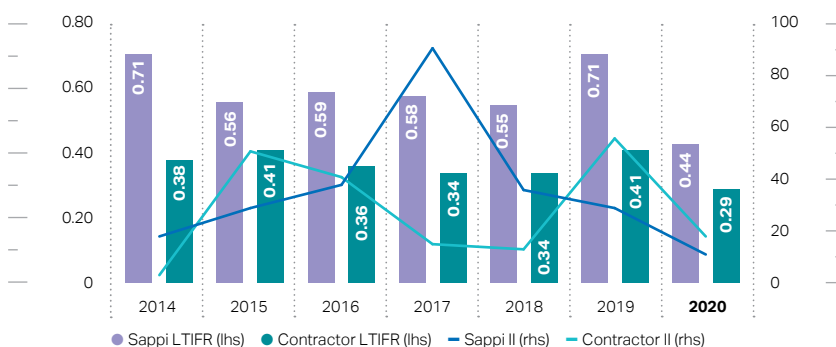
Key developments in 2020

In response to the **Covid-19 pandemic**, all operations and sites established the required sanitising and hygiene protocols, social distancing, temperature checks, self-declaration health check requirements with ongoing engagement and communications for the necessity of self-awareness at work and at home. On the positive side, the pandemic appears to have heightened adherence to safe attitudes and behaviours amongst our people.

Despite a concerted focus on **safety**, tragically, there was one transport-related contractor fatality in the Sappi Forests division in South Africa. All regions, however, showed an overall improvement in injury and severity

rates. SEU completed the year with an improved lost-time injury frequency rate (LTIFR), underpinned by the ongoing successful integration of operations acquired in recent years into the Sappi safety culture. SNA established their best LTIFR on record, completing the year with an LTIFR for own employees of 0.20 compared with 0.25 for FY2019 and 0.35 for FY2018. Safety performance also improved in SSA. We undertook a complete review of all risk assessments in manufacturing areas to ensure that all risks are identified and assessed correctly for potential severity. The findings of the survey were addressed and the completed actions as well as the effectiveness of the closeout will be audited during FY2021.

Group LTIFR



Our key material issues continued

Engaging more closely with our employees

Why it's material

The days of employees simply collecting a pay check are over. In fact, research suggests that they're willing to earn less if doing so translates into more meaningful work¹. Given the amount of time spent at work, it makes sense to look to the workplace as a source of meaning. People want to come to work, understand their job and know how their work contributes to the overall purpose and success of the organisation. When they do, there are positive implications for productivity and profitability.

How this issue links to other aspects of our business

Our global priority SDGs



Our top ten risks



- 1 Safety
- 8 Employee relations

Our strategic fundamentals



The global forces shaping our Thrive25 strategy

- Continued erosion of trust in business, coupled with increasing social activism
- Changing consumer and employee profiles
- Globalisation and high levels of connectivity

Key developments in 2020

We conduct **employee engagement** surveys every two years, with the previous one taking place in 2019. This survey indicated that employee engagement was high, with 42% of employees fully engaged, 39% unsupported or detached and 19% fully disengaged. The key themes identified for action were talent and recognition; teamwork and communication; development and empowerment and leadership and direction. We are on track to close out all the actions which are monitored quarterly. The 2021 survey, due to begin in March 2021, will be undertaken by a new survey provider that will provide faster and more granular reporting, as well as prioritisation of focus areas and mobile (cellphone and tablet) solutions.

As we look to the future, we recognise that society in general and our people, in particular, expect us to play a role beyond making and selling. Teams from all regions and product segments spent a year developing our 2020-2025 **Thrive25** strategy which focuses strongly on the power of purpose: *Sappi exists to build a thriving world by unlocking the power of renewable resources to benefit people, communities, and the planet.* We embarked on an extensive roll out of our **Thrive25** strategy to familiarise our people with the strategy, our purpose and refreshed brand. We communicated through newsletters, posters, presentations and detailed engagement with staff by management and leadership.

¹ <https://hbr.org/2018/11/9-out-of-10-people-are-willing-to-earn-less-money-to-do-more-meaningful-work>

Supporting sound labour relations

Why it's material

We believe open lines of communication between ourselves and organised labour are vital to achieving our ambitious growth and value creation objectives. We continue to endorse the principles of fair labour practice as entrenched in the United Nations Global Compact (UNGC) and the Universal Declaration of Human Rights. At a minimum, we conform to and often exceed, the labour legislation requirements in countries in which we operate. Sappi promotes freedom of association and engages extensively with representative trade unions. Globally, approximately 57% of our workforce is unionised, with 75% belonging to a bargaining unit.

How this issue links to other aspects of our business

Our global priority SDGs



Our top ten risks



- 1 Safety
- 2 Cyclical macro-economic context
- 8 Employee relations

Our strategic fundamentals



The global forces shaping our Thrive25 strategy

- Continued erosion of trust in business, coupled with increasing social activism
- Changing consumer and employee profiles

Key developments in 2020

In **SEU**, there was an industry-wide strike in Finland which affected Kirkniemi Mill, and that lasted 15 days for blue-collar employees and 24 days for white-collar employees. To resolve this strike, an industry-wide collective bargaining agreement was entered into, requiring us to waive three extra days of work per annum that were negotiated years ago in exchange for shortening the summer stop and cutting other Collective Labour Agreement (CLA)-related benefits to achieve a cost-neutral outcome.

The consultation process related to the closure of the PM1 at Stockstadt Mill and impact on 170 positions was completed with the assistance of the employee representatives and facilitator at the mill. The machine was closed from October 2020.

In **SNA**, the overall industrial relations climate in SNA was satisfactory despite furloughs due to Covid-19, the decision to close PM9 and certain biomass energy operations at Westbrook Mill and some contract negotiations with the Westbrook United Steelworkers' (USW) union regarding proposed changes in the union medical plan. The membership ratified the package shortly after year end.

In terms of the asset closures at Westbrook Mill, we entered into 'effects bargaining' with the USW and other trade unions whereby a voluntary severance package, equal to that which was bargained for union employees who were involuntarily retrenched, was made available to employees who accepted voluntary retrenchment. This was offered to encourage those union members who were close to retirement to consider the benefits of taking the package, thereby enabling employees with less seniority to remain with Sappi. Due to voluntary resignations and other attritions prior to the discontinuation of these operations, the number of active employees losing their positions was significantly lower than originally anticipated.

In **SSA**, collective bargaining was extremely tough. The Pulp and Paper Sector was unable to reach an industry settlement as parties deadlocked and unions issued a notice to strike following a balloting process. The strike was generally peaceful except at Saiccor Mill where the company experienced sporadic incidents of violence, largely driven by the various community groups. SSA reached a settlement of 3% increase on basic wage with labour at company level backdated to 01 July 2020, and

a further 1% with effect from 01 January 2021. This represents an overall increase of 3.5%. Shift allowances remained at 10.5%, which is still 0.5% ahead of the industry.

At year end, sawmilling wage negotiations were still underway at industry level with forestry negotiating at company level.

Our forestry and sawmilling sector wage negotiations were concluded without a strike. For forestry, we settled on a 3% wage increase backdated to 01 July 2020, with a further 1% increase coming into effect from 01 January 2021. Regarding sawmilling, we settled on a 3% increase backdated to 01 July 2020.

Our key material issues *continued*

Attracting, developing and retaining key skills

Why it's material

People play a critical role in the delivery of operational excellence and our culture, as well as the manner in which we lead, manage and develop our people contribute significantly to our success.

How this issue links to other aspects of our business

<p><i>Our global priority SDGs</i></p> 	<p><i>Our top ten risks</i></p>  <p>8 Employee relations</p>	<p><i>Our strategic fundamentals</i></p> 	<p><i>The global forces shaping our Thrive25 strategy</i></p> <ul style="list-style-type: none"> • Continued erosion of trust in business, coupled with increasing social activism • Globalisation and high levels of connectivity • Changing consumer and employee profiles
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Key developments in 2020

The **attraction, development and retention of skills** are all interlinked. As discussed under employee engagement, we recognise that current and future employees, in particular Generation Z-ers, want companies to have a positive purpose that improves the world in some way. We believe that the fact that we offer true circular economy solutions and that sustainability underpins everything we do, plays a key role in attracting and retaining key skills.

In terms of **training and development**, our focus is to invest in current and future talent and develop the competencies of our people in three categories; namely leadership, behavioural and technical competencies. Our emphasis on providing learning solutions aligned with an increasingly tech-savvy workforce is important in **retention**, as are our compensation programmes. These are designed to achieve our goals of building trust and attracting, motivating and retaining employees who can help to deliver value. The primary components of pay include base salary, benefits e.g. medical and retirement, annual incentive awards and long-term incentives. Compensation levels are set to reflect competitive market practices, internal equity as well as company and individual performance, including sustainability aspects of performance.

A key development was reshaping our people strategy to align with our **Thrive25** to focus on leadership and culture that enhances OneSappi; builds capability for current and future requirements; strengthens employee engagement and experience and builds a world class human resources team.

Sharing value with our communities

Why it's material

While Covid-19 has highlighted the interconnected nature of our being, as a responsible corporate citizen we recognised many years ago that our well-being and financial prosperity are inextricably linked to the communities in which we operate. Our corporate citizenship initiatives and programmes are in line with, and supportive of, our business strategy and are developed with input from key stakeholder groups. We have prioritised community support projects with a particular focus on education, environment, health and welfare. Our preference is for multi-year programmes which create sustained impact in our communities. The majority of our spend is allocated to South Africa, given the development needs of the country.

How this issue links to other aspects of our business

<p>Our global priority SDGs</p>  <p>Our additional SSA priority SDGs</p> 	<p>Emerging risks</p> <ul style="list-style-type: none"> • Social unrest • Land restitution 	<p>Our strategic fundamentals</p> 	<p>The global forces shaping our Thrive25 strategy</p> <ul style="list-style-type: none"> • Rising social inequality • Continued erosion of trust in business, coupled with increasing social activism
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Key developments in 2020

Our social impact strategy rests on two pillars: shared value and corporate social investment. Our aim is to create positive, meaningful and sustainable systems change for the benefit of our communities, particularly for those at disadvantage as a result of complex, long-term systemic issues. In doing so, we enhance our social licence to operate, become a more attractive employer and build trust with customers and other stakeholders. The coronavirus pandemic impacted our regular corporate citizenship programmes as regular activities were suspended. We responded swiftly to protect the safety of our stakeholders and meet community needs.

Spend in 2020

- Sappi Europe: €100,000
- Sappi North America: US\$362,173
- Sappi Southern Africa: ZAR40 million

Creating community-focused solutions during Covid-19

The coronavirus pandemic highlighted the plight of many vulnerable people situated in the rural areas of South Africa and in our neighbouring communities. In line with our **Thrive25** focus on partnering with our stakeholders to create solutions, we entered into a partnership with the Southern Lodestar Foundation (<https://lodestar.org.za/>), a non-profit organisation which provides **innovative food solutions for children**. Their highly nutritious instant porridge – known as A+ – is being used in school breakfast programmes. Together, Sappi, the Southern Lodestar Foundation and the Spar Group spearheaded a collaborative effort in terms of which 130,000 kg of A+ instant porridge was distributed to vulnerable communities in KwaZulu-Natal and Mpumalanga. We used our knowledge and access to rural community health networks to ensure that the porridge was reaching those that needed it most in many peri-urban and rural areas adjacent to our mills and plantations.

In addition, in an effort to ease the **shortage of masks**, Sappi procured thousands of surgical masks for community clinics and health care centres in KwaZulu-Natal and Mpumalanga. However, there was also a need for thousands more reusable cloth masks for our own employees who were continuing to deliver essential services during the national lockdown. We installed sewing machines at the Saiccor and Ngodwana Skills Centres, which meant that apprentices who were not able to continue with their normal training schedule due to the restrictions, sprang into action making cloth masks. These were distributed to own and contractor employees as well as to neighbouring schools. At year end, apprentices had produced just under 73,000 masks. The mask venture has progressed further into the manufacture of overalls.

To heighten awareness of the pandemic and promote understanding we created and distributed **easy-to-understand illustrated infographics** in English and Zulu within our own operations, the employees and families of our contractors and the broader public via the Abashintshi. The latter are a group of Sappi-sponsored young people who act as change agents within their communities.

Our key material issues continued

Planet Sourcing woodfibre responsibly

Why it's material

In August 2020, the Financial Times reported that forests were razed at an alarming rate across Asia, Africa and Latin America during the coronavirus pandemic, as environmental law enforcement was sidelined and villagers in parts of the tropical world turned to logging for income. One of consumers' sustainability expectations is that their shopping baskets should not drive the destruction of the world's tropical forests. Forests and forestry play an important role in mitigating climate change reducing deforestation and forest degradation lowers GHG emissions. In addition, sustainable forest management can maintain or enhance forest carbon stocks and sinks, while wood products can store carbon over the long term and substitute for emissions-intensive materials reducing emissions.

How this issue links to other aspects of our business

Our global priority SDGs



Our top ten risks

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

Our strategic fundamentals



The global forces shaping our Thrive25 strategy

- Climate change continuing to impact businesses and reshape societies
- Resource scarcity and growing concern for natural capital

Key developments in 2020

We continued to offer consumers an **alternative to fossil-based packaging**, based on wood from sustainably managed forests. We neither harvest nor buy woodfibre which originates from tropical natural forests and our wood sourcing causes zero deforestation. Our commitment to **zero deforestation** means knowing the source of woodfibre; ensuring that suppliers implement practices to promptly regenerate forests post-harvest, which is required under the global forest certification standards that Sappi is committed to upholding. It also means implementing our Supplier Code of Conduct to continually assess supply-chain, ethical and legal risk; and not sourcing from suppliers associated with deforestation.

In 2020, globally 73% of the woodfibre supplied to our mills was sourced from certified forests with the rest procured from known and controlled sources. All our owned and leased plantations in South Africa are FSC-certified. The 100% coverage of the FSC, PEFC (including SFI®) Chain of Custody systems ascertains that all the woodfibre we purchase and process is traceable to its origin, and is sourced from legal, controlled, non-controversial sources. In accordance with the FSC Controlled Wood Standard, as well as PEFC (and SFI® in the United States of America) risk-based due diligence systems.

Sappi has actively participated in the development of **Sustainable African Forestry Assurance Scheme (SAFAS)**, which was endorsed by PEFC International in 2019. Following a two-stage audit process, Sappi Forests' plantations expect to be PEFC-certified by December 2020, thereby supplementing the FSC certification already achieved. Our South African mills will soon be able to apply for PEFC CoC certification.

Prioritising renewable and clean energy

Why it's material

Prioritising renewable and clean energy is strongly linked to the need to mitigate climate change. To meet the ambitions of the Paris Agreement, there is growing consensus around the world that CO₂ emissions will need to fall to net zero by 2050. In certain regions where we operate, we are experiencing strong regulatory pressures to decarbonise our operations. Additionally, within our markets, we want to support our customers as they pursue their own ambitious targets

How this issue links to other aspects of our business

Our global priority SDGs



Our top ten risks



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

Our strategic fundamentals



The global forces shaping our Thrive25 strategy

- Climate change continuing to impact businesses and reshape societies

Key developments in 2020

Globally, our **use of renewable energy** stood at 54.4%, of which 68.3% was own black liquor. We took extensive steps to increase this in 2020 by developing detailed decarbonisation plans in each region. This was in line with our commitment, in June 2020, to set **science-based targets** through the Science Based Targets initiative (SBTi).

Within the context of our 2025 sustainability targets, we have established a global specific GHG emissions target of 17% reduction in combined Scope 1 and 2 emissions under the UN *SDG13: Climate Action*. In support of this, there are regional targets in each region.

While these are not yet science-based targets, they will catalyse an ambitious emissions reduction trajectory. We now have two years to work with the SBTi on setting and validating our science-based targets. This will give us precision for our longer-term 2030 and 2050 targets, will help our customers on their sustainability journeys and is an important milestone of our own.

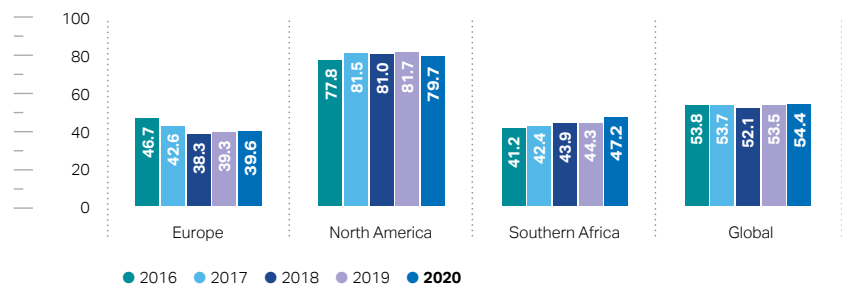
We established **cluster 1.5** – so called because of the identified global need to limit global warming to 1.5 °C above pre-industrial levels. The cluster has prioritised novel technologies for fuel switching and deep decarbonisation in terms of Scope 1 and 2 emissions across energy, pulping, papermaking and bleaching.

We also took the decision to move forward with our **fuel rod project**: Some 150 years of intensive coal mining in South Africa have produced about a billion tons of discarded thermal-grade coal fines. Once discarded, these sulphur-containing ultra-fines cause health problems. They can also contribute to several environmental problems, emitting GHG

as they decompose. To utilise this energy source, we constructed a small-scale plant to manufacture fuel rods which comprise a mixture of coal slurry, biomass and Sappi's lignin-based binder, which can be used as a coal replacement, thereby reducing GHG emissions. Following positive test results at Tugela Mill, we plan to construct a plant at the mill. This was delayed because of Covid-19, but will be progressed in FY2021.

Similarly, construction of the **25 MW biomass power plant at Ngodwana Mill** in which we have a 30% stake and which will use biomass from the surrounding plantations, was delayed because of the pandemic, but is now moving forward.

Renewable energy (%)



Our key material issues continued

Progressing decarbonisation at Gratkorn Mill

Under a regional-specific **Thrive25** target, SEU aims to deliver a 25% specific GHG reduction by 2025. The complete modernisation of boiler 11 at Gratkorn Mill plays an important role in achieving this ambition. The investment into state-of-the-art technology will see a shift from a coal boiler to a multi-fuel boiler in two phases with the goal to finally use only sustainable and renewable fuels. The rebuild will enable the mill to reduce carbon emissions by 30%. In addition, the chosen technology for the project will additionally allow us to sharply reduce dust and nitrous oxide (NO_x) emissions.

The largest production site within Sappi Europe, Gratkorn Mill manufactures high quality coated woodfree paper for the global printing and writing market. Ongoing investments have kept the site technologically ahead, with its facilities housing one of the largest and most advanced coated fine paper production lines in the world.

This further investment proves our steadfast commitment to not only maintaining and improving our production sites but to progressing our sustainability journey – and that of our customers. The rebuild is expected to be complete in late 2021.

Helping to mitigate climate change

Why it's material

Concentrations of GHG in the Earth's atmosphere are at record levels, and emissions that saw a temporary decline due to the pandemic are heading towards pre-Covid-19 levels, while global temperatures continue to hit new highs. Climate change is already affecting every country on every continent through changing weather patterns, rising sea levels, and more extreme weather events. Recent reports of methane leaking from the sea floor in Antarctica and unprecedented wildfires in the Arctic in 2019 and 2020 highlight the seriousness of the situation.

How this issue links to other aspects of our business

Our global priority SDGs



Our top ten risks

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

Our strategic fundamentals



The global forces shaping our Thrive25 strategy

- Climate change continuing to impact businesses and reshape societies

Key developments in 2020

We are currently developing a **climate change strategy** that will be published in FY2021. In addition, following the establishment of a working group to implement the recommendations of the **Task Force on Climate-Related Financial Disclosure**, Sappi is taking a purposeful phased approach to the use of **climate scenarios** in our climate change-related risk assessment and strategic planning processes. Currently we are involved in two projects using climate scenarios.

The first scenario was modelled at Saiccor Mill. We retained an independent consultant who used publicly available regional models. This work builds on earlier flood risk assessment work conducted in 2010 and again in 2017. We used Representative Concentration Pathways (RCPs) 2.6, 4.5 and 8.6. For the middle of the road projection (RCP 6.0) we intend to upgrade the water

model with the work being done by the Global Change Institute (GCI) at the University of the Witwatersrand (further described on this page) when it is complete. The scenario planning process used at Saiccor Mill could be replicated at our other mills in South Africa.

For our mills in SNA and SEU we will be using climate data to assess physical risk consistent with RCP8.5 values. For our two primary upstream considerations, water and woodfibre sources, in both North America and Europe we will be relying on available government and academic reports which generally use a combination of RCP values.

The second climate scenario project is with other industry members and the GCI in South Africa. Phase 1: 2020: Generation of raster climate surfaces for the entire forestry domain of South Africa, at 8 km resolution, with monthly

time resolution, for the years 2020, 2030 and 2040 to 2100. Phase 2: 2021 onward: A second iteration of the variables generated for the one-year product, refining the indicators and making them more specific for species or issues; and/or including more ensemble members or scenarios to broaden the robustness of the evaluation; and/or 1 km data for selected parts of the country.

Our plantations and Saiccor Mill have been prioritised because South Africa is already experiencing climate-related physical and transitional risks whereas the risk in North America and Europe is not as profound. The overarching time horizons for our assessments to ensure a more consistent approach in all three regions are short: one to two years; medium: three to five years (2025); and long: five to 30 years (2050), consistent with our five-year goal setting process as well as our commitment to the SBTi.

Focusing on water stewardship

Why it's material

Globally, water withdrawal rates have tripled over the last 50 years, a trend that is expected to continue, doubling by 2050. While water is a renewable resource, with the expected rate of groundwater withdrawal over the next few decades, we run the risk of removing more water from our aquifers than can be replenished by nature. In addition, demands and competition for water are expected to increase even further as the global climate changes, putting more pressure on water supplies.

How this issue links to other aspects of our business

Our global priority SDGs



Our top ten risks



- 5 Sustainability expectations
- 9 Climate change

Our strategic fundamentals



The global forces shaping our Thrive25 strategy

- Climate change continuing to impact businesses and reshape societies
- Resource scarcity and growing concern for natural capital

Key developments in 2020

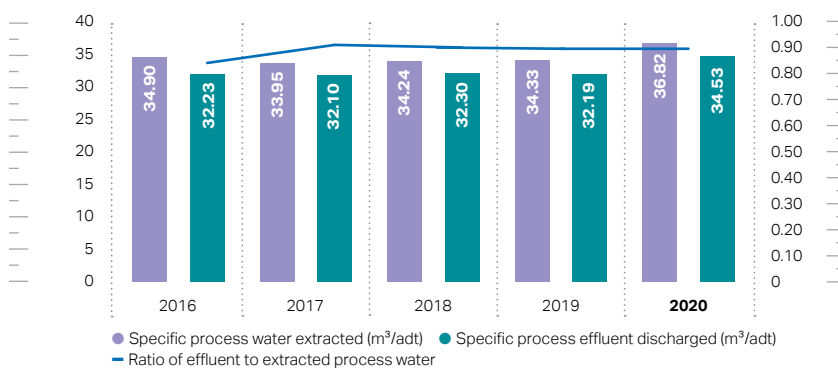
Water is a significant input for Sappi. In 2020, globally we extracted 277 million³ of water for all purposes. The impact of Covid-19 on our specific water consumption was significant, with production curtailment and downtime taking their toll. At half year (the end of March 2020) consumption was 33.36 m³/adt (FY2019: 34.17 m³/adt, while at year end (30 September), it was 41.51 m³/adt – an increase of 24.4%, giving a total average of 36.82 m³/adt.

Throughout our operations, we continue to focus on the responsible use of water. For example, in addition to the other environmental benefits, our Vulindlela expansion project at Saiccor Mill will result in water consumption

being reduced by around 5% and water use efficiency increasing by approximately 17%.

In South Africa, which is classified as a water-scarce country in terms of the World Resources Institute criteria, climate change has meant we are increasingly focusing on water availability and cost. As discussed under **Helping to mitigate climate change** on page 82, we have engaged a third party service provider to run water-related scenarios on Saiccor Mill. We have also established a water stewardship working group which is currently assessing the water risk and mitigation actions related to all our mills and forestry operations, as well as to our neighbouring communities.

Specific process water returned to extracted (m³/adt)



Our key material issues continued

Accelerating circular business models

Why it's material

There is a growing recognition among designers, businesses and consumers that we must move away from a linear 'take, make, waste' model of consumption where we extract raw materials, manufacture products and discard them to landfills. The pulp and paper industry is circular by nature, producing recyclable products made from renewable resources that are manufactured using a high proportion of renewable energy. We approach the environmental impact of our operations from a holistic perspective grounded in lifecycle thinking, from procurement of raw materials and energy through manufacturing, use and the next life of our products. The benefits of this holistic approach include less waste, lower costs and reduced environmental impact.

How this issue links to other aspects of our business

Our global priority SDGs



Our top ten risks

- 5 Sustainability expectations
- 9 Climate change

Our strategic fundamentals



The global forces shaping our Thrive25 strategy

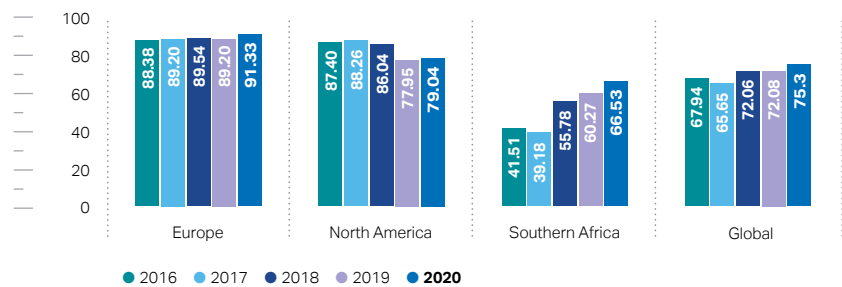
- The move towards a circular economy
- Climate change continuing to impact businesses and reshape societies
- Resource scarcity and growing concern for natural capital

Key developments in 2020

In keeping with our focus on circular economy principles, we are working to increase our use of renewable energy and eliminate waste through superior product and process design. As an example, we increased the percentage of solid waste benefited from 72.08% in 2019 to 75.3%. This meant that waste sent to landfill decreased by 7.6% year-on-year – a positive environmental benefit as landfills generate methane, a powerful GHG associated with global warming.

Recognising that our sphere of influence extends beyond our mill gates, we work collaboratively across the supply chain to share best practices and drive meaningful change. As examples, we worked with members of the textile value chain to assess the use of recovered textiles in pulping and also continued work as the co-lead of the committee operating under the auspices of the Alliance for Pulp and Paper Technology Innovation (APPTI), based in North America, to demonstrate and deploy membrane-based technology for black liquor. Other members of the committee include the Georgia Institute of Technology (Georgia Tech), members of the US forest products industry, and membrane system/process developers.

Beneficial use of solid waste (%)



Sappi North America honoured with the SEAL Business Sustainability Award

In 2020, Cloquet Mill was named a winner in the 2019 SEAL Business Sustainability Awards for Environmental Leadership. The award celebrates companies for their leadership, transparency, and commitment to sustainable business, and honours specific environmental and sustainability initiatives.

The mill received the award for its land application programme, initiated in 2004 with the Minnesota Department of Agriculture's ag-lime programme and the Minnesota Pollution Control Agency as a solution to an impending challenge with landfill space. Essentially, the programme repurposes boiler ash and lime mud byproducts into sustainable agricultural fertiliser which is accessible to the local community at a minimal cost. This reduces the commercial chemical products needed for high-quality growing conditions in the region.

To date, SNA has provided 200 tons of materials to 300 sites per year, with some farmers seeing a 30% increase in crop yield.

Safeguarding and restoring biodiversity

Why it's material

Science tells us that about 25% of our assessed plant and animal species are threatened by human actions, with a million species facing extinction, many within decades. In addition, US\$44 trillion of economic value generation – over half the world's total gross domestic product (GDP) – is moderately or highly dependent on nature and its services and, as a result, exposed to risks from nature loss. As our primary input, woodfibre is a renewable natural resource, Sappi depends on ecosystem services such as healthy soils, clean water, pollination and a stable climate.

Accordingly, biodiversity is a key focus area.

How this issue links to other aspects of our business

Our global priority SDGs



Our top ten risks

- 5 Sustainability expectations
- 9 Climate change

Our strategic fundamentals



The global forces shaping our Thrive25 strategy

- The move towards a circular economy
- Climate change continuing to impact businesses and reshape societies
- Resource scarcity and growing concern for natural capital

Key developments in 2020

We signed up to Business for Nature's call to action, a global coalition of non-governmental organisations (NGOs) and business groups. Their campaign, 'Nature Is Everyone's Business', has particular relevance for Sappi, given that our business is dependent on sustainably sourced woodfibre.

We made progress in terms of our **Thrive25** target by addressing our first biodiversity objective underpinning this task – understanding what types of vegetation are present on our plantations, as well as their conservation value. This enables managers to develop appropriate management plans for implementation. It is also important, from a conservation management perspective, to identify those vegetation types that are least protected, to prioritise efforts to safeguard the vegetation type from possible extinction.

Dissolving pulp

Our renowned dissolving and market pulps provide a sustainable, versatile approach, to creating a better tomorrow.

Our dissolving pulp (DP) brand, Verve, creates renewable alternatives to textiles, pharmaceuticals, foodstuffs, and more.







Dissolving pulp

“ We continue to invest in all three of our world-class production sites – further entrenching our leadership position as a trusted source for responsible and sustainable dissolving pulp.”

Our DP brand Verve is a significant player within this market. With 17% share of the DP market and 1.4 million tons per annum, Verve is a truly sustainable brand. From textiles to pharmaceuticals and food applications, Sappi has the expertise, technology and the track record to meet almost any challenge from these DP market segments.

In November 2019, Sappi acquired the 270,000 ton Matane high-yield hardwood pulp mill in Quebec, Canada. The acquisition increases our pulp integration for our packaging businesses and lowers our costs of pulp, reduces its volatility of earnings through the pulp cycle and provides certainty of supply. External high-yield

pulp sales are included in the DP segment.

In FY2020, the DP segment made up 17% of Sappi's sales. This figure includes high-yield bleached chemi-thermo mechanical pulp (BCTMP) from Matane Mill and paper pulp produced at both Cloquet and Ngodwana mills to mitigate the impacts of the downturn in DP demand during the initial period of the Covid-19 pandemic.

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 textiles, such as viscose and lyocell, where DP is converted to

Product review

viscose and lyocell staple fibres. From there, the fibre is spun into yarns and ultimately 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.

Cellulosic fibre, however, far exceeds cotton and polyester when it comes to sustainability. What consumers want are goods that are renewable, biodegradable and have superior resource efficiency. This is where cellulosic fibres differentiate themselves versus the alternatives.

Viscose staple fibre (VSF) is the most prominent of the manmade cellulosic fibres, and accounts 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 the quality and the sustainability assurance into this major market segment.

Lyocell represents the next generation of fibres. With its sustainable 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 almost two-thirds of the world's Lyocell DP is produced at a Sappi mill.

DP can also be processed into products that are used in food and beverages, health and hygiene, wrapping and packaging, pharmaceuticals and many more applications that touch our daily lives.

Demand for DP used in textiles, particularly viscose and lyocell fibres, is expected to continue to grow post the Covid-19 pandemic. Based on the growth rate in the overall textile market, driven by factors such as population growth, rising urbanisation, wealth and the shift towards more comfortable, environmentally friendly natural fibres, we expect long-term growth in demand to be between 4-6% per annum for DP.

Market prices for DP are influenced by VSF and other textile market dynamics, paper pulp market pricing which influences swing mills, as well as general macro-economic uncertainties pertaining to the ongoing US/China trade dispute and US\$/RMB exchange rates fluctuations.

The pulp produced at Matane Mill is a high-quality, high-yield BCTMP 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 tissue grades as well as printing and writing paper grades. Sappi Matane Maple is a high-yield pulp 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, tissue and towelling.

Our markets in 2020 and outlook for 2021

During 2019 a substantial increase in integrated VSF and DP capacity disrupted market dynamics; installed VSF capacity now exceeds global demand by approximately 25%. This surplus of new low-cost VSF capacity as well as the Covid-19 pandemic has disrupted the market, lowering operating rates, and resulting in DP prices reaching historical lows during August 2020 of US\$607/ton. Market conditions and pricing for DP improved during the latter part of the fourth fiscal quarter of 2020. Underlying demand for DP is still growing at a rate of approximately 5%. At the end of November 2020, the Chinese market price had risen to US\$710/ton, driven by an acceleration in DP demand, tighter market balance and higher VSF prices.

The economic impact of Covid-19 during FY2020 has been dramatic, resulting in EBITDA for the year being substantially lower than the prior year. EBITDA margins for this segment declined from approximately 28% to 8% as a result of the lower US\$ prices and DP sales volumes, slightly offset by a weaker ZAR/US Dollar exchange rate, which benefits our South African operations.

Segment volumes increased 2%, or 31,000 tons compared to last year as a result of the inclusion of approximately 255,000 tons of BCTMP and market paper pulp in the segmental volumes. Construction work at our 110,000 ton expansion project at Saiccor was temporarily halted from end March to early June due to Covid-19 lockdown restrictions. Construction resumed in June and the project is now expected to be completed in Q3 FY2021. The project is additionally expected to yield long-term safety, efficiency and reliability improvements. This investment is a key part of our strategic vision as we expand into fast-growing, higher-margin segments.

Since November 2019, Matane Mill volumes have been fully sold out with strong Asian demand offsetting any weakness we have experienced in other markets. Our focus remains on meeting our own growing need for high-quality, high-yield pulp for our packaging and speciality businesses in Europe and North America, as well as external sales to third parties.

In a year characterised by macro-economic uncertainty, disruptive market dynamics and the economic impact of Covid-19, 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.



Packaging and speciality papers

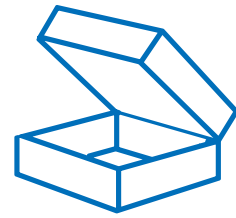


We are your value-creating partner, offering an extensive range of innovative products and services.

Use stunning, sustainable alternatives to plastic to help your product stand out on the shelf.



Packaging and speciality papers



“With our broad and innovative portfolio of premium products, we have the right solutions to meet our customers’ needs.”

We offer a broad range of paper-based sustainable solutions as an alternative to fossil fuel-based, non-renewable packaging in many of our product segments.

Both legislative changes and consumer pressure are forcing companies to re-think their packaging choices. Governments, retailers and brand owners all over the world are demanding paper-based packaging solutions for their products, and eco-conscious consumers and shoppers are pressuring brand owners for more biodegradable, recyclable and compostable packaging, all reflective of a more circular economy. The increasing need for more sustainable and environmentally friendly packaging solutions, we estimate will lead to demand growth of 3-6% per year globally, across the spectrum of our products.

The evolution of our focus from graphics toward packaging and specialities is derived from the suitability of many of our graphic paper machines for conversion to packaging grades that require a variety of surface treatments or coatings for functionality. Ahead of commissioning the various conversion projects, we carefully analysed our assets, specifically their production capabilities for specialities and packaging grades, and how those capabilities matched their expected cost of production, the cost to serve customers, historical demand growth, forecasts for the future, as well as competitive threats – choosing only those mills/products/projects where we believed we held a significant advantage. We have made progress in growing our business with a compelling value proposition, a propensity for innovation, and a superlative service record. We aim to create solutions that



solve our customers most critical challenges, helping them grow their sales, lower costs, improve their sustainability metrics, and minimise their risk.

We work in partnerships based on trust and respect. For that reason, we place great value on reliability. Our excellent logistics network, financial stability, global availability and consistent premium quality are vital to our customers.

In FY2020, 27% of Sappi's sales were packaging and specialities, up from 22% last year.

Sappi offers products and solutions in many different segments including:

Casting and release papers: used by suppliers to the fashion, textiles, automobile and household industries. It is used in the manufacture of synthetic leather and decorative laminate products, creating textures that make designs come to life.

Containerboard: including liner 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.

Digital imaging papers: for large format inkjet printing. Posters, for indoor/outdoor applications, and technical printing in the construction industry (CAD/Engineering).

Dye sublimation papers: a coated sublimation paper for digital transfer printing with water-based dye sublimation inks. Designed for the transfer of an image onto various polyester materials, such as banners, flags, snowboards, gadgets, (mugs, mouse pads, etc.) apparel and home textiles.

Flexible packaging: can be coated or uncoated, for food and non-food applications, such as sachets, pouches and wrappers.

Functional papers: that offer highly efficient paper-based solutions with integrated functionality, like paper with barriers against mineral oil residuals, oxygen, water vapour and grease as well as sealing properties.

Label papers: for pressure sensitive applications as well as for wet glue and wet strength labels.

Paperboard: solid bleached board and folding boxboard for luxury packaging applications that require functionality and superior graphics across a range of market segments including cosmetic, perfume, confectionery and premium beverages.

Release liner: with silicone base papers and glassine papers for self-adhesive applications, such as graphic art applications with outdoor advertisements, adhesive tapes and office materials.

Technical papers: for interleaving and thermal coating. Examples include tickets for boarding passes and concert/stadium tickets.

Tissue paper: used for toilet tissue, kitchen towels, serviettes and medical and industrial wipes.

We manufacture from a suite of machines within Europe, North America and South Africa, ensuring scale-based efficiencies and security of supply. Our South African operations mainly focus on the local containerboard market, supplying the agricultural sector with cartonboard to protect fresh produce as it is shipped from farms to tables locally and around the world. Our North American operations currently make functional packaging papers, label papers, and paperboard for folding cartons. Examples include perfume boxes, packaging for items like toys, small electronics, health and beauty products and other fast-moving consumer goods. The focus of our European operations in this segment is much more diverse, and niche. Our portfolio has higher levels of specialisation and customisation than most other speciality paper producers. We are capable of engineering specific products for specific customers, particularly those who want more than just a package. We are capable of coating paper to give the paper functionality that was previously unavailable; such as moisture controls, oxygen barriers, grease resistant barriers, vapour barriers, etc.

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, like cutlery, straws, and drink stirrers, alongside a measure which holds those plastic producers responsible for the cost of cleaning these items from European beaches. The industry will also be given incentives to develop less-polluting alternatives for these products. So, with this comprehensive product range on three continents, R&D centres in each region sharing best practices and new findings from new customers, our customers can expect reliability of supply from a broad geographic footprint, and a leader in innovation within the sector.

Our markets in 2020 and outlook for 2021

The highlight of the year for this business segment was good growth in sales and profitability despite the many challenges posed by lockdowns in various industries across the globe. Volumes were 7% higher than last year as continued customer trials and qualifications turned into customer wins and subsequent volume commitments. Net sales were flat year on year. Good cost control resulted in EBITDA margins improving from 10.1% last year to 14.1% in fiscal 2020. While our realised price per ton decreased by approximately 7% through the year, our average cost per ton decreased over 11% from last year. The acquisition and integration of the Matane Mill, the delayed maintenance shut at Ngodwana as well as generally lower input costs all contributed to the improved performance.

This business segment has proven to be resilient in difficult economic circumstances and supports our strategy to diversify the product portfolio into higher margin and growing segments. We believe we will achieve additional volume growth in 2021, aided by the shift from plastics to paper in various packaging and specialities categories. We expect continued success from our conversion projects which were completed in 2018. Customer qualifications and trial-runs of our new products prove we are capable of developing innovative and quality products that our customers can depend on.

Graphic papers



Our wide range of versatile surfaces and superior papers make any project outstanding

Create impactful brand experiences with our brilliant, high-performing range of graphic papers.







Graphic papers

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

At Sappi, we understand this difference and use our expertise to develop a variety of graphic papers designed to meet specific needs, whether a high-end product with the extra wow factor, 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 2020 and outlook for 2021

Global demand for graphic papers has generally been in secular decline. The outbreak of Covid-19 during the year led to a significant decline in graphic paper usage across the globe in line with the slowdown in economic activity. Our graphics business volumes have consequently declined, and part of our strategy is to rationalise this business over time in line with the market. In 2017 and 2018, we converted various paper machines within our portfolio from graphic paper to packaging and specialities grades, where demand is growing world-wide. For Sappi, this means maximising its significant cash flow generation, continuously improving our cost position, and optimising the utilisation of our best-in-class production assets.

In our fiscal 2020, global industry statistics show significant volume declines when compared to the prior year of between 20-22% for both coated woodfree and coated mechanical papers largely as a result of the severe impact of the Covid-19 pandemic, related lockdowns and the economic aftereffect on the industry. Our volumes from the segment were approximately 20% lower this year relative to last. Average prices realised were 6% down relative to 2019 as selling prices moved in line with lower input costs. Significant curtailment was taken during the year to match supply to demand and prevent the build-up of inventory. Our EBITDA margin declined

Product review continued

relative to last year, from 7.4% to 5.1%, due to the significant decline in volumes and lower selling prices, partially offset by lower variable costs. The poor demand, which we believe is unlikely to return to pre-Covid-19 levels, accelerated our decision to close a paper machine at each of Stockstadt and Westbrook Mills during the year. This action, along with closures by other industry participants should result in industry operating rates returning to more profitable levels in the coming year. From a low point in June, we have experienced a gradual improvement in sales each month.

In 2021, we expect to sell marginally higher volumes of graphic paper as demand continues to improve, and a series of paper machine and mill closures or conversions in the industry recently completed or imminent should improve operating rates in the coming year. We expect pricing to move in line with variable cost movements and margins to be marginally higher than the prior year. Due to the improved supply/demand balance in coated graphics paper in North America, a price increase on our North American-produced web brands has been announced effective in January 2021, matching similar announcements by competitors.

In FY2020, 56% of Sappi's sales were from the graphics segment. The four major grades of graphic paper are discussed below:

Coated woodfree paper

Share of sales: 41%

Printers and publishers use coated woodfree paper for a variety of marketing promotions including brochures, catalogues, calendars, annual reports, direct mail, textbooks and magazines. Coated paper provides 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. In FY2020, 41% of Sappi's sales were in this segment, sold through large paper merchants, as well as directly to commercial printers.

Demand trends: Global advertising expenditure is forecast to grow, but the share of that spend relative to print is

expected to decline. However, we believe there will always be a place for paper within the marketing mix. Globally, demand for coated woodfree paper is forecast to decline from approximately 21 million tons in 2019 to approximately 16 million tons by 2024.

Sales: Sappi's sales volumes for coated woodfree paper declined 16% from last year and net sales was 21% lower, largely due to a decline in demand, amplified by the Covid-19 pandemic and the economic aftereffect of related lockdowns. Globally, demand for coated woodfree paper declined by approximately 20% with Sappi gaining market share.

Coated mechanical paper

Share of sales: 8%

Coated mechanical paper is primarily used in magazines, catalogues, newspaper inserts and other advertising materials. In FY2020, 8% of Sappi's sales constituted coated mechanical paper, all coming from our European business. Customers for this paper are typically large web printers, publishing houses.

Demand trends: Demand for coated mechanical paper is more closely linked to that of demand for magazines. Readership, subscriptions, circulation, pagination and advertising revenue per page continue to decrease in larger markets as consumers opt for digital formats.

Sales: Sappi's net sales from coated mechanical paper was 35% lower than last year, as we took market related downtime in response to poor demand. Volumes were approximately 33% lower than the prior period. This year, the global market contracted by approximately 22%.

Uncoated woodfree paper

Share of sales: 6%

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. In FY2020, 6% of Sappi's sales were uncoated woodfree paper. Our main customers in this sector are

paper merchants and commercial printers.

Demand trends: Demand for uncoated woodfree paper is expected to post modest declines in demand of about 1% over the next several years. Like most graphic papers, demand continues to decline in most markets, with limited growth coming from emerging markets.

Sales: Our net sales from uncoated woodfree paper was 12% lower than last year, largely as a result of the impact of the Covid-19 crisis. Globally, demand declined by approximately 12% in the current financial year.

Newsprint

Share of sales: 1%

Newsprint, 1% of Sappi's sales, is manufactured from mechanical and bleached chemical pulp, with uses including the manufacture of newspapers and advertising inserts. We manufacture and sell newsprint from our South African business.

Demand trends: Demand for newsprint principally is derived from newspaper circulation and overall retail advertising. Newspaper readership is declining around the world. This industry segment was hard hit by the Covid-19 pandemic with an estimated drop in demand of approximately 20% during the year and an estimated decline of 5% annually through to 2025. Publishers are consolidating, while some titles have closed. Pockets of growth exist in advertising-financed daily newspapers typically found in large metropolitan cities.

Sales: Due to the weaker domestic economy, production curtailment was taken on the newsprint machine resulting in our volumes being approximately 37% behind last year. Net sales declined by 42% relative to last year. Globally, newsprint demand declined 20% versus 2019.

Chief Financial Officer's report



GT Pearce
Chief Financial Officer (CFO)

“Fixed costs were critically reviewed and where possible maintenance shuts or high value interventions were curbed or delayed.”

Section 1 Financial highlights

US\$ million	2020	2019	% change
Sales	4,609	5,746	(20)
EBITDA excluding special items	378	687	(45)
Operating profit excluding special items	57	402	(86)
Profit/(loss) for the year	(135)	211	n/a
EBITDA excluding special items to sales %	8.2%	12.0%	n/a
Operating profit excluding special items to sales %	1.2%	7.0%	n/a
Operating profit excluding special items to capital employed (ROCE) %	1.6%	11.5%	n/a
Net cash (utilised) generated	(257)	1	n/a
Net debt	1,957	1,501	30
Basic earnings per share (US cents)	(25)	39	n/a

The sudden drop in demand in the capital-intensive Sappi environment focused the attention to managing liquidity and cash fixed costs. Cooperation from financiers of the business who understood the short-term challenges, became paramount. The effects of the pandemic forced Sappi to realign its attention and engage with lenders on the consequences of the new environment. During the early stages of the pandemic we negotiated a suspension of our covenants for a year – the agreement was subsequently extended by a further six months to September 2021. Fixed costs were critically reviewed and where possible maintenance shuts or high value interventions were curbed or delayed. Financing and the access to liquidity became the overriding theme as levels of debt securitisation funding dropped in line with the reduction in turnover. We offset the reduction with bridging facilities, private placements of long-term bonds and an increase in our South African revolving credit facilities (RCF). The initiatives provided the necessary breathing space to get through the lowermost demand levels during the May and June months. The ensuing progressive recovery alleviated the liquidity pressure as the business focus turned to volume recovery. The fiscal year ended with cash reserves of US\$279 million and US\$582 million available from committed RCFs. Net working capital as a percentage of sales was 10%, down from the June high of 17%.

Weak markets in our dominant segments constricted EBITDA margin by 4% points to 8%. Graphics and dissolving pulp (DP) volumes (excluding Matane Mill volumes) reduced by 20% and were partially offset by 7% growth in the packaging segment. The earlier investments to support the strategic direction of increasing capacity in packaging and speciality papers reduced the impact of the crisis and vindicated our decision to expand in these markets. It should be noted that DP volumes had recovered to available capacity by the end of the fourth quarter. The crisis accelerated plans to close or restructure parts of the business with announcements at our Westbrook and Stockstadt Mills resulting in restructuring and closure charges of US\$34 million.

Net finance costs increased in line with expectations by 4% to US\$88 million. The US\$9 million tax charge includes a net impairment of the deferred tax asset of US\$34 million as well as unutilised tax losses in Europe. Loss for the year was US\$135 million (LY profit = US\$211 million) and earnings per share excluding special items reduced from US44 cents to a loss of US5 cents. The directors have considered it prudent to temporarily halt dividends until such time as market conditions improve.

Cash utilised for the year of US\$257 million includes the acquisition of the Matane Mill for US\$160 million, tax payments of US\$26 million and capital expenditure of US\$351 million.

Segment reporting

Our reporting is based on the geographical location of our businesses, i.e. 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	
	2020	2019	2020	2019
EUR1 = US\$	1.1195	1.1282	1.1632	1.0939
US\$1 = ZAR	16.2265	14.3464	17.1311	15.1563

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 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 1 continued

Financial highlights continued

Chief Financial Officer's report continued

Section 2 Financial performance

The discussion in this section focuses on the group financial performance in 2020 compared with 2019. A detailed discussion, in local currencies, of each of our three operating regions follows in section 3.

Income statement

Our group financial results can be summarised as follows:

(Metric tons '000)	2020	2019	% change
Sales volume	6,788	7,622	(11)
US\$ million			
Sales revenue	4,609	5,746	(20)
Variable manufacturing and delivery costs	(2,838)	(3,530)	(20)
Fixed costs	(1,673)	(1,771)	(6)
Sundry items ⁽¹⁾	(41)	(43)	(5)
Operating profit excluding special items	57	402	(86)
Special items	(95)	(19)	-
Operating profit	(38)	383	(110)
Net finance costs	(88)	(85)	4
Taxation	(9)	(87)	(90)
Net profit	(135)	211	(164)
EPS excluding special items (US cents)	(5)	44	(111)

⁽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 2020, sales volume decreased by 834,000 tons compared with 2019. The regional and product segment contributions to sales volume are shown below:

Sales volume (metric tons '000)	2020	2019	% change
North America	1,516	1,379	10
Europe	2,698	3,241	(17)
South Africa	2,574	3,002	(14)
Group	6,788	7,622	(11)
Dissolving pulp	1,315	1,284	2
Packaging and specialities	1,209	1,129	7
Graphics	3,096	3,846	(20)
Forestry	1,168	1,363	(14)

In North America, increases in the packaging and speciality paper and the acquisition of Matane Mill more than offset the reduced DP sales volumes and reduced graphics volumes due to the impact of Covid-19 on market demand.

European volumes decreased by 17% with lower demand in the mechanical coated and coated woodfree markets. The packaging and speciality product segments were in line with previous years' volumes.

Volumes in South Africa decreased by 14% mainly in DP and graphics segments due to the effect of the pandemic. A shift in seasonal changes caused packaging volumes to be marginally down on the previous year.

Capacity utilisation reduced to an average of 78% for the group as weak DP and graphic markets forced us to take 1.1 million tons of production downtime during the year.

Section 2 continued

Financial performance continued

	2020 %	2019 %
Sales volume to capacity		
North America	85	82
Europe	73	88
South Africa	81	94
Group	78	88

Sales revenue

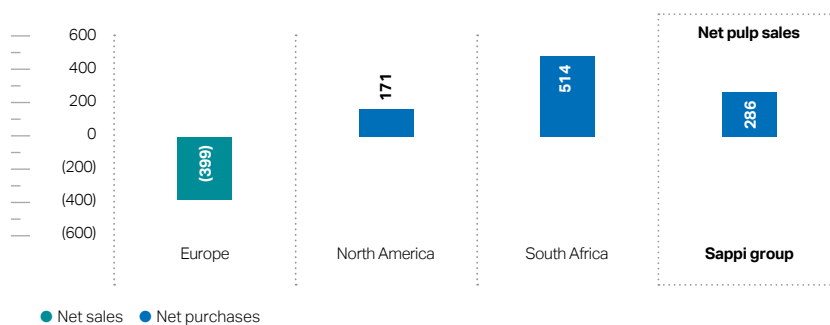
Sales revenue decreased by 20% from US\$5.8 billion in 2019 to US\$4.6 billion in 2020. Selling price and mix changes resulted in sales revenue declining by US\$846 million. Consolidated volumes were down on last year as discussed on the previous page resulting in sales revenue declining by US\$224 million. The stronger US Dollar resulted in a negative US\$67 million conversion impact.

Variable and delivery costs

Variable and delivery costs decreased by US\$692 million from 2019. This is in line with sales volume reductions.

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

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)	2020	2019	% change
Wood	561	624	(10)
Energy	352	417	(16)
Chemicals	679	811	(16)
Pulp and other	851	1,243	(32)
Delivery	395	435	(9)
Group	2,838	3,530	(20)

Chief Financial Officer's report continued

Section 2 continued Financial performance continued

Fixed costs

Fixed costs decreased by US\$98 million from fiscal 2019. This decrease was mainly due to lower personnel cost (US\$56 million) and maintenance cost (US\$18 million) offset by a higher depreciation charge (US\$35 million) as a result of the increased capital spend and the acquisition of Matane. The weaker ZAR and EUR resulted in a decrease in US Dollar costs (US\$44 million). Excluding the currency impact fixed costs decreased by US\$54 million.

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

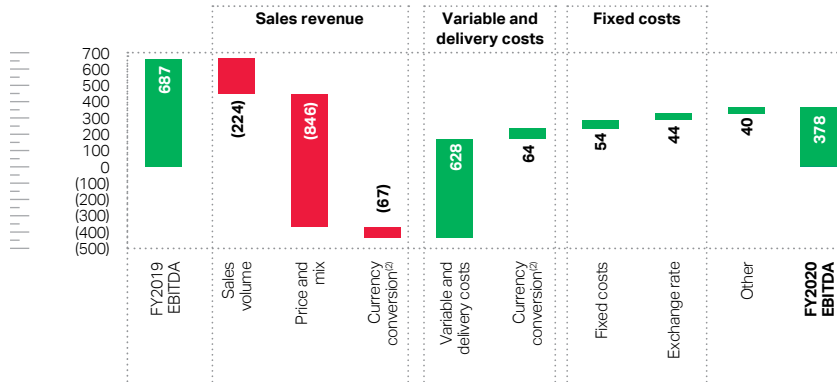
Fixed costs (US\$ million)	2020	2019	% change
Personnel	959	1,014	(6)
Maintenance	217	234	(8)
Depreciation	313	277	13
Other	184	246	(24)
Group	1,673	1,771	(6)

EBITDA and operating profit excluding special items

EBITDA excluding special items decreased to US\$378 million, 45% lower than the previous year. Operating profit excluding special items declined from US\$402 million last year to US\$57 million in 2020.

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: 2020 compared to 2019⁽¹⁾



⁽¹⁾ All variances were calculated excluding Sappi Forestry.

⁽²⁾ 'Currency conversion' reflects translation and transactional effect on consolidation.

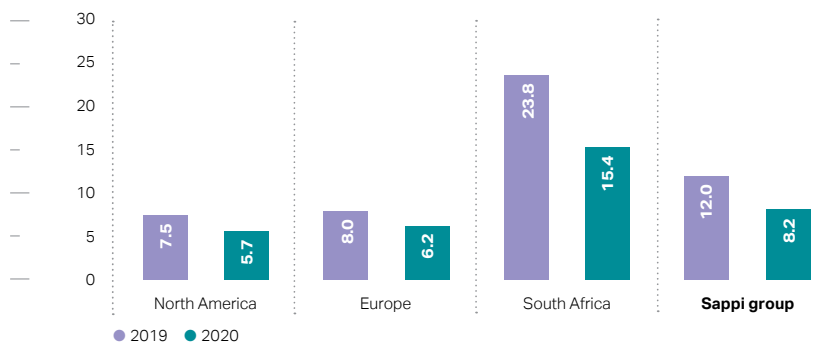
The tables below detail the EBITDA and operating profit excluding special items of the business for both 2020 and 2019 and the margins of each.

Section 2 continued

Financial performance continued

EBITDA excluding special items by region (US\$ million)	2020	2019
North America	79	110
Europe	143	232
South Africa	151	339
Corporate and other	5	6
Group	378	687

EBITDA margin by region (%)



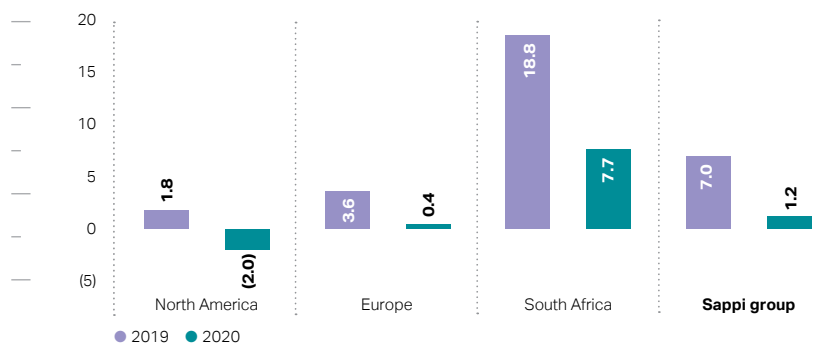
EBITDA excluding special items by product category (US\$ million)	2020	2019
Dissolving pulp	63	304
Packaging and specialities	179	126
Graphics	131	251
Other	5	6
Group	378	687

Chief Financial Officer's report continued

Section 2 continued Financial performance continued

Operating profit excluding special items by region (US\$ million)	2020	2019
North America	(27)	27
Europe	8	104
South Africa	75	267
Corporate and other	1	4
Group	57	402

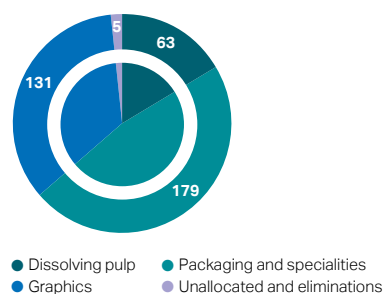
Operating profit margin by region (%)



Operating profit excluding special items by product category (US\$ million)	2020	2019
Dissolving pulp	(2)	245
Packaging and specialities	88	52
Graphics	(30)	101
Other	1	4
Group	57	402

The chart below illustrate that 65% of the group's EBITDA originates from growing markets in the DP and packaging and speciality segments. The graphics segment, which contributes 35% of the EBITDA remains an important strategic component of our business.

EBITDA excluding special items by product 2020: US\$379 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 Letter to Shareholders section.

Special items

Special items consist of those items that management believe are material, by nature or amount, to the results for the year and require separate disclosure. A breakdown of special items for 2020 and 2019 is reflected in the table below:

Special items – gain/(loss) (US\$ million)	2020	2019
Plantation price fair value adjustment	20	19
Acquisition costs	(6)	(2)
Net restructuring provisions	(34)	–
Profit (loss) on disposal and written off assets	1	(11)
Net asset (impairment) reversals	(15)	(10)
Equity accounted investees impairments	(19)	–
Fire, flood, storm and other events	(42)	(15)
Total	(95)	(19)

The net impact of special items in 2020 was US\$95 million. The major components are described below:

- A positive non-cash US\$20 million plantation price fair value adjustment was recognised following increases to the market price of timber
- Matane acquisition costs amounted to US\$6 million
- The announced closure of Stockstadt's PM2 resulted in restructuring charges of US\$18 million and asset impairment charges of US\$11 million and the closure of Westbrook's PM9 and energy complex resulted in restructuring charges of US\$12 million and asset impairment charges of US\$4 million
- The group's Lignotech equity investment was fully impaired by US\$10 million and its' equity accounted forestry investment was impaired by US\$9 million
- Fire, flood, storm and other events includes turbine damage at the Stockstadt and Alfeld Mills of US\$18 million, fire damaged timber of US\$11 million in South Africa, general closure costs at Stockstadt Mill of US\$4 million, business interruption costs of US\$3 million at Kirkniemi Mill, a settlement accrual of US\$2 million and US\$2 million of bond issuance costs

Net finance costs

(US\$ million)	2020	2019
Finance costs	93	98
Finance income	(5)	(9)
Net foreign exchange gains	–	(4)
Total	88	85

Finance costs of US\$88 million were higher than the prior due to higher net debt following the Matane Mill acquisition and cash utilisation throughout the year due to the impact from Covid-19 on sales volumes and lower average DP prices.

Section 2 continued

Financial performance continued

Chief Financial Officer's report continued

Section 2 continued Financial performance continued

Taxation

A regional breakdown of the tax charge is provided below.

(US\$ million)	Profit (loss) before tax	Tax (charge) relief	Effective tax rate %
Europe	(103)	9	(9)
North America	(75)	(18)	24
South Africa	52	–	1
Total	126	(9)	7

In Europe, the total tax relief mainly relates to the reassessment and consequent increase in the deferred tax asset and settlements in tax audits at Austrian subsidiaries. This was partially offset by a derecognition of the deferred tax asset in Belgium.

In North America, the company derecognised the deferred tax asset for its US operations after reassessing the recoverability of accumulated losses over the next five years.

The South African tax charge on annual taxable profits is offset by a positive impact from the settlement of a tax audit.

Net profit, earnings per share and dividends

After taking into account net finance costs and taxation, our net profit and earnings per share for 2020, with comparatives for 2019, were as follows:

(US\$ million)	2020	2019
Operating profit	(38)	383
Net finance costs	88	85
Profit (loss) before taxation	(126)	298
Taxation	9	87
Profit (loss) for the period	(135)	211
Weighted average number of shares in issue (millions)	545.5	542.0
Basic earnings per share (US cents)	(25)	39

The directors have elected not to declare a dividend and temporarily halt dividends until such time as market conditions improve.

Section 3

Below we discuss the performance of the regional businesses. The discussion is based on performance in local currencies as we believe this facilitates a better understanding of the revenue and costs in the European and Southern African operations.

North America

(Metric tons '000)	2020	2019	% change
Sales volume	1,516	1,379	10
Dissolving pulp	453	285	59
Packaging and specialities	330	190	74
Graphics	733	904	(19)

	US\$ million 2020	US\$ million 2019	% change	US\$ per ton 2020	US\$ per ton 2019	% change
Sales	1,385	1,466	(6)	914	1,063	(14)
Variable manufacturing and delivery costs	(968)	(924)	5	(639)	(670)	(5)
Contribution	417	542	(23)	275	393	(30)
Fixed costs	(508)	(501)	1	(335)	(363)	(8)
Sundry costs and consolidation entries	64	(14)	(557)	42	(10)	(520)
Operating profit excluding special items	(27)	27	(200)	(18)	20	(190)
EBITDA excluding special items	79	110	(28)	52	80	(35)

EBITDA of US\$79 million was 28% lower than the previous year while EBITDA margin declined from 8% to 6%. The lower profitability was due mainly to the lower DP prices and the impact of Covid-19 on graphics and DP demand. Higher packaging and specialties sales due to the continued ramp-up of the paperboard business and the strong demand for C1S packaging during the pandemic offset some of the sales miss in DP and graphics. As a result of the weak graphics market, the region took 187,000 tons of production downtime to balance supply with demand and to lower fixed costs. During the year, the acquisition of the Matane Mill was completed and the integration of the mill proceeded as planned. Volume for 2020 include 208,000 tons of pulp sales from the Matane Mill. Excluding this volume, sales tons were down 5% versus the previous year.

Europe

(Metric tons '000)	2020	2019	% change
Sales volume	2,698	3,241	(17)
Packaging and specialities	478	477	0
Graphics	2,220	2,764	(20)

	€ million 2020	€ million 2019	% change	€ per ton 2020	€ per ton 2019	% change
Sales	2,067	2,587	(20)	766	798	(4)
Variable manufacturing and delivery costs	(1,268)	(1,707)	(26)	(470)	(527)	(11)
Contribution	799	880	(9)	296	271	9
Fixed costs	(722)	(762)	(5)	(268)	(235)	14
Sundry costs and consolidation entries	(70)	(25)	180	(25)	(7)	257
Operating profit excluding special items	7	93	(92)	3	29	(90)
EBITDA excluding special items	128	206	(38)	47	64	(27)

Market conditions for graphic paper in Europe were challenging as demand shrunk by 20%. The European operations were able to reduce the impact of the demand reduction by increasing market share but were nevertheless forced to take 727,000 tons of production downtime during the year. Selling prices were resilient in the face of the declining demand as the region managed the effects of the lower demand. Packaging and speciality volumes were in line with the previous year as growth in the food packaging sectors was offset by reductions in the luxury goods markets.

Chief Financial Officer's report continued

Variable costs per ton reduced by 11% relative to last year due mainly to lower purchased pulp prices. Sundry costs include the closure of the PM2 machine at Stockstadt Mill. The reduction in fixed costs by €40 million lessened the impact of the 9% reduction in contribution. EBITDA margins reduced from 8% to 3% as a consequence.

South Africa

(Metric tons '000)	2020	2019	% change
Sales volume*	1,406	1,639	(14)
Dissolving pulp	861	999	(14)
Packaging and specialities	399	438	(9)
Graphics	146	202	(28)

	ZAR million 2020	ZAR million 2019	% change	ZAR per ton 2020	ZAR per ton 2019	% change
Sales*	14,928	19,253	(22)	10,617	11,747	(10)
Variable manufacturing and delivery costs	(9,460)	(11,764)	(20)	(6,728)	(7,178)	(6)
Contribution	5,468	7,489	(27)	3,889	4,569	(15)
Fixed costs	(5,809)	(5,896)	(1)	(4,132)	(3,597)	15
Sundry costs and consolidation entries	1,558	2,239	(30)	1,109	1,366	(19)
Operating profit excluding special items	1,217	3,832	(68)	866	2,338	(63)
EBITDA excluding special items	2,450	4,864	(50)	1,743	2,968	(41)

* Excludes Forestry.

Net selling prices of DP reduced to historic lows in US Dollar terms, the full impact diluted by a weaker exchange rate. Volumes during the height of the pandemic reduced to over 50% for a short period, only to recover to available capacity by the end of the fiscal. A decision to stop production on the calcium line at Saiccor Mill resulted in the closure of Lignotech, our joint venture with Borregaard. The recovery of demand during Q4 to pre-pandemic levels resulted in constrained capacity as we were unable to return the calcium line to full capacity following the Lignotech closure. Full capacity will be restored following the completion of the Saiccor Mill expansion project in Q4 2021. Variable costs per ton reduced by 6% mainly due to lower purchased pulp costs and chemicals. Fixed costs were well controlled despite wage inflationary increases of approximately 7%. The net result of the above is a decrease in EBITDA to ZAR2,450 million with annual operating profit of ZAR1,217 million.

The region's capital expenditure focused on increasing DP capacity during the year.

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	Southern Africa ZAR million	Translation Impact* US\$ million	Group US\$ million
Net selling prices	1%	22	16	184	–	51
Dissolving pulp prices	US\$10	–	2	158	–	11
Variable costs	1%	12	8	103	–	27
Sales volume	1%	8	6	68	–	19
Fixed costs	1%	6	5	54	–	15
Paper pulp price	US\$10	5	1	7	–	6
Oil price	US\$1	2	0	3	–	3
ZAR/US\$ (Weakening)	10 cents	–	–	54	(1)	2
Euro/US\$ (Weakening)	10 cents	(2)	(4)	–	(15)	(21)

* 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.

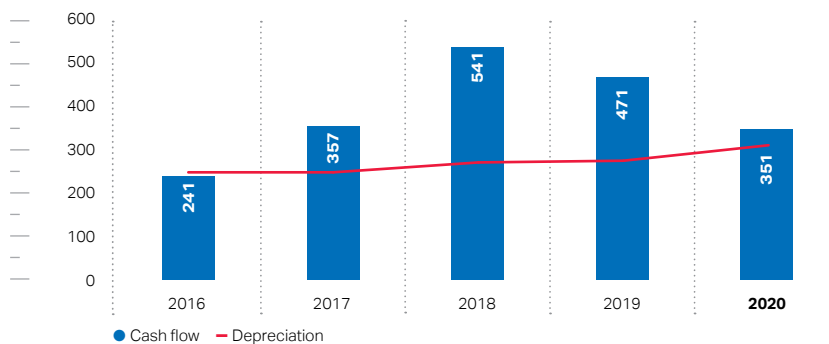
In the table below, we present the group's cash flow statement for 2020 and 2019 in a summarised format:

Section 4 Cash flow

(US\$ million)	2020	2019
Operating profit excluding special items	57	402
Depreciation and amortisation	321	285
EBITDA excluding special items	378	687
Contributions to post-employment benefits	(40)	(41)
Other non-cash items	(15)	27
Cash generated from operations	323	673
Movement in working capital	65	(15)
Net finance costs	(102)	(42)
Taxation	(26)	(51)
Dividend paid	–	(92)
Capital expenditure	(351)	(471)
Net proceeds on disposal of assets	1	3
Acquisition	(160)	–
Other	(7)	(4)
Net cash generated (utilised)	(257)	1

Net cash utilised for the financial year was US\$257 million (FY2019: US\$1 million generated). The deterioration in cash generation was largely due to the impact Covid-19 had on sales volumes, lower average DP prices, the acquisition of the Matane Pulp Mill and an increase in finance costs. Reduced capital expenditure and a reduction in working capital offset these impacts.

Investment in fixed assets versus depreciation (US\$ million)



Chief Financial Officer's report continued

Section 5 Balance sheet

Summarised balance sheet

(US\$ million)	2020	2019
Property, plant and equipment	3,103	3,061
Right-of-use assets	101	–
Plantations	419	451
Net working capital	441	452
Other assets	296	291
Net post-employment liabilities	(306)	(298)
Other liabilities	(465)	(508)
Employment of capital	3,589	3,449
Equity	1,632	1,948
Net debt	1,957	1,501
Capital employed	3,589	3,449

Sappi has 19 production facilities in eight countries, capable of producing approximately 4 million tons of pulp and 5.7 million tons of paper. For more information on our mills, their production capacities and products, please refer to the **Where we operate** section.

During 2020, capital expenditure for property, plant and equipment was US\$351 million. The capacity replacement value of property, plant and equipment for insurance purposes has been assessed at approximately US\$22 billion.

Property, plant and equipment

The cost and depreciation related to our property are set out in the table below.

Book value of property, plant and equipment

(US\$ million)	2020	2019
Cost	9,348	9,033
Accumulated depreciation and impairment	6,245	5,972
Net book value	3,103	3,061

The group incurred capital expenditure of US\$351 million during the year on various capital improvement projects. This was largely offset by depreciation of US\$287 million and foreign currency exposure of US\$57 million due to the strengthening of the US Dollar against the ZAR and the EUR.

Right-of-use assets

The group adopted International Financial Reporting Standards (IFRS) 16 *Leases* at the beginning of the fiscal year applying the modified retrospective transition approach and did not restate comparatives. This resulted in the group recognising right-of-use assets of US\$91 million at adoption.

(US\$ million)	2020	2019
Cost	126	–
Accumulated depreciation	(25)	–
Net book value	101	–

Section 5 continued

Plantations

We regard ownership of our plantations in Southern Africa as a key strategic resource as it gives us access to low-cost fibre for pulp production and ensures continuity of supply on an important raw material input source.

We currently have access to approximately 534,000 hectares of owned, leased and contracted land of which approximately 399,000 hectares are planted with pine and eucalyptus. These plantations provide approximately 67% of the wood requirements for our South African mills.

During the year, there were market price increases coupled with higher average fair value rates. These increases were offset by the rising cost of fuel and an increase in the discount rate. As we manage our plantations on a sustainable basis, the growth for the year was offset by timber felled during the year.

Our plantations are valued on the balance sheet at fair value less the estimated costs of delivery, including harvesting and transport costs. In notes 2.3.4 and 11 to the financial statements, we provide more detail on our accounting policies for plantations, how we manage our plantations as well as the major assumptions used in the calculation of fair value.

Working capital

The component parts of our working capital at the 2020 and 2019 fiscal year-ends are shown in the table below:

Net working capital

(US\$ million)	2020	2019
Inventories	673	709
Trade and other receivables	584	718
Trade and other payables and provisions	(816)	(975)
Net working capital	441	452

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

Net working capital decreased to US\$441 million in 2020 from US\$452 million in 2019. The material movements in working capital are discussed below:

- Inventories decreased by US\$36 million, caused mainly by reduced inventory levels. This was partially offset by an unfavourable currency translation impact of US\$3 million
- Receivables decreased by US\$134 million following lower net selling prices and decreased volumes in the fourth quarter. This was partially offset by an unfavourable currency translation impact of US\$16 million
- Payables decreased by US\$159 million largely due to a reduction in trade payables due to lower sales volumes, decreases in bonus accruals, accruals for capital expenditure and rebates and an unfavourable currency translation impact of US\$1 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:

Chief Financial Officer's report continued

Section 5 continued

Defined benefit liabilities

(US\$ million)	2020	2019
Defined benefit obligation	(1,600)	(1,525)
Fair value of plan assets	1,294	1,227
Net balance sheet liability	(306)	(298)
Cash contributions to defined benefit plans/subsidies	36	36
Income statement charge (credit) to profit or loss	25	26
Cash contributions deemed 'catch-up'	16	17

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

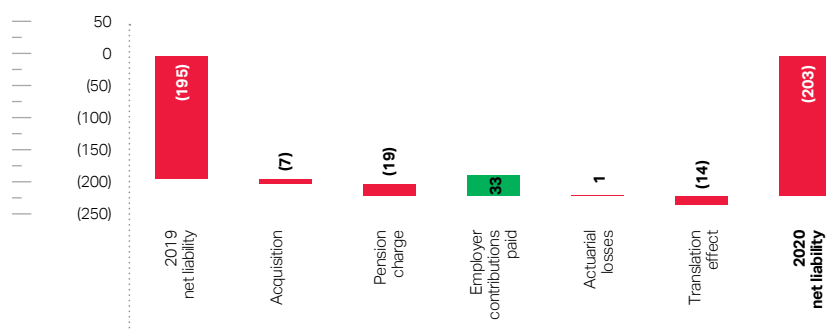
Gross liabilities from all our plans increased by US\$75 million from US\$1,525 million to US\$1,600 million over the year. The main cause of the increase was due to a drop in discount rates in regions where we hold significant liabilities.

Fair value of plan assets rose by US\$67 million from US\$1,227 million to US\$1,294 million over the year due to favourable investment returns of assets in our funded plans from outperforming bonds.

Included in the net balance sheet liability above is a net loss of US\$12 million resulting from movements of local results relative to the reporting currency.

The increase in liabilities exceeded the increase in assets, which contributed to an increase in the overall net liability by US\$8 million from US\$298 million to US\$306 million over the year. A reconciliation of the movement in the balance sheet over the year is shown graphically below and disclosed in more detail in note 28 of the Group Annual Financial Statements.

Sappi Limited defined benefit pensions balance sheet movement (US\$ million)



Sappi Limited post-retirement medical aid subsidy balance sheet movement (US\$ million)



Section 5 continued

Equity

Year-on-year, equity decreased by US\$316 million to US\$1,632 million as summarised below:

Equity reconciliation

(US\$ million)	2020
Equity as at September 2019	1,948
Profit (loss) for the year	(135)
Dividend paid	–
Actuarial losses	(31)
Share-based movements and other	9
Movement in hedging reserves	3
Foreign currency movements	(162)
Equity as at September 2020	1,632

The group incurred a loss for the year of US\$135 million, actuarial losses of US\$31 million, adverse foreign currency movements of US\$162 million offset by share-based payments and movements in hedging reserves of US\$12 million.

Debt

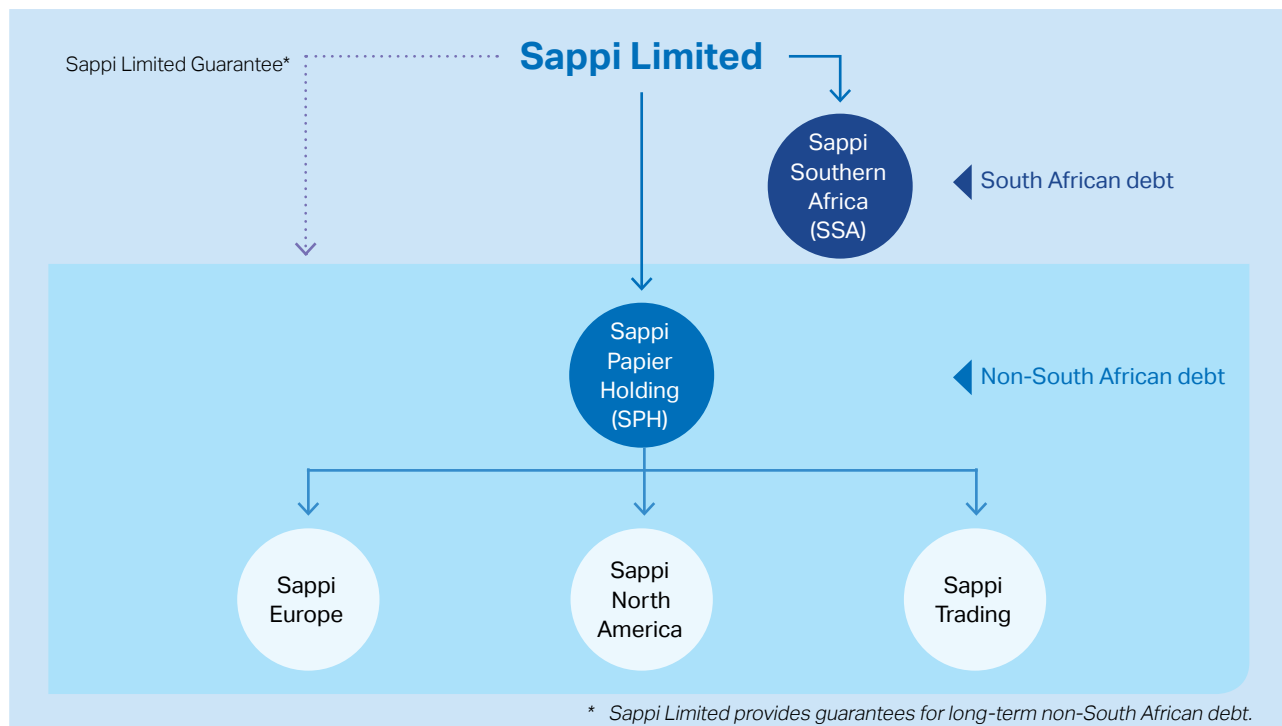
Debt is a major source of funding for the group. In the management of debt, we focus on net debt, which is the sum of current and non-current interest-bearing borrowings and bank overdrafts, net of cash and cash equivalents.

Debt funding structure

The Sappi group principally takes up debt in two legal entities. Sappi Southern Africa Limited issues debt in the local South African market for its own funding requirements and Sappi Papier Holding GmbH (SPH), which is Sappi's international holding company, issues debt in the international money and capital markets to fund our non-South African businesses. SPH's long-term debt is supported by a Sappi Limited guarantee and the financial covenants on certain of its debt 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 on the pages that follow.

Chief Financial Officer's report continued

The diagram below depicts our debt funding structure.



Below we highlight the main financing activities that occurred during the year:

- In November 2019 the acquisition of Matane Mill in Canada was finalised. The purchase price was financed with a new eight-year term loan from the Oesterreichische Kontrollbank in Austria. The term loan has a 74 million tranche and a CAD129 million tranche, with both tranches amortising in equal instalments from December 2021 to December 2027.
- Sappi Southern Africa had two debt maturities in fiscal 2020, the SSA06 ZAR745 million bond maturing in April 2020 and the ZAR400 million term loan with the Land Bank. These maturities were refinanced with a new bond, the 2023 SSA07 ZAR1,080 million bond, together with available cash resources.

Structure of net debt and liquidity

We consider the group liquidity position to be sufficient, with cash holdings of US\$279 million at financial year end, and US\$582 million of unutilised committed RCFs.

The structure of our net debt at September 2020 and 2019 is summarised below:

(US\$ million)	2020	2019
Long-term debt	1,942	1,713
Senior unsecured debt	1,649	1,465
Securitisation funding	256	366
IFRS16 Leases*	105	–
Less: Short-term portion	(69)	(118)
Net short-term debt/(cash)	15	(212)
Overdrafts, RCF and short-term loans	225	64
Short-term portion of long-term debt	69	118
Less: cash	(279)	(393)
Net debt	1,957	1,501

* IFRS 16 accounting standard adopted from fiscal 2020.

Movement in net debt

The movement of our net debt from fiscal 2019 to fiscal 2020 is summarised in the table below:

	US\$ million
Net debt at September 2019	1,501
First time adoption of IFRS 16 <i>Leases</i> , at year end	105
Cash impact of IFRS 16 <i>Leases</i> , during fiscal 2020	23
Net cash paid for Matane acquisition	160
Net cash utilised in 2020	97
Currency translation, fair value and other non-cash adjustments	71
Net debt at September 2020	1,957

Group debt profile

We show the major components and maturities of our net debt at September 2020 below. These are split between our debt in South Africa and our debt outside South Africa.

	Amount US\$ million	Interest rates (local currencies)	Fixed/ variable	Maturity (Sappi fiscal years)				
				2021	2022	2023	2024	Thereafter
South Africa								
Short-term notes	41	4.77%	Variable	41				
Private placement	88	9.25%	Fixed				88	
2023 Bond	63	8.06%	Variable			63		
Gross debt	191							
less cash	(59)			(59)				
Net South African debt	132			(19)	0	63	88	0
Non-South African								
Securitisation (US\$)	98	1.50%	Variable		98			
Securitisation (EUR)	158	1.40%	Variable		158			
IFRS 16 <i>Leases</i>	105	Various	Mixed	24	18	15	14	34
OeKB term loan 1	24	1.40%	Fixed	24				
OeKB term loan 2	154	2.30%	Fixed	21	21	21	21	70
OeKB term loan 3 (CAD)	96	4.10%	Fixed		14	14	14	55
OeKB term loan 3 (EUR)	86	1.50%	Fixed		12	12	12	49
Other bank debt (EUR)	69	0.30%	Variable	68	0.3	0.4	0.2	0
Revolving credit facility	116	1.80%	Variable	116				
2023 Public bonds (EUR)	407	4.00%	Fixed			407		
2026 Public bonds (EUR)	523	3.13%	Fixed					523
2032 Bonds (US\$)	221	7.50%	Fixed					221
IFRS adjustments	(14)							(14)
Gross debt	2,045							
less cash	(220)			(220)				
Net non-South African debt	1,825			33	332	470	62	938
Net group debt	1,957			14	322	533	149	938

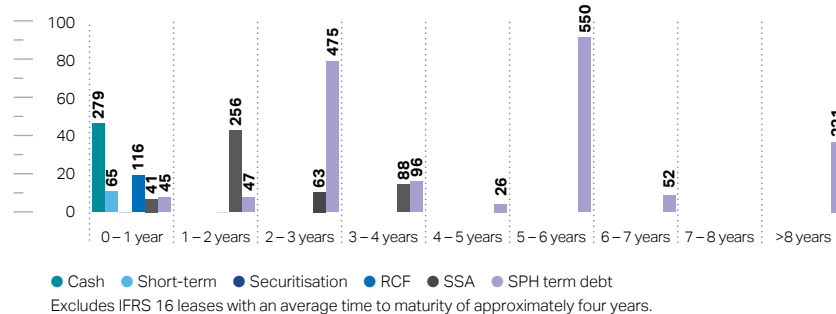
The majority of our non-South African long-term debt is guaranteed by Sappi Limited, the group holding company.

Chief Financial Officer's report continued

Section 5 continued

A diagram of the debt maturity profile for Sappi fiscal years is shown below:

Debt maturity profile (US\$ million)



Covenants

Non-South African covenants

Financial covenants apply to US\$360 million of our non-South African bank debt, the €525 million RCF and the non-South African securitisation facility.

However, in view of the uncertainty due to Covid-19 the banking group has agreed to suspend the measurement of financial covenants until September 2021. This suspension is subject to normal conditions for this kind of assistance, which only apply during the suspension period, and include no dividend payments, maximum capex spending limits, a minimum liquidity requirement and no M&A activity without prior bank approval. Covenant measurement will commence again with effect from the December 2021 quarter.

In addition to the financial covenants referred to above, our bonds and certain of our bank facilities contain customary affirmative and negative covenants restricting, among other things, the granting of security, incurrence of debt, the provision of loans and guarantees, mergers and disposals and certain restricted payments. As regards dividend payments, in terms of the international bond indentures, any cash dividends paid may not exceed 50% of net profit excluding special items after tax and certain other adjustments, calculated on a cumulative basis.

South African covenants

Separate covenants also apply to the RCF of our Southern African business.

These covenants are calculated on a rolling last four quarter basis and require that at the end of March and September each year, with regard to Sappi Southern Africa Limited and its subsidiaries:

- the ratio of net debt to equity at the end of March and September is not greater than 65%, and
- the ratio of EBITDA to net interest paid is not less than 2.5-to-1.

Below we show that for the year ended September 2020 the South African financial covenants were comfortably met.

South African covenants	2020	Covenant
Net debt to equity	11.82%	<65%
EBITDA to net interest	7.61	>2.50

Credit ratings

Global Credit Ratings: South African national rating
Sappi Southern Africa Limited: AA (za)/A1+(za)/Stable Outlook (June 2020)

Moody's

Sappi Corporate Family Rating: Ba2/NP/Stable Outlook (February 2020)
SPH Debt Rating:
• 2023/2026 Bonds and RCF: Ba2/Stable Outlook (February 2020)
• 2032 Bonds: B1

S&P Global Ratings

Corporate Credit Rating: BB- /B/Stable Outlook (September 2020)
SPH Debt Rating:
• 2023/2026/2032 Bonds and RCF: BB- Stable Outlook (September 2020)

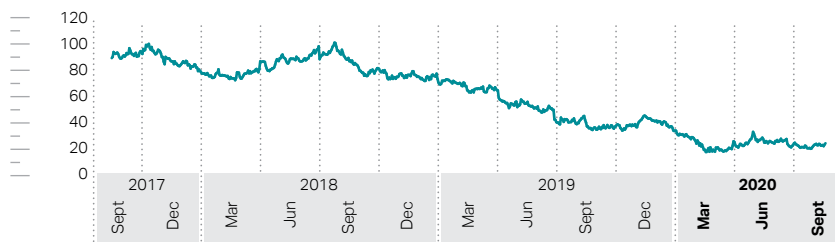
Section 5 continued

Section 6

Share price performance

Sappi share price – September 2018 to September 2020.

Sappi share price – September 2017 to September 2020 (ZAR/share)



Conclusion

The consequences of the pandemic will have a prolonged impact on the Sappi business and will change the timing of our long-term plans but not the principles. In the short to medium term we will focus on sustainable financial health and driving operational excellence. Strengthening the balance sheet by reducing debt, growing EBITDA and cash generation and optimising processes globally will receive the highest attention.

The medium- to long-term strategy will focus on new opportunities by expansions or conversions with a view to commercialising new products at scale. Opportunities in our growth segments of DP and packaging and speciality papers will be explored in conjunction with growth in adjacent businesses. Underlying all the above initiatives will be a drive towards finding sustainable solutions with our customers and communities to meet the changing business and environmental needs.

Fiscal 2020 provided challenges few would have anticipated. We have weathered the storm and vindicated earlier strategic decisions. The year ahead will be challenging, but less so when compared to the year before.

GT Pearce
CFO



Emerge

Collectively, the world is drawing a deep breath as we slowly emerge from the coronavirus pandemic and impact of Covid-19.

During the crisis, the safety of our people was our top priority. After which, like many enterprises across the world, our underlying goal was economic survival. To achieve this, we focused on the preservation of liquidity, lowering costs by deferring non-critical capex projects and postponing some annual maintenance shuts. We also took commercial downtime across all segments as required, in order to match supply to demand and prevent the build-up of inventory.

The verb 'emerge' is derived from the classical Latin *ēmergere*, meaning 'to rise out or up'. We are proud

to say that we are rising from the impact of Covid-19 with strong growth in sales and profitability for the packaging and speciality papers segment, quickly recovering dissolving pulp market and steady month-on-month improvement for graphic papers.

As OneSappi we are steely in our determination to emerge from survival mode back onto a growth curve. A curve based on our strategy of diversifying our product portfolio into higher margin and growing segments – a strategy fully justified during the events of the past year.

Doing so is challenging, but we believe we can realise our vision of a thriving world by collaborating with all our stakeholders to create solutions for our collective needs and emerge stronger than ever before.

Our leadership



1

Sir Nigel Rudd (73)

(Independent Chairman)

Qualifications: DL, Chartered Accountant

Nationality: British

Appointed: April 2006

Skills, expertise and experience:

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



*

2

Michael Anthony Fallon (Mike) (62)

(Independent)

Qualifications: BSc Hons (First Class)

Nationality: British

Appointed: September 2011

Skills, expertise and experience:

Mr Fallon brings management and leadership experience that extends across a wide range of functions from research and development (R&D), human resources, finance, plant management, sales and marketing and supply chain to general management, including mergers and acquisitions.



*

3

4

Nkateko Peter Mageza (Peter) (65)

(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.



*

5

Brian Richard Beamish (Brian) (63)

(Independent)

Qualifications: B.Sc. (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.



James Michael Lopez (Jim) (61)

(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 – 2017) a manufacturer of lumber, pulp, paper/ paperboard and speciality cellulose and a global leader in sustainable forest management practices.



Sappi board committee memberships:

Audit and Risk Committee

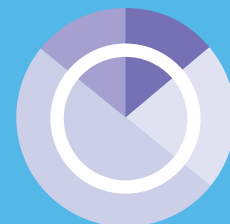
Human Resources and Compensation Committee

Nomination and Governance Committee

Social, Ethics, Transformation and Sustainability (SETS) Committee

* Committee Chairman

Average age 2020 (%)



- 40s (14%)
- 50s (22%)
- 60s (50%)
- 70s (14%)



6

Zola Nwabisa Malinga (42)

(Independent)

Qualifications: BCom, CA(SA)

Nationality: South African

Appointed: October 2018

Skills, expertise and experience:

Mrs Malinga has extensive experience in investment banking and corporate finance, having held senior roles at various financial institutions. She is also the founder and Executive Director of Jade Capital Partners, a women-owned investment holding company.

7

Mohammed Valli Moosa (Valli) (63)

(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.

8

9

Janice Elaine Stipp (Janice) (61)

(Independent)

Qualifications: BA (Accounting); MBA

Nationality: American

Appointed: June 2019

Skills, expertise and experience:

Ms Stipp brings with her a wealth of experience in leadership, finance and treasury to the Sappi board.

10

Dr Bonakele Mehlomakulu (Boni) (47)

(Independent)

Qualifications: PhD (Chemical Engineering)

Nationality: South African

Appointed: March 2017

Skills, expertise and experience:

With a PhD in chemical engineering, Dr Mehlomakulu has experience and expertise in engineering, management and leadership.

Robertus Johannes Antonius Maria Renders (Rob Jan) (67)

(Independent)

Qualifications: MSc (Mechanical Engineering), MDP

Nationality: Dutch

Appointed: October 2015

Skills, expertise and experience:

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

Diversity 2020 (%)



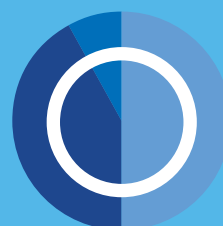
● Diverse (43%)
● Other (57%)

Independence 2020 (%)



● Independent non-executives (83%)
● Executives (17%)

Tenure 2020 (%)



● Zero to three years (50%)
● Three to 10 years (42%)
● Over 10 years (8%)

Our leadership continued

Executive directors

Executive management



1

2

3

4

5

Stephen Robert Binnie (Steve) (53)

Chief Executive Officer (CEO)

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 (57)

Chief Financial Officer (CFO)

Qualifications: BCom, BCom (Hons), CA(SA)

Nationality: South African

Appointed: July 2014

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.

Berend John Wiersum (Berry) (64)

CEO of Sappi Europe

Qualifications: MA (Medieval and Modern History)

Appointed: January 2007

Skills, expertise and experience

Mr Wiersum brings vast experience in the paper and packaging industry across Europe, as well as mergers and acquisitions, to the Sappi board.

Alexander van Coller Thiel (Alex) (59)

CEO of Sappi Southern Africa

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

Appointed: December 1989

Skills, expertise and experience

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

Michael George Haws (Mike) (57)

President and CEO of Sappi North America

Qualifications: BSc (Paper Science and Engineering)

Appointed: October 2019

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.



6

Fergus Conan Salvador Marupen (Fergus) (55)

Group Head Human Resources

Qualifications: BA (Hons) (Psychology), BEd (Education Management), MBA (Stellenbosch), LCOR (Stanford University)

Appointed: March 2015

Skills, expertise and experience

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

7

Gary Roy Bowles (60)

Group Head Technology

Qualifications: BSc (Electrical Engineering), GCC, PR Eng, PMD, EDP

Appointed: November 1990

Skills, expertise and experience

Mr Bowles brings more than 28 years of experience with Sappi as well as expertise in engineering, research, manufacturing, project execution, operational and risk management to his role.

8

9

Mohamed Mansoor (53)

Executive Vice President of Sappi Dissolving Pulp

Qualifications: BSc (Chemistry and Mathematics), BSc (Hons) (Chemistry), MBA

Appointed: August 1991

Skills, expertise and experience

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

Maarten van Hoven (47)

Group Head Strategy and Legal

Qualifications: BProc, LLM (International Business Law)

Appointed: December 2011

Skills, expertise and experience

As an admitted attorney of the High Court in South Africa, Mr van Hoven brings expertise in corporate, commercial and competition law, in the private and public sectors, as well as experience in mergers and acquisitions.

Corporate governance

Sappi is committed to the highest standards of corporate governance, which form the foundation for the long-term sustainability of our company and creation of value for our stakeholders.

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 page 36 **Risk management**), 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. The group endorses the recommendations contained in the King IV Code on Corporate Governance (King IV) and applies the various principles in the achievement of the following good governance outcomes.

An application register of how Sappi applies the King IV principles is provided on the group's website (www.sappi.com).

The group is listed on the JSE Limited and complies in all material respects with the JSE listings requirements, regulations and codes.

The board of directors

The basis for good governance at Sappi is laid out in the board charter, which sets out the division of responsibilities between the board and executive management. The board creates and protects sustainable value by collectively determining strategies, approving major policies and plans, taking responsibility for risk management, and providing oversight as well as monitoring, to help to ensure accountability. The board is satisfied that it has fulfilled its responsibilities in accordance with its charter for the reporting period.

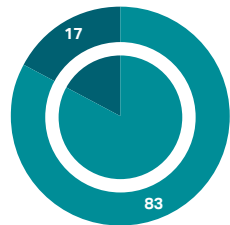
For further information about the board and the board charter please refer to www.sappi.com.

The Sappi board and diversity

Sappi operates globally and across a variety of markets, jurisdictions and cultures, requiring a diverse mix of experience, skills, gender, age and backgrounds. It is important that our board composition reflects this diversity, both in a South African context as well as globally. Diversity gives Sappi access to an increased range of talent, which helps to provide insight into the needs and motivations of a broader stakeholder base.

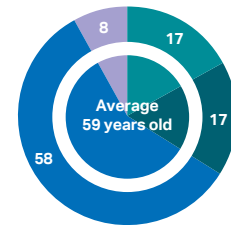


Directors' independence (%)

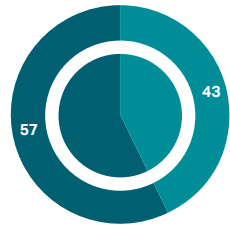


Directors' age (%)

Directors' age (%)

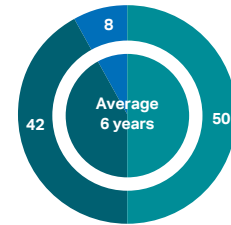


Diversity (%)

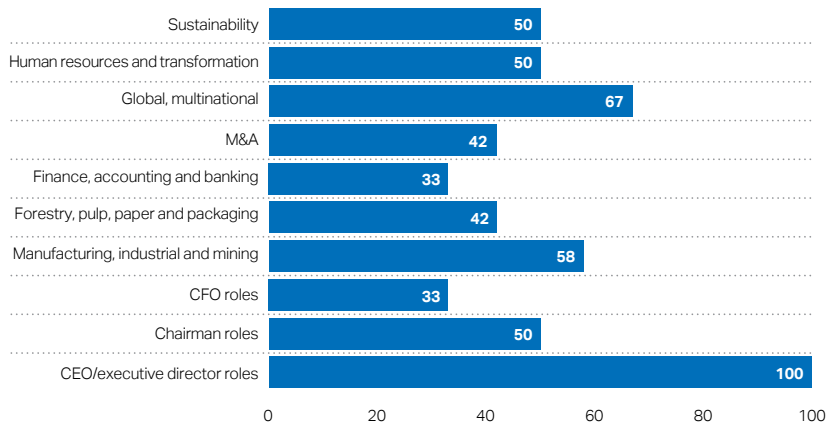


Directors' tenure (as at year end) (%)

Directors' tenure (as at year end) (%)



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 year ended September 2020:

Name	Appointed (Retiring) from board	Board				Board committees			% attendance during tenure	AGM
			Audit and Risk	Nomination and Governance	Human Resources and Compensation	SETS				
Independent non-executives										
BR Beamish								100		
MA Fallon								100		
JM Lopez							100			
NP Mageza							82			
ZN Malinga							100			
JD McKenzie	(31 Dec 2019)						83			
B Mhlohlakulu							100			
MV Moosa							100			
KR Osar	(31 Dec 2019)						100			
RJAM Renders							100			
Sir Nigel Rudd							91			
JE Stipp							100			
Executives										
SR Binnie (CEO)							100			
GT Pearce (CFO)							100			

Lead director
 Committee member (present)
 Chairman
 Ex officio
 Absent
 By invitation
 Indicates appointed to committee 01 August 2020

Strategic focus areas

In addition to the standard items on the board's agenda, the 2020 focus areas included:

- Consideration and approval of the **Thrive25** strategic plan
- External overviews of global and regional economies and related developments
- Consideration of Covid-19 pandemic impacts on the business, safety, liquidity and the outlook
- Each serious safety incident was reviewed in detail
- Sappi Biotech and R&D, including commercialisation, barriers and levers, technical readiness levels, capex requirements and success ranking
- Integration of the Matane Pulp Mill in Canada
- Carbon emissions and reduction of Sappi's carbon footprint
- Human resource capacity building and transformation for Sappi Southern Africa
- Review of all major shuts and the project management process

- Review of regional market peculiarities
- Feedback on actions points from the prior year engagement survey
- A review of the Code of Ethics and related policies, such as anti-trust and anti-fraud and corruption policies
- A review of cyber security risks
- Land reform in South Africa and fibre supply in Europe
- Cost reduction targets and strategies
- Review of the supply and demand, and pricing levels, of DP and impact on the group
- Review of the packaging and speciality papers business
- A revised approach for reviewing the risks facing the group
- Project management and oversight for large capital projects
- A review of gender diversification across regions and the group
- Review of risks and opportunities related to climate change in line with the Task Force on Climate-Related Finance Disclosure (TCFD) recommendations

All the top risks as well as emerging risks have been focused on by the board during 2020.

The following specific areas will be added to the board's agenda in 2021:


- Oversight of progress in achieving the **Thrive25** strategic plan
- The revised approach for reviewing the risks facing the group, including risk appetite and tolerance will be operationalised at board and executive management levels
- Project management and oversight for large capital projects
- Promoting and enabling innovation
- Commercialisation of Sappi Biotech
- Consideration of additional cost improvement areas
- Review of risks and opportunities related to climate change in line with the TCFD recommendations


Corporate governance continued

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.

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  44 for more information.

Sappi board and management committees

Board and management committees have been established and are discussed from pages  126 to 132.

Board of directors

- Strategic leadership and guidance
- The board delegates certain oversight responsibilities to board committees
- Ultimate oversight, accountability and responsibility
- The board assigns responsibilities for management of the group to the CEO

Sappi's board committees create and maintain sustainable value by focusing on these key areas:

Audit and Risk Committee

- Financial and sustainability systems and reporting
- Risk management
- Compliance and ethics
- Combined assurance
- Internal and external audit
- Information technology (IT) governance

Nomination and Governance Committee

- Board size, composition and diversity
- Selection and recruitment of directors
- Evaluation of board performance
- Corporate governance developments

Human Resources and Compensation Committee

- Directors' remuneration
- Succession planning
- Remuneration policy
- Incentive schemes
- Labour and industrial relations management

Social Ethics, Transformation and Sustainability Committee

- Group corporate citizenship
- Ethics
- Environment
- Safety
- Broad-based black economic empowerment

Executive Committee

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

Disclosure Committee

Control and Assurance Committee (CAC)

Accounting Standards Committee

Treasury Committee

Taxation Committee

Global Business Systems Council

Group Risk Management Committee

IT Steering Committee

Project Steering Committees

Sustainability Councils

Global Brand Council

Technical Committees

Management committees

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.

Audit and Risk Committee



NP Mageza
(Chairman)

Membership details at September 2020:

- NP Mageza
- RJAM Renders
- ZN Malinga
- JE Stipp
- B Methlomakulu

The Audit and Risk Committee confirms that it has received and considered sufficient and relevant information to fulfil its duties, as set out in the Audit and Risk Committee report.

The external and internal auditors attended Audit and Risk Committee meetings and had unrestricted access to the committee and chairman. The external and internal auditors met privately with the Audit and Risk Committee during 2020

Mr NP Mageza is the Chairman and designated financial expert of the Audit and Risk Committee. Although Mr Mageza was not able to present at the Annual General Meeting (AGM) on 05 February 2020, all the other Audit and Risk Committee members were present. Dr B Methlomakulu, joined the Audit and Risk Committee with effect from 01 January 2020.

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

Key roles and responsibilities

The Audit and Risk Committee consists of five independent, non-executive directors. The committee assists the board in discharging its duties relating to:

- Safeguarding and efficient use of assets
- Oversight of the risk management function
- Oversight of IT risks, related controls and governance
- Oversight of non-financial risks and controls, through a combined assurance model
- Operation of adequate systems and control processes
- Reviewing the integrity of financial information and the preparing of accurate financial reports in compliance with applicable regulations and accounting standards
- Reviewing the quality and transparency of sustainability information included in the annual integrated report
- Reviewing compliance with the group's Code of Ethics and external regulatory requirements
- Oversight of the external auditors' qualifications, experience, independence and performance.
- Oversight of the performance of the internal audit function, this included review of the results of the External Quality Assurance Review performed during 2020
- Oversight of the performance of the finance function
- Oversight of taxation policies, congruent with responsible corporate citizenship
- A formal review of the committee's operating effectiveness and performance every two years by way of an assessment with feedback being provided to the board










96%
overall
committee
attendance
rate

Strategic focus areas

The Audit and Risk Committee helped to create and protect value by providing oversight and guidance for a wide range topics, including the following areas related to Sappi's strategy:

- Global Business Systems projects tasked with harmonising diverse systems and processes, in order to achieve streamlined, effective ways of working across the group and the associated cost advantages
- Investment projects designed to rationalise declining businesses
- Management's efforts to maintain a healthy balance sheet
- Projects to accelerate the group's ability to take advantage of opportunities in higher margin growth segments, such as in DP, packaging and speciality papers, the biotech and renewable energy fields
- Review of cyber security incidents impacting on specific outsourced service suppliers
- Oversight of the establishment of a Control and Assurance Committee, which makes use of combined assurance to focus on risks facing the group
- Regulatory compliance with global privacy legislation
- Oversight of a revised approach to providing an overview of risks, including a new method of determining risk appetite and tolerance per risk


Areas of additional oversight for the committee in 2021 will be:

- Operationalising of the revised approach developed for the risk framework and oversight of risks    
- The risk topics and related assurance from Sappi's combined assurance approach 
- The impact of Covid-19 on the business and feedback on business recovery, liquidity, credit risks and financial reporting 
- Emerging IT risks 
- Capital, IT, and business projects governance.  

For more information refer to the 2020 **Audit and Risk Committee Report** in our Annual Financial Statements on www.sappi.com/annual-reports. 

Stakeholders

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

Refer to **Our key relationships** on page  44 for further details.

Risks

The Audit and Risk Committee has focused on the following top 10 risks:

- 1 Safety
- 2 Cyclical macro-economic context and competitive industry
- 3 Evolving technologies and consumer preferences
- 4 Liquidity
- 5 Sustainability expectations
- 6 Project implementation and execution
- 7 Uncertain and evolving regulatory landscape
- 8 Employee relations
- 9 Climate change
- 10 Cyber security

For further details refer to **Risk management** on page  36.

Corporate governance continued

Nomination and Governance Committee



Sir Nigel Rudd
(Chairman)

Membership details at September 2020:

- Sir Nigel Rudd
- MV Moosa
- MA Fallon


100%
overall
committee
attendance
rate

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 functioning and performance of Sappi's board and board committees were assessed externally in 2020 and established that the board and board committees functioned well.

JD McKenzie retired from the board and the Nomination and Governance Committee with effect from the 31 December 2019. MA Fallon was appointed to the Nomination and Governance Committee with effect from 01 January 2020.

Strategic focus areas

The Nomination and Governance Committee helped to protect value by providing oversight and guidance in 2020 over: 


- Corporate governance
- Tone at the top
- Succession plans for senior executives and the board with a focus on board composition
- Assessment of the board and board committee performance
- Rotation and replacement of directors'
- Reviewed the Sappi Limited directors' shareholdings and dealings in securities
- Oversight of the appointment of replacements for direct reports to the CEO

A focus area for 2021 will be executive succession planning and board committee chairmanships and memberships.

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


Stakeholders

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

Refer to **Our key relationships** on page  44 for further details.

Risks

The Nomination and Governance Committee focused on governance, independence, and composition of the board, board committees and executive management positions to effectively address all material risks facing the company including all the top ten risks.

For further details refer to **Risk management** on page  36.

Human Resources and Compensation Committee



MA Fallon
(Chairman)

Membership details at
September 2020:

- MA Fallon
- NP Mageza
- JD McKenzie
- RJAM Renders
- BR Beamish

93%
overall
committee
attendance
rate

Key roles and responsibilities

The Human Resources and Compensation Committee consists of four independent directors. The responsibilities of the Human Resources and Compensation Committee are, among others, to provide oversight of the group's human capital, determine the group's human resource policy and strategy, assist with the hiring, and setting of terms and conditions of employment of executives, the approval of retirement policies, and succession planning for the CEO and management. The committee ensures that the compensation philosophy and practices of the group are aligned to its strategy and performance goals, including the objectives of the CEO. It reviews and agrees the various compensation programmes and in particular the compensation of executive directors and senior executives as well as employee benefits. It also reviews and agrees to executive proposals on the compensation of non-executive directors for approval by the board and ultimately by shareholders. The committee is updated on the industrial relations climate, training initiatives and engagement survey results and action items.

JD McKenzie retired from the board and the Human Resources and Compensation Committee with effect from 31 December 2019.

Strategic focus areas

Covid-19 impacts on safety, the business and work from home arrangements were considered. A focus area in 2020 was to review Sappi's compensation policy and practices to ensure alignment and compliance to the requirements of King IV. The Sappi Limited AGM was held on 05 February 2020 and the requisite ordinary resolutions endorsing the remuneration policy (80% majority) and the implementation reports (83% majority) were passed. This vote by our shareholders, although lower than the prior year, is an endorsement for our ongoing commitment to good governance and disclosure. A malus and clawback policy was developed, considered and approved in 2020. A comparison to peer group pay levels was completed.

The strategic focus areas for the committee in 2021 will be:

- To maintain high standards of corporate governance in-line with King IV
- Feedback on the action points from the Employee Engagement Survey
- To review succession and retirement plans for key positions in Sappi
- To engage with key stakeholders to discuss areas of mutual concern, including feedback on the remuneration policy and implementation report

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** on page 138.

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 44 and to the **Remuneration Report** on page 138 for further details.

Risks

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

- 1 Safety
- 2 Cyclical macro-economic context and competitive industry
- 3 Evolving technologies and consumer preferences
- 5 Sustainability expectations
- 6 Project implementation and execution
- 7 Uncertain and evolving regulatory landscape
- 8 Employee relations
- 10 Cyber security

Corporate governance continued

Social, Ethics, Transformation and Sustainability Committee



MV Moosa
(Chairman)

Membership details at
September 2020:

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

100%
overall
committee
attendance
rate

Key roles and responsibilities

The SETS Committee comprises four independent non-executive directors, and the CEO. A 100% attendance record was achieved by board committee members for 2020. Other executive and group management committee members attend SETS Committee meetings by invitation. It should be noted that a number of other non-executive directors attend SETS committee meetings ex officio. The Chairmen of the Audit and Risk Committee and SETS Committee attend each other's committee meetings to avoid unnecessary repetition of discussions.

The committee's mandate is to oversee the group's sustainability strategies, ethics management, good corporate citizenship, labour and employment practices, as well as its contribution to social and economic development and, with regards to the group's South African subsidiaries, the strategic business priority of transformation.


The SETS Committee is supported by the Global Sustainability Council as well as by Regional Sustainability Committees in dealing with day-to-day sustainability issues and helping to develop and entrench related initiatives in the business.

Strategic focus areas



In 2020 the committee:

- Reviewed feedback from the implementation of a Supplier Code of Conduct intended to enable Sappi to manage our supply chain risks more closely
- Provided oversight of safety initiatives as well as reviews of serious safety incidents
- Oversight of progress on developing a group-wide approach for the TCFD
- Oversight of the development of science-based targets for the group
- Oversight of external assurance on lost-time injury frequency rate (LTIFR) and emissions data as well as environmental impact analyses for major investment projects
- Considered trade-offs between:
 - Productivity and safety advantages of mechanisation and the social and human capital implications
 - Financial and natural capitals relating to the use of coal versus other renewable energy fuels for our heating requirements). This included further reductions in the group's carbon footprint
- Sappi Southern Africa's performance against the applicable BBBEE legislation

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

The strategic focus areas for the committee in 2021 will be: 

- Oversight of the TCFD developments
- Oversight of the implementation of science-based targets and a climate change strategy
- Development of new biodiversity targets
- Consideration of feedback about the changes in the safety culture at operating units
- Improved stakeholder engagement, making use of media developments and opportunities

For more information refer to the **SETS Report** on page  156 and to **Our global sustainability goals** at www.sappi.com. 

Stakeholders


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** on page  44 for further details.

Risks









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

- 1 Safety
- 2 Cyclical macro-economic context and competitive industry
- 3 Evolving technologies and consumer preferences
- 5 Sustainability expectations
- 6 Project implementation and execution
- 7 Uncertain and evolving regulatory landscape
- 8 Employee Relations
- 9 Climate change

For further details refer to **Risk management** on page  36.

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 [137](#) for additional details of Sappi's approach to **risk, controls and assurance**.

<p>Executive Committee</p> 	<p>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 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.</p>
<p>Disclosure Committee</p> 	<p>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.</p>
<p>Treasury Committee</p> 	<p>The Treasury Committee meets monthly to assess financial risks on treasury-related matters. Specific focus areas in 2020 related to increased liquidity risks resulting from the impact of Covid-19. This is expected to remain a key area for 2021.</p>
<p>Taxation Committee</p> 	<p>The Taxation Committee meets monthly to discuss and address global taxation matters.</p>
<p>Project Steering Committee</p> 	<p>For key strategic projects, steering committees are established to oversee successful execution of the project.</p>
<p>Technical Committees</p> 	<p>The Technical Committees focus on global technical alignment, performance and efficiency measurement as well as new product development.</p>
<p>Group Risk Management Committee</p> 	<p>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 Audit and Risk Committee and the board. Risk management software is used to support the risk management process. During 2020 key initiatives included further development of the group's risk appetite and tolerance framework, and introduction of a dashboard summarising group risks and trends as precursor for dynamic risk assessment.</p>
<p>Control and Assurance Committee</p> 	<p>The CAC is supported by the Internal Control function and multi-disciplinary Combined Assurance Workgroups and provides regular oversight and guidance to the business on internal controls and combined assurance for financial, strategic and operational risks. The committee is accountable to the GRMT and the Audit and Risk Committee.</p>

Corporate governance continued

IT Steering Committee



The IT Steering Committee promotes IT governance throughout the group and is the highest authority responsible for this aspect of Sappi's business, apart from the board. The committee has a charter approved by the Audit and Risk Committee and the board. An IT governance framework has been developed and IT feedback reports are presented to the Audit and Risk Committee and the board. Sappi IT has implemented a standardised approach to IT risk management through a group-wide risk framework supported by the use of risk management software. The committee has helped to create value for shareholders in 2020 by its oversight of:

- Establishment of a digital IT domain comprising ebusiness, data science (advanced analytics) and robotics process automation components
- Coordination with Group Internal Audit of reviews of the IT security arrangements for specific service providers who experienced or may have been at risk of cyber security attacks
- Key IT vendor evaluations were completed
- A third party global IT spend review was conducted
- Development of a global operational technology (OT) security methodology
- Established a dedicated global security function
- Refinement of the IT risk and combined assurance assessment process

Oversight by the committee will continue in 2021 for these IT initiatives, as well as:

- Integration of the Matane Pulp Mill's IT system into Sappi's SAP system
- Oversight of the preparation for major IT projects including S4 HANA, Synergy (MES) and Pelati (Sales and Operations harmonisation)
- Testing of a global (OT) security methodology at further sites across the group
- O365 email security will be enhanced
- An ISO 27001 maturity assessment will be undertaken
- Development of a Group Information Security Charter (for use by Sappi's stakeholders)
- Expanding the group security function, making use of a cyber skills incubator
- The continuation of reviews of IT security arrangements for key suppliers

Global Business Systems Council



This council meets monthly to provide direction for strategic business improvement projects, in particular, OneSappi harmonisation initiatives; and effective use of resources.

Sustainability Council



This council provides direction for Sappi's efforts to achieve its sustainable value creation objectives.

Brand Council



This council coordinates Sappi's brand communication programme, monitors brand performance and ensures effective brand management to enhance Sappi's reputation.

Ensuring leadership through ethics and integrity

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

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

All new employees receive training on the Code of Ethics and related topics, such as anti-bribery and corruption and anti-competitive practices, as part of onboarding. Refresher training was provided to all employees on the Code of Ethics in 2020.

A Group Supplier Code of Conduct has been developed to help ensure that Sappi's values and ethical standards are clearly understood and supported by all our suppliers, their first-tier suppliers and other stakeholders.

Actions are taken against employees and suppliers who do not abide by the spirit and provisions of our code. This includes termination of contractual arrangements, and criminal actions.

Refer to www.sappi.com for the **Code of Ethics**. 

Code of ethics

The programme is designed to increase awareness of, and enhance compliance with, applicable legislation is in place. The group compliance officer reports twice per annum to the Audit and Risk Committee.

Sappi's legal compliance programme has been boosted by:


- The implementation of legal compliance software including Exclaim for Sappi Southern Africa, GEORG Compliance Management for the German mills, and Policy Passport for Group policies and procedures
- The provision of online training to employees across the group on relevant core legal compliance topics

The use of software tools and the related training and online learning is helping to create and protect value primarily for employees, customers, shareholders and regulators.

Legal compliance programme

The group has a policy that obliges all employees to disclose any interest in contracts or business dealings with Sappi to assess any possible conflict of interest. The policy also dictates that directors and senior officers of the group must disclose any interest in contracts as well as other appointments to assess any conflict of interest that may affect their fiduciary duties.

During the year under review, apart from that disclosed in the financial statements, none of the directors had a significant interest in any material contract or arrangement entered into by the company or its subsidiaries.

For more information on how Sappi addresses conflict of interest please refer to the preventing fraud and corruption section of the **Code of Ethics** at www.sappi.com. 


Conflict of interests

Insider trading

The company has a Code of Conduct for dealing in company securities and follows the JSE Limited listings requirements in this regard.

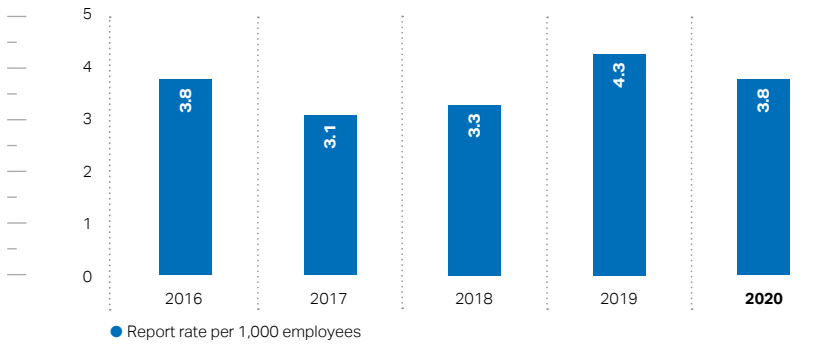
For further information refer to the Insider trading section of the **Code of Ethics** which can be found at www.sappi.com. 

Reporting on compliance and ethics concerns

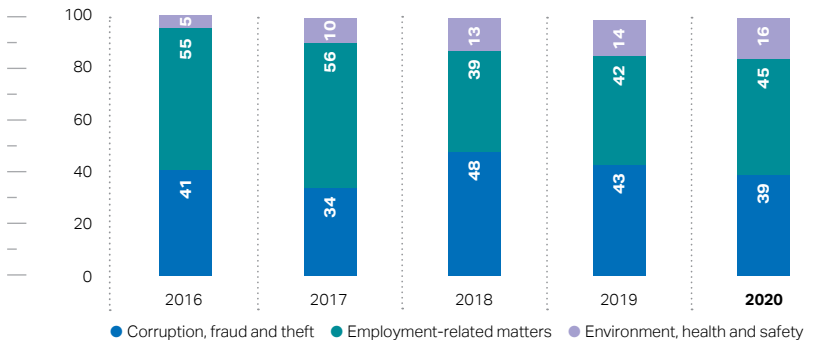
Sappi employees and stakeholders can report any potential illegal or non-compliant behaviour they observe directly to senior management, internal audit or legal counsel, or alternatively, report anonymously, via telephone or an online form. Whistle-blower 'hotlines' have been implemented in all the regions in which the group operates. The hotline service, operated by independent service providers, enables all stakeholders to anonymously report environmental, safety, ethics, accounting, auditing, control issues or other concerns. Retaliation against whistle-blowers is not tolerated. The follow up on all reported matters is coordinated either by legal counsel or internal audit and reported to the Audit and Risk Committee. The majority of calls and ethics reports received related to the Southern African region. Please refer to the whistle-blower hotline and ethics report graphs for information on the number of hotline calls per 1,000 employees, the categories of hotline calls and ethics reports, and the outcome of the investigations. The hotline report rates, categories of reports and outcomes of cases broadly align with international whistle-blower benchmark data. For more information, refer to the Reporting and whistle-blowing section of the **Code of Ethics**, at www.sappi.com 

Corporate governance continued

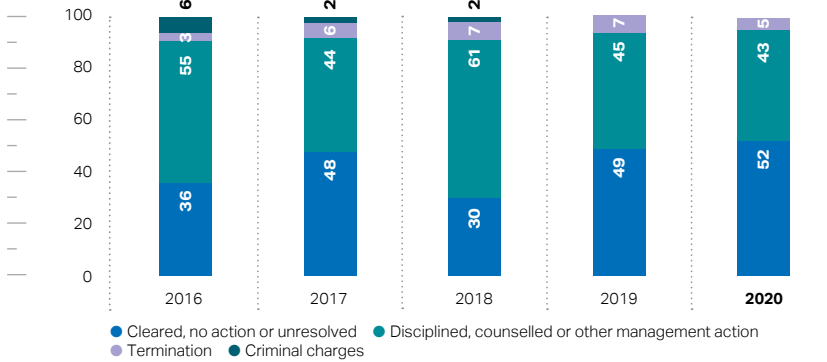
Hotline report rate per 1,000 employees per annum



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 on **How we create value** (page 20-21) and **Our business model** (page 22-25), as well as **Our global sustainability goals** at www.sappi.com.

The group's internal controls and systems are designed in accordance with the COSO control framework to support the achievement of the group's objectives including strategic, operational and financial performance goals, effective and efficient use of resources, safeguarding assets against material loss, integrity and reliability of internal and external financial and non-financial reporting, and compliance with applicable laws and regulations.

Sappi operates a combined assurance framework, which aims to optimise the assurance coverage obtained from

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 (IFRS) issued by the International Accounting Standards Board.

The group's results are reviewed prior to submission to the board, as follows:

- All quarterly results – by the Disclosure Committee as well as the Audit and Risk Committee, and
- Interim and final results – by external audit.

management, internal assurance providers and external assurance providers, on the risk areas affecting the group. Combined assurance is overseen by the CAC.

The committee and its Combined Assurance Workgroups (CAWs) provide holistic feedback to the GRMT and Audit and Risk Committee on the state of controls and the quality and coverage of assurance from the various assurance providers across Sappi's three lines of assurance. The workgroups focused on cyber security risks, retirement fund risks, credit risks, treasury risks, safety, and environmental risks in 2020. In FY2021 the CAWs will assist the CAC to create and protect value by undertaking reviews of combined assurance, risks and controls relating to maintenance, human resources, cyber security, projects and taxation.

Risk areas and value drivers, capitals	First line of assurance Business management operations supported by appropriate controls and systems	Second line of assurance Monitoring and oversight functions	Third line of assurance Independent assurance provided by external audit, internal audit and other assurance providers	Oversight by the board Board and sub-board committees
Governance, risk, and controls – general (core business cycles)	Day-to-day risk management activity Established risk and control environment Executive, corporate and regional lead teams Corporate and regional business functions, e.g. sales, finance, IT, HR, purchasing Business units, e.g. forestry, mills, sales offices Business unit operations, e.g. production, engineering, controlling, materials management	Control and Assurance Committee management self-assessments	Internal audit	Audit and Risk Committee
Strategy and vision, competition and markets, socio-political		Executive Committee, Group Head Strategy, Global Business Council, Control and Assurance Committee, management self-assessments	Internal audit	Nomination and Governance Committee
Financial, tax and treasury		Control and assurance, accounting standards, taxation, treasury and disclosure committees, management self-assessments	KPMG, tax authorities, internal audit	Audit and Risk Committee
Legal and compliance		Legal compliance programme, Group Compliance Manager	Legal compliance audits, internal audit	Audit and Risk, SETS, HR and Compensation Committees
IT		IT Steering Committee, group IT governance functions, management self-assessments	KPMG, ISA 3402s, penetration testing, internal audit	Audit and Risk Committee
Planet, environment, natural capital		Sustainability councils, Environmental and Energy (E4) Global Cluster, GRMT	ISO 14001, FSC, PEFC, EMAS, KPMG, Ecovadis Government reviews emissions effluent etc, internal audit	SETS Committee
Ethics		Group Compliance Manager, ethics surveys, management self-assessments	Internal audit	SETS Committee, Audit and Risk Committee
People, human resource and transformation		Global Human Resource Committee, regional labour forums, employee engagement surveys, management self-assessments	BBBEE audits, internal audit	Audit and Risk, SETS, HR and Compensation Committees
R&D, intellectual property		Group technical cluster, management self-assessments	ISO 17025, internal audit	SETS Committee
Manufacturing, supply chain management, quality, forestry		Technical clusters and platforms, regional safety, health, environment and quality (SHEQ) audits, supplier audits, management self-assessments	ISO 9001, ISO 50001, FSC PEFC, SFI®, Matrix, internal audit	SETS Committee
Stakeholders, communication, reputation, society		Group corporate affairs, sustainability and investor relations functions	Internal audit	SETS Committee
Safety		Group and regional risk management teams, safety audits	OHSAS 18000, ISO 22000 regulatory inspections, internal audit	SETS Committee

Corporate governance continued

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. Control gaps identified through this process are recorded and remediation progress is monitored by management, relevant committees, auditors and the board.

The Audit and Risk Committee advises the board on the state of risk management and controls, as well as assurance, in Sappi’s operating environment. This information is used as the basis for the board’s review, sign-off and reporting to stakeholders, via the annual integrated report and Group 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 integrated report from the following sources:

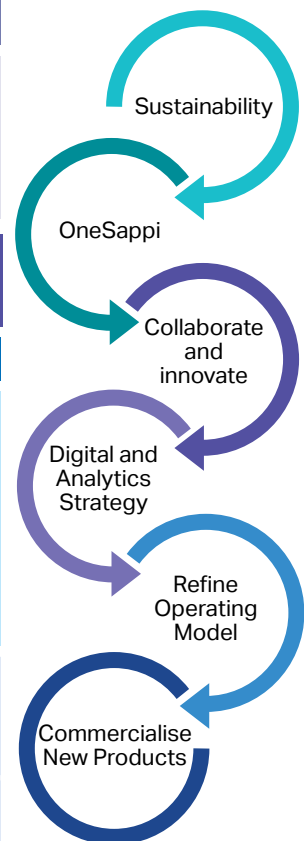
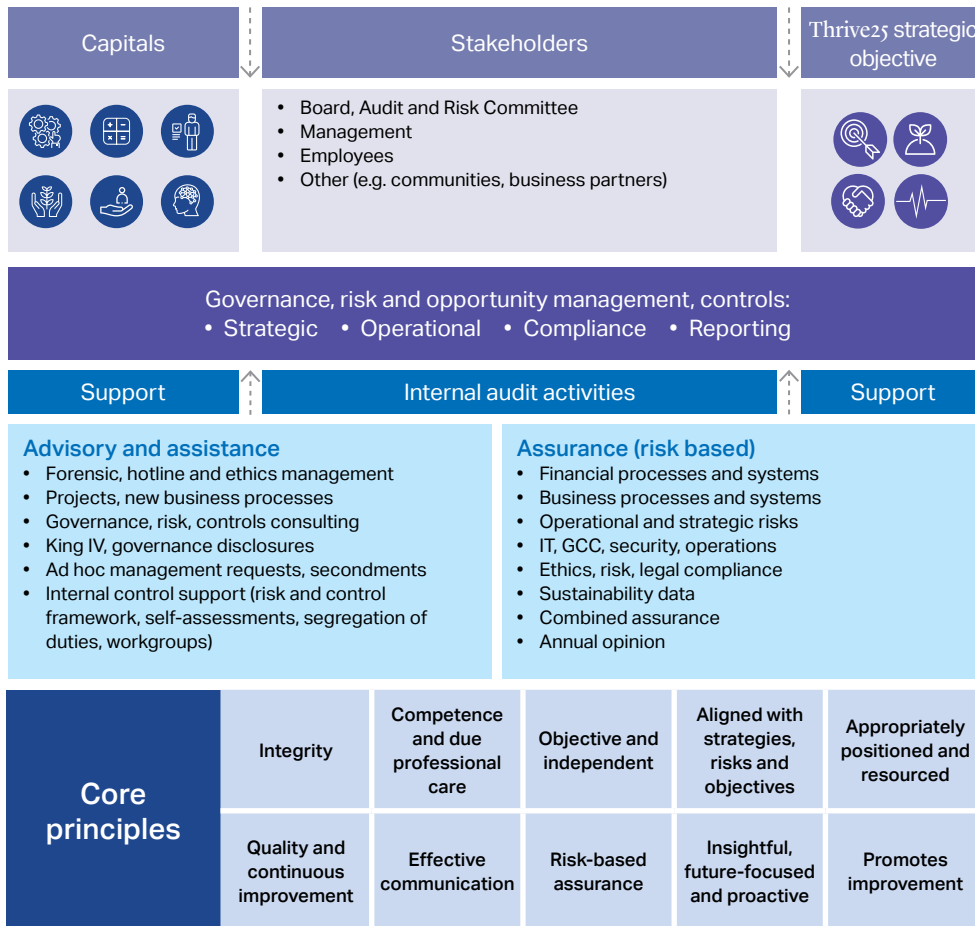
- Financial data is independently audited by KPMG
- External sustainability assurance was obtained from KPMG in 2020 for Scope 1 and 2 emissions information as well as specific safety information
- Specific planet-related (environment) processes are subject to review by third parties during the year. Certain local environmental and safety reporting is subject to audit by local regulators
- Limited reviews of sustainability information have been undertaken by central technical management and internal audit

Internal audit

The group has an effective, suitably resourced, risk-based internal audit department. The department operates in terms of a specific charter from the Audit and Risk Committee and independently appraises the adequacy and effectiveness of the group’s governance, risk management, systems, internal controls and accounting records. Internal audit coordinates combined assurance and reports the findings to local and divisional management, the external auditors, and the Audit and Risk Committee.

The head of internal audit reports to the Audit and Risk Committee, meets with board members, has direct access to executive management and is invited to attend certain management meetings. The role of internal audit at Sappi is set out in the following diagram.

Internal audit value proposition



During 2020, 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:** procurement audits, advisory services to the global business systems projects (Requisition to Pay, Sales Order to Cash, Shared Service Centre optimisation)
- **Rationalising declining businesses:** Undertaken project management reviews for business optimisation projects
- **Accelerate growth in high margin products:** Integration and control onboarding reviews of the operating units in Italy. Assurance reviews of Projects Vulindlela in South Africa and Project Horse for the Packaging and Specialities business in Europe

The coverage plan for 2020 was substantially achieved despite the challenges presented by the Covid-19 pandemic and associated travel bans and lockdowns. We refocused our audit plan to address possible Covid-19 impacts: including raw materials supply chain, treasury (e.g. cash flow and liquidity), credit risks, financial reporting, cyber risk, and business continuity planning.

In 2021 internal audit will support the achievement of Sappi's **Thrive25** strategic objectives by completing advisory and assurance projects in the following areas:

- **Sustain our financial health**  sales, procurement, treasury, and working capital processes
- **Drive operational excellence**  sales and operations, production planning, maintenance, energy, strategic business and IT projects including digital innovation initiatives (RPA and data science projects)
- **Grow our business**  R&D, packaging and speciality papers, capital projects (Projects Vulindlela in South Africa and Taurus in Europe), and new businesses e.g. biomaterials, integration and control onboarding reviews of the Matane Pulp Mill in Canada
- **Enhance trust**  ethics, governance, sustainability, and cyber security reviews

Internal audit maintains an internal quality assurance programme. In 2020, an external quality assurance review was conducted by the Institute of Internal Auditors (IIA). A Generally Conforms rating was received, which is the highest of the three levels of conformance to the IIA's standards. The 2020 internal quality assurance review highlighted a need for more attention to the documentation of effectiveness testing. This will be addressed in 2021.

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 2020. The results of the reviews did not indicate any material breakdown in the functioning of these controls, procedures and systems during the year. The internal controls in place, including the financial controls and financial control environment, are considered to be effective and provide a sound basis for the preparation of the financial statements, annual integrated report and other reports used internally for management decision making.

Company Secretary

The Company Secretary does not fulfil executive management functions outside of the duties of Company Secretary and is not a director. During the year, the board has assessed the independence, competence, qualifications and experience of the Company Secretary and has concluded that she is sufficiently independent (i.e. 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, No 71 of 2008, as amended. Specific responsibilities include providing guidance to directors on discharging their duties in the best interests of the group, informing directors of new laws affecting the group, as well as arranging for the induction of new directors.

Remuneration Report

Dear shareholder, it is with pleasure that I present the committee's report on directors' remuneration. This reporting period has been impacted by the Covid-19 pandemic which we have covered in a great level of detail in other parts of the Annual Integrated Report. This report details the company's compensation policy and implementation thereof for executive directors, executive committee members and non-executive directors.

The information provided in the report has been approved by the board as per the recommendation by the Human Resources and Compensation Committee.

The report is split into three sections: Section A details previous voting outcomes, focus and compliance statement of the committee, Section B gives an overview of our remuneration policy and Section C addresses the implementation of the remuneration policy in 2020.

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 to the principles and recommended practices of King IV as part of our commitment to good corporate governance.

The previous report was supported at the Sappi Limited's AGM on 05 February 2020, with a vote of 80% endorsing the remuneration policy and a vote of 83% for the implementation report.

Review of directors' remuneration policy and shareholder consultation

We have reviewed our remuneration philosophy and implementation report following feedback that we received from shareholders when preparing the

2020 report. We also aim to ensure that our policy will continue to support Sappi's Thrive 2025 objectives. The key changes that have been made are:

- Implementation of well-defined malus and clawback provisions in relation to both long- and short-term incentive plans
- Disclosure of the Deferred Shares Bonus Plan
- Disclosure of EBITDA and working capital targets and achievements
- Provision of details in terms of performance objectives for the executive team
- To introduce a requirement in 2021 for all prescribed officers to hold shares.

We value the input of our shareholders and will continue to seek their input to ensure good disclosure.

Succession planning

One of the key oversight responsibilities for the committee is to ensure strong succession plans and develop suitable internal candidates for all senior management and executive role appointments. This includes oversight of the group's training and development processes. As we announced in October 2019, Mark Gardner retired as CEO of our North American operations and was succeeded by Mike Haws. The smooth transition process bears testimony of our robust succession planning process to manage the retirement risks. Wayne Rau, CEO of our Sappi Trading Business, will retire at the end of December 2020 and will be succeeded by Richard Wells, currently our Vice President (VP) for Sales and Marketing of the South African business, with Graeme Wild moving to that position. Duane Roothman, General Manager Forestry KwaZulu-Natal, has succeeded Terry Stanger as the VP Forestry Sappi Southern Africa. All of these new appointments are aligned to our talent development approach of 80% from within Sappi and 20% to be recruited externally.

Remuneration

The remuneration policy and its implementation aim, where possible, to balance short-term market conditions with the need to incentivise management to continue to drive performance and implement the long-term strategy.

As described in the Chairman's and CEO's Report, Sappi's financial performance was severely impacted by the Covid-19 pandemic. Consequently, the CEO and his leadership team agreed not to take a base pay increase for 2021. We believe this is consistent with the tough economic conditions experienced. All non-executive directors have also agreed to no increase in directors' fees for the next financial year. This is done on the back of a 10% reduction in salary for management and fees for directors for three months announced in April 2020.

Incentive schemes

An EBITDA of US\$389 million was achieved, lower than the target EBITDA of US\$679 million. EBITDA as a financial measure, had a weighting of 50 points towards the annual Management Incentive Scheme (MIS). The EBITDA threshold target has not been achieved. Against the backdrop of a very challenging operating environment, the working capital target was also not achieved. Although the safety LTIFR target (own employees) of 0.47 was achieved (actual 0.44), zero points were allocated as a result of a contractor fatality in the forestry operations in South Africa. No MIS will be payable for 2020.

MIS – short term

EBITDA	+	WC	+	Safety	=	Final score
0		0		0		0

Performance Share Plan (PSP) – long term

Only the cash flow return on net assets (CFRONA) on the 2016 plan will vest, resulting in a net vesting of 50%.

TSR	+	CFRONA	=	Final score
0%		100%		50%

Executive objectives

For 2021, the focus of the Sappi leadership team will be to:

- Drive the safety-first programme
- Ensuring that Sappi has sufficient liquidity and capital resources to sustain the business
- Complete the Saiccor Mill Vulindlela project
- Continue leading the Sappi values (of doing business safely, with integrity and courage, making smart decisions that we execute with speed)
- Lead the roll out of the Sappi Thrive25 strategy
- Grow the packaging and speciality papers business with optimal volumes
- Manage the graphic papers business capacity
- Drive operational excellence across all plants
- Drive Sappi's sustainability footprint
- Work to ensure the short-term incentive plan is mindful of the challenging trading conditions and to gain optimum performance in the FY21 results
- Talent management and succession – managing key retirements over the next 12 months and near-term succession

Conclusion

Our remuneration policy is benchmarked continuously against the relevant industry peers to ensure that it motivates our senior team to achieve the group's objectives and deliver sustainable returns and value creation for our stakeholders. The committee believes that the remuneration of executives during 2020 reflected our challenges and successes to date in the delivery of our strategy. Thank you for your support and advice that you have given for our 2020 remuneration report. The improved disclosures on our policy and the implementation report reflect this feedback. I'm looking forward to continuing engaging with you in the future.

Mike Fallon

Chairman of the Human Resources and Compensation Committee

Remuneration Report *continued*

Section A: Voting, focus and compliance statement

Statement of voting at AGM

The AGM of Sappi Limited was held on 05 February 2020 and the requisite resolutions endorsing the remuneration policy and the implementation report were passed as follows:

Ordinary resolution number 7: Non-binding endorsement of remuneration policy

For	Against	Shares voted	Abstain
382,840,772	94,397,852	477,238,624	1,113,018
80.22%	19.78%	100.00%	

Ordinary resolution number 8: Non-binding endorsement of implementation report

For	Against	Shares voted	Abstain
396,648,844	80,595,780	477,244,624	1,107,018
83.11%	16.89%	100.00%	

At the February 2019 AGM, the results for the requisite ordinary resolutions endorsing the remuneration policy and the implementation report were 95.94% and 93.43% respectively.

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:

- Mr MA Fallon – Chairman
- Mr B Beamish
- Mr NP Mageza
- Mr RJ Renders

The Chairman of the company, Sir Nigel Rudd, attends committee meetings ex-officio while the Group CEO, Mr SR Binnie together with Group Head Human Resources, Mr Fergus Marupen attend meetings by invitation.

Mrs A 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 125.

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 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 2020 are summarised as follows:

Recommended and approved

- The malus and clawback provisions to be included in the long- and short-term incentive for prescribed officers
- The allocation of 2020 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 2020
- Fee levels for non-executive directors of the Sappi Limited board for consideration and recommendation to shareholders for approval
- The allocation model and the comparator peer group for the 2020 performance share plan
- The 2021 Management Incentive Scheme rules
- Recommendation to shareholders for the re-set of the number of shares under the PSP, which the shareholders approved in February 2020

Reviewed

- The Remuneration Report, including the content of the company compensation policy and practices, which was put to shareholders for a non-binding vote at the Annual General Meeting in February 2020
- Development of the 2020 Remuneration Report for shareholder approval in February 2021
- 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 HR2025 plan
- The investor feedback on the 2019 Remuneration Report
- Sappi's Covid-19 response and the impact on employees

Independent advice

Management engaged the services from the following organisations to assist in compensation work during the course of the year:

- Mercer Kepler, United Kingdom
- Korn Ferry, South Africa
- KPMG Inc, South Africa
- Bowmans, South Africa
- PricewaterhouseCoopers Tax Services, South Africa
- Herbert Smith Freehills South Africa LLP

Compliance statement

The Human Resources and Compensation Committee is committed to maintaining high standards of corporate governance and supports and applies the principles of good governance advocated by King IV Report on Corporate Governance for South Africa 2016 (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 as they pertain to 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.

Areas of focus for 2021

Key activities for the committee in 2021 will be, *inter alia*, the approval of the remuneration and bonuses for executive directors and senior management.

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 B: 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 Chief Executive Officer'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
- 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.

Remuneration Report continued

Summary of reward components of executive directors and other members of the group executive committee

The compensation of executive directors and other executive committee members comprises fixed and variable components.

Purpose	Structure	Opportunity
Fixed		
Component – Base salary		
<ul style="list-style-type: none"> To reflect market value of the role, individuals' skills, contribution, experience and performance To attract and retain key talent 	<ul style="list-style-type: none"> Paid monthly in cash Reviewed annually with any increases to be effective from 01 January each year Base salary reviews take into account prevailing market practices, economic conditions and the levels of base salary increase mandates provided to the general employee population 	<ul style="list-style-type: none"> Increases are applied in line with outcomes of performance discussions with the individuals concerned and market conditions
Component – Benefits		
<ul style="list-style-type: none"> To provide protection and market competitive benefits to aid recruitment and retention 	<ul style="list-style-type: none"> Private medical insurance Income in the event of death or disability <p>These are:</p> <ul style="list-style-type: none"> Appropriate in terms of level of seniority Market related Death benefit is a multiple of base salary Non-pensionable 	<ul style="list-style-type: none"> None
Component – Pension		
<ul style="list-style-type: none"> To provide market related benefits Facilitate the accumulation of savings for post-retirement years 	<ul style="list-style-type: none"> Comprises defined benefit and defined contribution plans A large number of defined benefit plans are closed to new hires Employees in legacy defined benefit plans continue to accrue benefits in such plans for both past and future service Retirement plans differ by region 	<ul style="list-style-type: none"> Executive members of defined contribution plans receive a company contribution of up to 18.47% of salary Executive members of defined benefit plans receive company contributions of up to 31.24% of salary. This applies to only one executive committee member. The contribution varies based on the actuarial valuation of the reserves of the relevant schemes

Purpose	Structure	Opportunity
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Variable

Component – Annual cash incentive

<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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 65-85% of base salary • Weightings for 2020 were: EBITDA – 50%; working capital – 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 less than 85% of the target is achieved, no bonus award will be paid • If the agreed target % for working capital 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 90% or less than the target is achieved. If the working capital target is exceeded by more than 10% then no bonus award will be paid for working capital • Bonuses are paid in cash. The group CEO and executive committee members have volunteered to purchase shares with 40% and 30% of their after-tax cash bonus respectively. The right to sell the shares is deferred for up to three years, subject to individual members not being terminated for cause • Non-pensionable • Malus and clawback may be applied in the following circumstances: <ul style="list-style-type: none"> (i) Financial results of the group or a company/business unit in the Sappi group have been materially misstated (ii) A participant has ceased to be a director or employee by reason of gross misconduct and has resulted in significant losses to the business (iii) There has been material breach of Code of Ethics/Law (iv) There has been an erroneous assessment of the extent to which any performance conditions has been satisfied resulting in a higher vesting outcome 	<ul style="list-style-type: none"> • The maximum bonus for executive directors is 116% of base salary • Executive committee members and other senior managers may earn a maximum bonus of up to 95% of base salary • The number of shares arising from the deferred executive Management Incentive Scheme – will be increased by 20% of the original number of shares purchased provided the employee holds all the shares for a period of three years
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Remuneration Report continued

Purpose	Structure	Opportunity
Variable		
Component – Long-term share incentive plans		
<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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 CEO and each of the executive committee members Measures for 2020 awards were relative total shareholder return (TSR) – 50% and relative CFRONA – 50% Malus and clawback may be applied in the following circumstances: <ol style="list-style-type: none"> 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 has been satisfied resulting in a higher vesting outcome 	<ul style="list-style-type: none"> None.
Component – Service contracts		
<ul style="list-style-type: none"> Provide an appropriate level of protection to both the executive and to Sappi 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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

Service contracts

Mr Binnie and Mr Pearce have an ongoing employment contract which requires six months' notice of termination by the employee and 12 months' notice of termination by the company.

Depending on their location, executive committee members have ongoing employment contracts which require between three to six months' notice of termination by the employee and six to 12 months' notice of termination by the company.

Other than in the case of termination for cause, the company may terminate the executive directors' service contracts by making payment in lieu of notice equal to the value of the base salary plus benefits which they would have received during the notice period.

Executive directors are required to retire from the company at the age of 63 years. The retirement age of executive committee members is generally between the ages of 63 years and 65 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	Percentage (%)	Relevance	How do we set the targets?
EBITDA	50	A key indicator of the underlying profit performance of the group, reflecting both revenues and costs. 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.
Working capital	20	A key indicator of accounts payable, accounts receivable, cash management and stock levels. Achieving optimum working capital levels in the business requires efficient use of resources throughout the supply chain and influences cash management, a key pillar of our strategy.	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. Measure will be LTIFR
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 sustainability, living the Sappi values, major capital projects and BBBEE in the case of South Africa.	Priorities are set for the CEO by the Chairman of the board in line with the business plan for the applicable year. Targets and ranges are then cascaded to the rest of the business teams. These are reviewed as part of an annual review with the Chairman.

The bonus payment opportunity available to executive directors and executive committee members is as follows:

	On-target bonus	Stretch target
Executive director	85% of base salary	116% of base salary
Regional CEO	70% of base salary	95% of base salary
Other prescribed officers (i.e. executive committee members)	65% of base salary	88.5% of base salary

Remuneration Report continued

Performance Share Plan (PSP)

The Sappi PSP for annual awards of conditional performance shares which are subject to meeting performance targets measured over a four-year period. These awards will only vest if Sappi's performance, relative to a peer group of 16 other industry related companies is ranked at median or above the median.

The performance criteria are relative total shareholder return (TSR) and relative CFRONA.

The table below shows the metrics and why they were chosen and how targets are set.

Metric	Relevance	How do we set the targets?
Total shareholder return (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.
Cash flow return on net assets	<p>A key indicator of the effective use of capital CFRONA is calculated as cash generated by operations after working capital movements (before interest, tax and dividends) divided by average total assets (excluding cash) less interest-free liabilities.</p> <p>This measure is calculated using a simple annual average over the previous four-year period.</p>	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.

The peer group for the PSP award consisted of the following 16 industry-related companies:

Stora Enso	Lenzing	Domtar	UPM-Kymmene
Rayonier Advance Materials	Borregaard	Sun Paper	Metsá Board
Ahlstrom-Munksjo	Holmen	Mondi PLC	International Paper
West Rock	Verso	Suzano	Resolute Forest Products

Vesting schedule

The vesting schedule for 2016 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%

Malus and clawback

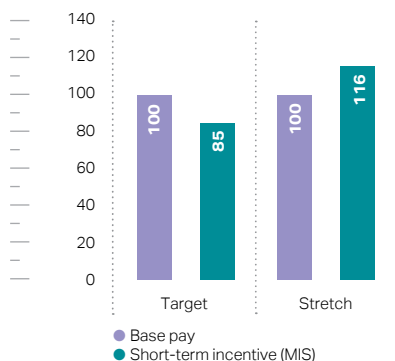
Awards made to the CEO, CFO and prescribed officers under Sappi's MIS and PSP are subject to both malus and clawback provisions which may be applied during the period of two years after the date of vesting or granting. Clawback refers to the recovery of paid or vested amounts and malus refers to the reduction, including to nil, of unvested or unpaid amounts. Malus and clawback may be applied in the following circumstances:

- Financial results of the group or a company/business unit in the Sappi group have been materially misstated
- A participant has ceased to be a director or employee by reason of gross misconduct and has resulted in significant losses to the business
- There has been material breach of Code of Ethics/Law
- There has been an erroneous assessment of the extent to which any performance conditions has been satisfied resulting in a higher vesting outcome

Remuneration scenarios at different performance levels

The charts below illustrate the total potential remuneration (base pay and short-term incentives) for executive director at different performance levels.

Remuneration levels (CEO and CFO)
(percentage of base pay)



PSPs are excluded from these scenarios as their vesting depends on performance conditions being met. Vesting is based on a linear vesting schedule over a four-year period.

Statement of fair and responsible remuneration

The group's compensation policy for the remuneration of executive directors and other senior executives is set taking appropriate account of remuneration and employment conditions of other employees in the group.

The committee annually receives a report from management on pay practices across the group, including salary levels and trends, collective bargaining outcomes and bonus participation. At the time that salary increases are considered the committee additionally receives a report on the approach management proposes to adopt for general staff increases. Both these reports are taken into account in the committee's decisions regarding the remuneration of executive directors and other senior executives.

In some countries where the group operates, more formal consultation arrangements with employee representatives are in place relating to employment terms and conditions, in accordance with local legislation and practice. The group also conducts employee engagement surveys every two years which gauge employees' satisfaction with their working conditions. The Sappi board is given feedback on these survey results.

Approach to remuneration benchmarks

Executive compensation is benchmarked on data provided in national executive compensation surveys, for countries in which executives are domiciled, as well as information disclosed in the annual reports of listed companies of the Johannesburg Stock Exchange. Sappi participates in global remuneration surveys and uses data from global remuneration survey, i.e. 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.

Remuneration Report continued

Remuneration policy for non-executive directors (fees)

Element	Purpose	How it works?	Fees
Non-executive Chairman (fees)	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> The Chairman receives an all-inclusive fee 	<ul style="list-style-type: none"> The Chairman's fees are reviewed periodically by the committee Fees are set by reference to market median data for companies of similar size and complexity to Sappi
Other non-executive directors (fees)	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> The non-executives are paid a basic fee Attendance fees are also paid to reflect the requirement for non-executive directors to attend meetings in various international locations The chairmen of the main board committees and the lead independent director are paid additional fees to reflect their extra responsibilities 	<ul style="list-style-type: none"> Non-executive directors' fees are reviewed periodically by the Chairman and Human Resources and Compensation Committee Fees are set by reference to market median data for companies of similar size and complexity to Sappi

Sappi may reimburse the reasonable expenses of board directors that relate to their duties on behalf of Sappi. Sappi may also provide advice and assistance with board directors' tax returns where these are impacted by the duties they undertake on behalf of Sappi.


All non-executive directors have letters of appointment with Sappi Limited for an initial period of three years. In accordance with best practice, non-executive directors are subject to re-election at the 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.

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, and
- 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.

You can also view the full **Remuneration Policy** on www.sappi.com. 

Section C : Remuneration implementation report

Compensation structure

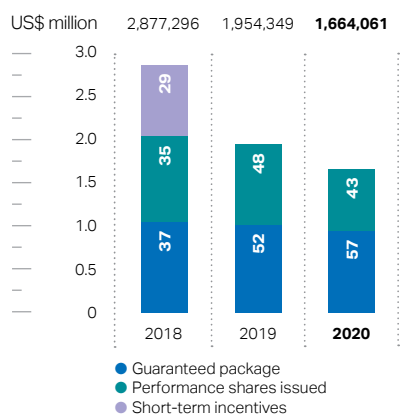
Total compensation comprises fixed pay (i.e. base salary and benefits) and variable performance related pay, which is divided further into short-term incentives with a one-year performance period and long-term incentives which have a four-year performance period.

Compensation mix

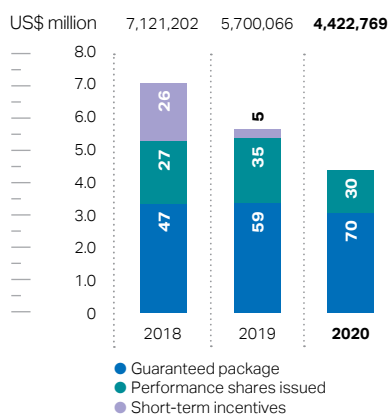
The compensation mix for executive directors and executive committee members is shown in the schematics below.

The long-term incentive awards are based on the face value of the performance plan shares issued on 18 November 2020 (share price at date of allocation: ZAR27.55). Details of the **executive directors' remuneration** can be found on [page 153](#).

Executive directors (number of employees at 30 September 2020 = 2)



Executive committee (number of employees at 30 September 2020 = 7)



Our compensation policy aims to have a balance between base salary, 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 2020, Mr Binnie and Mr Pearce received a salary increase of 4.6% on the South African portion of their salaries and 1.0% on the offshore portion of their salaries. Their salaries were US\$504,410 per annum and US\$291,478 per annum, respectively.

As a result of the Covid-19 pandemic, both Mr Binnie and Mr Pearce voluntarily took a salary reduction of 10% for a three-month period (April to June 2020).

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.

No additional payments were made to any retirement fund on behalf of the executive directors.

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. Furthermore, if a region does not achieve the 85% bonus threshold target, no bonus is paid to participants in the region irrespective of overall group performance.

Remuneration Report continued

2020 Management Incentive Scheme outcomes for executive directors

EBITDA	Threshold	Target	Maximum	Actual
US Dollar (million)	577	679	747	389
Points		50	75	0

Working capital	Threshold	Target	Maximum	Actual
Percentage	13.0%	11.8%	11.2%	13.2%
Points		20	30	0

Safety*	Target	Actual
LTIFR	0.47	0.44
Points		0

* The group and regional safety performance improved, zero was allocated to the executive committee and applicable regions due to the tragic fatality.

Personal objectives of executives for 2020 MIS

Performance objectives	Measures	Tasks and targets
Drive the safety-first programme	LTIFR (own employees)	LTIFR 0.47 Zero fatalities
Ensure communication and training around values, including the OneSappi approach	Communication and training at all levels	All new employees trained on values, strategy and Code of Ethics in first 30 days Values embedded in Leadership Development programmes 100% signoff on all ethical and compliance related training CEO living the values
Lead the roll-out of the Sappi Thrive25 strategy	Deadline date	Strategy designed and approved by the board Strategy communicated across Sappi
Global IT, Global Technology, GBS, Sappi Biotech and Brand Council	% progress of implementing global functions 100%	Implementation of new operating models of in-scope functions
Governance oversight over Project Vulindlela	Project deadlines, cost and deliverables	Project on stream (post Covid-19) Project Vulindlela success rating using post-project evaluation
Grow packaging volumes in SSA and SNA in line with increase in local demand	Volume growth	Grow packaging tons to 1,358,000 Packaging EBITDA margin target 12.8%
Reduce graphics capacity in line with market demands	EBITDA margin	Reduce graphics by 210,000 tons EBITDA margin for graphics 8%
Govern implementation of operational excellence programmes to drive an excellence culture	OME numbers Key efficiency metrics	OME target at group level: 80.74 Project Ranulph cost savings USD64 million

Performance objectives	Measures	Tasks and targets
Training completed as per regional targets Successors identified for all key retirees for next 12 months	% of targets	80% ready now successors for all key retirements 100% development plans in place for key talent
Meet Sappi's annual sustainability targets	% of group sustainability targets	All 2020 group targets met as per the sustainability report
New product designs taken into commercial operation	Number of products	Two new material products moved into commercial operation Commenced with first sales of Symbio and Valida products from available pilot capacity Approve scale-up of the furfural project

The Chairman conducted a formal review with the CEO and scored him out of 20 points on the achievement of the stated objectives, namely objective achieved two points, partially achieved one point and non-achievement 0 points. Covid-19 brought several challenges to the business that impacted profitability. However, despite these challenges, both Mr Binnie and Mr Pearce performed outstandingly on their personal objectives as stated below.

2020 MIS outcomes for executive directors

	EBITDA	Working capital	Safety	Personal	Total
Points	50	20	10	20	100
Steve Binnie	0	0	0	18	18
Glen Pearce	0	0	0	18	18

An EBITDA of US\$378 million was achieved, lower than the target EBITDA of US\$679 million. EBITDA as a financial measure, had a weighting of 50 points towards the annual MIS. As the EBITDA threshold target has not been achieved, no MIS will be payable for 2020.

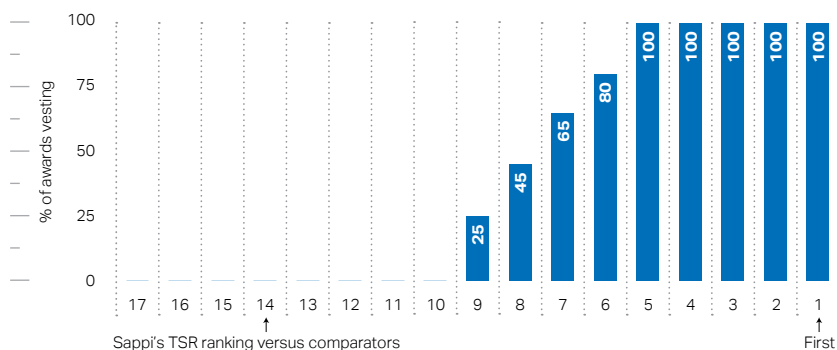
Performance Share Plan outcomes for 2020

For the four-year period ending September 2020, Sappi's performance relative to the peer group measured on TSR was ranked 14th, resulted in a 0% vesting on the TSR component. The determination of the vesting of the shares was provided by Mercer Kepler, an independent third party.

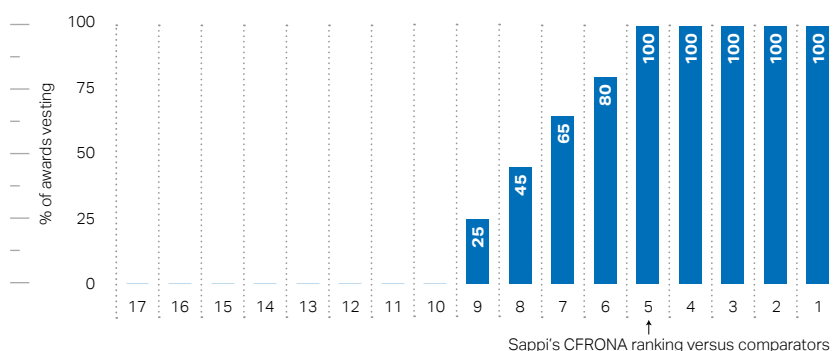
For the four-year period ending September 2020, Sappi's performance relative to the peer group measured on CFRONA was ranked 5th, resulted in 100% vesting on the CFRONA component. This result was verified by KPMG, our external auditors. In aggregate, therefore 50% of the total 2016 awards vested.

Remuneration Report continued

2016 TSR vesting schedule (%)



2016 CFRONA vesting schedule (%)



In December 2016, Mr Binnie was granted 162,000 conditional performance plan shares, of which 50% of the allocation will vest in December 2020.

In December 2016, Mr Pearce was granted 75,000 conditional performance plan shares, of which 50% of the allocation will vest in December 2020.

Both Mr Binnie and Mr Pearce have however volunteered that their vesting of 50% should be reduced by 10%, in line with the salary reduction they took in April 2020. Thus, for the 2016 performance shares only 40% will vest. In the case of Mr Binnie, 64,800 performance shares will vest and for Mr Pearce, 30,000 performance shares will vest.

The historical vesting of Performance Share Plan awards:

Share awards	2017	2018	2019	2020
TSR	100%	100%	80%	0%
CFRONA	100%	100%	100%	100%
Aggregate	100%	100%	90%	50%

Vesting since 2017 which had been at 100% on both performance criteria, reduced to 90% for 2019. However, with the challenging market conditions, overall vesting will be at 50%.

Performance Share Plan allocations for 2020

Each year, Mercer Kepler provides management with a recommendation for an appropriate pool size. For the 2020 allocation, it was approved to grant the number of shares implied by the same ZAR value of the previous year PSP awards, where value is based on trailing long-run average share price at grant (e.g. 12 months). This approach has been applied for the last four years and is consistent with recommendations by our shareholders, to disclose the allocation method.

Mr Binnie was awarded 250,000 conditional performance plan shares in November 2020 that will vest in November 2024.

Mr Pearce was awarded 115,000 conditional performance plan shares in November 2020 that will vest in November 2024.

Dilution

If all outstanding plan shares were to vest as at September 2020, the resulting dilution effect would be 2.12% (2019: 2.3%, 2018: 2.4%) of issued ordinary share capital excluding treasury shares. To the extent possible, treasury shares will continue to be used to meet future requirements for shares arising from the vesting of awards.

Share ownership

Chief Executive Officer, Mr Binnie, has volunteered to hold a target number of shares equal to 2 x his annual base salary by December 2020. He currently holds shares to the value of approximately 134% of his annual base salary. The lower share price has impacted the short-term value of his holding.

Remuneration disclosure of executive directors and prescribed officers

Executive directors' emoluments for 2020 (US Dollar)

	Base salary	Performance-related remuneration	Sums paid by way of expense allowance	Contributions paid under pension and medical aid schemes	Long-term share-based payment benefit	Total
SR Binnie ⁽¹⁾	504,410	–	15,531	74,296	488,441	1,082,678
GT Pearce ⁽²⁾	291,478	–	8,827	56,126	224,951	581,382

⁽¹⁾ SR Binnie received a 4.6% increase on the South African portion (70% of total salary), and a 1.0% increase on the off-shore portion of his salary (30% of total salary).

Overall salary expressed in reporting currency was 6.5% lower than in 2019.

⁽²⁾ GT Pearce received a 4.6% increase on the South African portion (70% of total salary), and a 1.0% increase on the off-shore portion of his salary (30% of total salary).

Overall salary expressed in reporting currency was 6.6% lower than in 2019.

- Local earnings are translated into the reporting currency (US Dollar) using the average exchange rate over the financial year. The average rate for ZAR depreciated by 13% and appreciated for the Swiss Franc by 4%
- Due to the earnings currencies (ZAR) depreciating against the reporting currency (US Dollar) over the year, this had the effect of showing earnings in US\$ terms to be lower than last year
- Base salary – the actual salary earned during 2020, including the three month 10% salary reduction
- Performance-related remuneration – the actual bonus earned in 2020 based on the rules of the Management Incentive Scheme
- Sums paid by way of expense allowance – expenses allowances
- 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 share based payment benefit – conditional performance plan shares awarded in 2020 financial year which will vest in 2024 if the TSR and CFRONA targets are met

Executive directors' emoluments for 2019 (US Dollar)

	Base salary	Performance-related remuneration	Sums paid by way of expense allowance	Contributions paid under pension and medical aid schemes	Long-term share-based payment benefit	Total
SR Binnie	539,629	–	14,819	82,317	635,321	1,272,086
GT Pearce	312,014	–	8,422	60,185	301,641	682,263

Remuneration Report continued

Prescribed officers/executive committee members (US Dollar)

Prescribed officers are members of the group executive committee.

The table below sets out the remuneration for prescribed officers for 2020:

	Salary	Bonuses and performance-related payments	Sums paid by way of expense allowance	Contributions paid under pension and medical aid schemes	Share-based payment benefit	Total
B Wiersum	750,723	–	2,799	268,369	271,074	1,292,965
M Haws	401,458	–	–	43,891	96,212	541,561
A Thiel	304,729	–	9,830	54,040	271,074	639,673
M van Hoven	157,111	–	5,203	42,245	210,798	415,357
G Bowles	237,651	–	8,243	65,910	224,951	536,755
F Marupen	173,079	–	5,469	43,656	181,546	403,750
M Mansoor	294,155	–	142,860	86,582	69,111	592,708

The table below sets out the remuneration for prescribed officers for 2019:

	Salary	Bonuses and performance-related payments	Sums paid by way of expense allowance	Contributions paid under pension and medical aid schemes	Share-based payment benefit	Total
B Wiersum	756,218	–	2,820	258,045	360,596	1,377,679
M Gardner ⁽¹⁾	564,133	–	–	57,222	360,596	981,951
A Thiel	325,447	189,876	9,379	57,939	360,596	943,237
M van Hoven	167,871	–	4,964	43,939	282,976	499,750
G Bowles	253,087	–	7,865	106,199	301,641	668,792
F Marupen	182,354	–	5,219	47,238	235,658	470,469
M Mansoor	276,886	106,828	157,904	105,498	111,072	758,188

⁽¹⁾ Retired September 2019.

Non-executive directors' fees

Directors are normally remunerated in the currency of the country in which they live or work from. Their remuneration is translated into US Dollar, the group's reporting currency, at the average exchange rate prevailing during the financial year. Directors' fees are established in local currencies to reflect market conditions in those countries.

Non-executive directors' fees reflect their services as directors and services on various sub-committees on which they serve.

The quantum of committee fees depends on whether the director is an ordinary member or a chairman of the committee.

Non-executive directors do not earn attendance fees; however, additional fees are paid for attendance at board meetings more than the five scheduled meetings per annum.

The chairman of the Sappi Limited board receives a flat director's fee and does not earn committee fees. Non-executive directors do not participate in any incentive schemes or plans of any kind.

In determining the fees for non-executive directors, due consideration is given to the fee practice of companies of similar size and complexity in the countries in which the directors are based. The extreme volatility of currencies, in particular the ZAR/US Dollar exchange rate in the past few years, caused distortions of the relative fees in US Dollar paid to individual directors. Every second year, Mercer provides a recommendation on fees to the committee.

Non-executive directors' fees are proposed by the executive committee, agreed by the Human Resources and Compensation Committee, recommended by the board and approved at the AGM by the shareholders.

The non-executive directors' fees for 2020 financial year was approved by shareholders. The table below sets out the remuneration for non-executive directors for 2020:

US\$	Total			
	Board fees	Committee fees	Travel allowance	Total
KR Osar ⁽¹⁾	17,635	8,920	7,600	34,155
JD McKenzie ⁽²⁾	10,391	4,513	–	14,904
ANR Rudd	397,582	–	11,400	408,982
NP Mageza	27,084	36,923	–	64,007
MV Moosa	37,079	25,708	7,600	62,787
MA Fallon	57,996	60,818	11,400	130,214
RJAM Renders	67,988	63,436	11,400	142,824
B Mehlomakulu	27,084	19,256	–	46,340
Z Malinga	27,084	14,062	–	41,146
BR Beamish	57,996	49,036	11,400	118,432
JM Lopez	68,777	24,863	11,400	105,040
JE Stipp	68,777	34,788	11,400	114,965
Total	865,473	342,323	83,600	1,283,796

⁽¹⁾ Retired from the board in December 2019.

⁽²⁾ Retired from the board in December 2019.

US\$	2019			
	Board fees	Committee fees	Travel allowance	Total
KR Osar	69,320	35,050	18,500	122,870
JD McKenzie	44,944	19,518	7,400	71,862
ANR Rudd	402,325	–	11,100	413,425
NP Mageza	30,037	40,950	7,400	78,387
MV Moosa	30,037	28,512	7,400	65,949
MA Fallon	58,687	65,376	11,100	135,163
RJAM Renders	69,238	64,601	11,100	144,939
B Mehlomakulu	30,037	9,759	7,400	47,196
Z Malinga ⁽¹⁾	30,037	15,596	7,400	53,033
BR Beamish ⁽²⁾	34,235	8,271	–	42,506
JM Lopez ⁽²⁾	40,419	4,175	7,400	51,994
JE Stipp ⁽³⁾	23,097	5,842	3,700	32,639
Total	862,413	297,650	99,900	1,259,963

⁽¹⁾ Appointed to the board in October 2018.

⁽²⁾ Appointed to the board in March 2019.

⁽³⁾ Appointed to the board in June 2019.

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.

Social, Ethics, Transformation and Sustainability Committee Report

Introduction

The SETS Committee presents its report for the financial year ended September 2020. 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.

The committee was established during the 2012 financial year in response to the requirements of section 72(4) of the South African Companies Act No 71 of 2008, read with regulation 43 of the Companies Regulations, 2011. These regulations required the establishment of a Social and Ethics Committee, to which were added the transformation and sustainability oversight roles previously contained in the Sustainability and Human Resources and Transformation Committees.

Multi-functional regional sustainability councils provide strategic and operational support to a group sustainability council which in turn provides support to the SETS committee in dealing with key sustainability issues.

During the financial year the committee formally met three times at which meetings it deliberated on all aspects relating to its terms. A 100% attendance record was achieved by board committee members for 2020.

Objectives of the committee

The role of the SETS Committee is to assist the board with the oversight of the company and to provide guidance to management's work in respect of its duties in the fields of social, ethics, transformation and sustainability. The committee relies on international best practice as well as the laws and regulations under which Sappi's businesses operate to ensure that the group not only complies with, but also fully implements all requirements. The committee addresses issues relating

to corporate social investment, ethical conduct, diversity, transformation and empowerment initiatives and targets and ongoing sustainability practices to ensure that our business, our environment and our people can prosper on an ongoing basis. The responsibilities include monitoring the company's activities, having regard to any relevant legislation, other legal requirements and prevailing codes of best practice. The committee meets a minimum of three times each year.

Membership of the committee

The members of the SETS Committee during the 2020 financial year were: Mr MV Moosa (Chairman from 01 March 2016)
Mr SR Binnie
Dr B Mehlomakulu
Mr BR Beamish (From 01 August 2019)
Mr JM Lopez (From 01 August 2019)

Four members of the committee were independent non-executive directors and one the CEO. In addition, the Chairman of the board attends committee meetings ex officio. The regional CEOs, the Group Head Strategy and Legal, the Group Head Technology, the Group Head Human Resources, the Group Head Corporate Affairs, the Executive VP Dissolving Pulp and the Group Head Investor Relations and Sustainability attend meetings by invitation.

Committee activities reviewed and actioned during the year

- Reviewed and revised the committee terms of reference and annual work plan
- Approved the public affairs and corporate social responsibility (CSR) programmes and policy
- Reviewed the Corporate Social Development programme
- Reviewed the United Nations (UN) Sustainable Development Goals (SDGs) most relevant to Sappi
- Reviewed Sappi's standing in terms of:
 - The principles set out in the United Global Compact Principles
 - The OECD recommendations regarding corruption

- The Employment Equity Act, and
- The Broad-based Black Economic Empowerment Act.
- Reviewed the Code of Ethics, ethics programme and their effectiveness
- Obtained feedback from the ethics reporting hotlines
- Reviewed the South African skills audit as well as the training and development plan
- Reviewed the staff training progress
- Reviewed the company performance relative to the Employment Equity Act, Broad-based Black Economic Empowerment (BBBEE) Act and the company's transformation strategies
- Reviewed the Sappi Southern Africa Transformation Charter
- Reviewed Sappi's policy and standing in terms of the International Labour Organisation (ILO) protocol on decent work and working conditions
- Reviewed the group safety programmes, safety performance and actions being taken to improve the safety performance of the group
- Reviewed the Group Unfair Discrimination and Equality Policy
- Reviewed the Group Sustainability Charter and Environmental Policy
- Reviewed the material indicators of the group's environmental performance
- Reviewed regional sustainability performance against goals for 2020
- 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 2020
- In-depth review of the TCFD disclosure recommendations and managements plans to report on same
- Reviewed management's actions in response to Covid-19, in particular donations and support given to communities
- Received feedback on management's and industry stance on genus exchange regulations in South African plantations
- Reviewed the SETS Committee report for the annual integrated report as well as sustainability information presented in the integrated report

- Reviewed the external verification update report on selected group sustainability metrics

At certain meetings a topic is selected for an in-depth review, typically matters which in the view of the committee represent key risks or opportunities for the business. This year the focus area was on the recommendations of the TCFD and the work that the company is doing in order to develop a view of our climate related risks and opportunities, the climate risk strategy and the reporting of the same. Please see **Helping to mitigate climate change** on page 82 for more information.

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

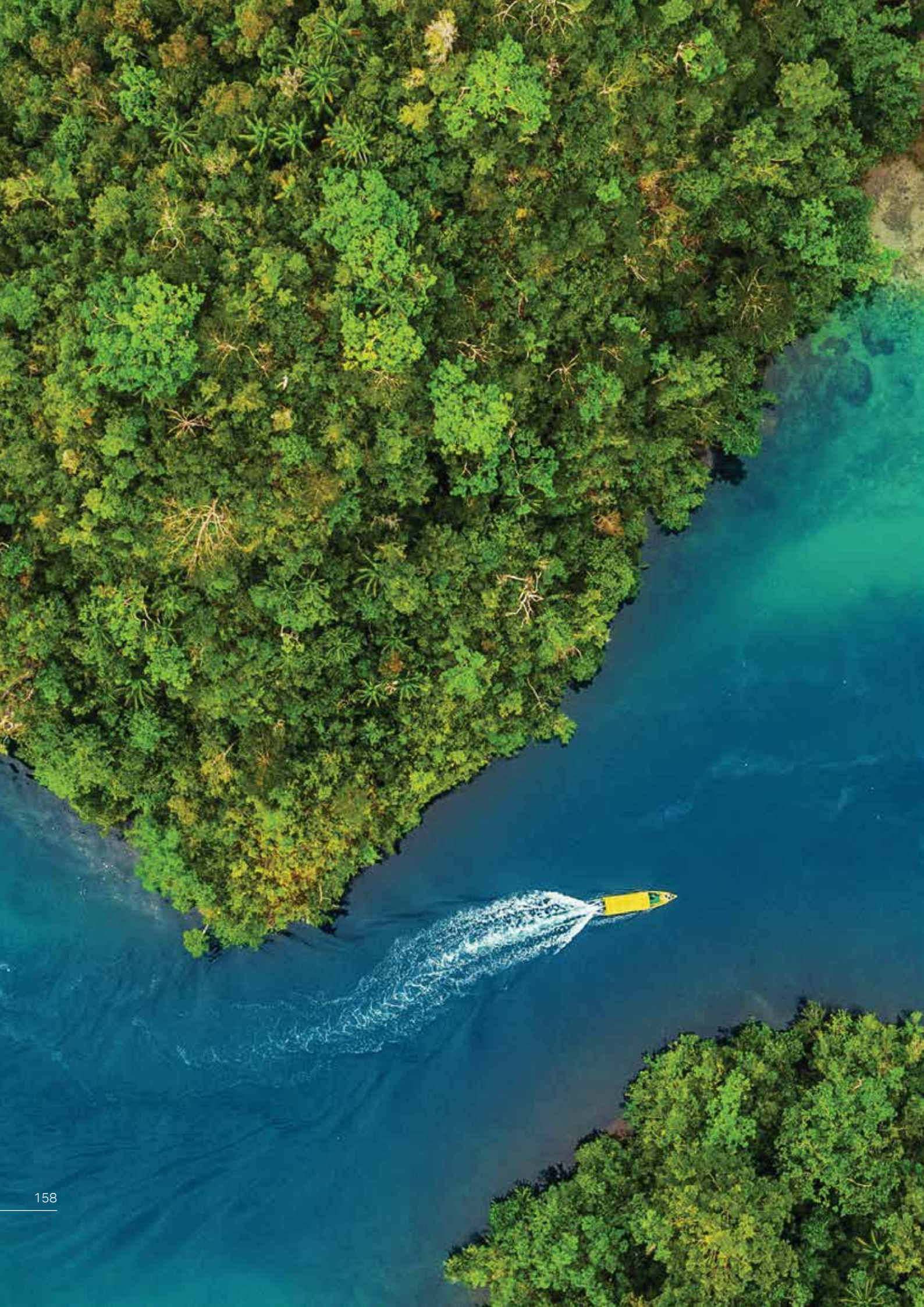
stakeholders, fair labour practices, environmental responsibility and good customer relations. In fulfilling their mandate, the committee has sought to ensure the needs of a wide set of stakeholders, including employees, local communities, customers and shareholders are considered and that key sustainability 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.

MV Moosa

Chairman

Social, Ethics, Transformation and Sustainability Committee





Momentum

Linear momentum is defined as the product of a system's mass multiplied by its velocity. The greater an object's mass or the greater its velocity, the greater its momentum. In other words, momentum is about both magnitude and direction.

It can be difficult to maintain momentum in times of profound change or crisis, but it's important to do so. That's because action creates movement which in turn can create unanticipated opportunities.

Recognising this, at Sappi we responded to the coronavirus pandemic and Covid-19 in order to keep our forward momentum. We swiftly implemented a comprehensive Covid-19 action plan that ensured the health and safety of our employees and enabled us to operate in a safe, uninterrupted manner where demand permitted. Working closely with our

customers and suppliers we systematically increased activity and output in response to improved market demand. Our support for local communities helped mitigate the impact of the pandemic and the ensuing socio-economic consequences on them.

Looking ahead, we are confident that we can accelerate our momentum to navigate forward: We have the mass in the form of wide-ranging expertise, extensive infrastructure, strong foundation of research and development, together with our range of sustainable solutions produced from renewable woodfibre. And we have the velocity in the form of our ambitious but achievable Thrive25 strategy, which allows us to take advantage of the changing dynamics between the environment, consumers and the products they require. Above all, our passionate, committed people provide the impetus to power us forward.

Five year review

for the year ended September 2020

US\$ million	2020	2019	2018	2017	2016
Income statement					
Sales	4,609	5,746	5,806	5,296	5,141
Variable manufacturing and delivery costs	2,838	3,530	3,521	3,147	3,061
Fixed costs	1,673	1,771	1,767	1,601	1,571
Sundry expenses (income) ⁽¹⁾	41	43	38	22	22
Operating profit excluding special items	57	402	480	526	487
Special items – (gains) losses	95	19	(9)	–	(57)
Operating profit (loss)	(38)	383	489	526	544
Net finance costs	88	85	68	80	121
Profit (loss) before taxation	(126)	298	421	446	423
Taxation charge	9	87	98	108	104
Profit (loss) for the year	(135)	211	323	338	319
EBITDA excluding special items	378	687	762	785	739
Balance sheet					
Total assets	5,455	5,623	5,670	5,247	5,177
Non-current assets	3,891	3,789	3,766	3,378	3,171
Current assets	1,564	1,834	1,904	1,869	2,006
Current liabilities	1,123	1,214	1,173	1,043	1,474
Shareholders' equity	1,632	1,948	1,947	1,747	1,378
Net debt	1,957	1,501	1,568	1,322	1,408
Gross interest-bearing debt	2,236	1,894	1,931	1,872	2,111
Cash	(279)	(393)	(363)	(550)	(703)
Capital employed	3,589	3,449	3,515	3,069	2,786
Cash flow					
Cash generated from operations	323	673	709	748	693
Decrease (increase) in working capital	65	(15)	(79)	(27)	4
Finance costs paid	(103)	(51)	(84)	(96)	(107)
Finance income received	6	9	18	15	16
Taxation paid	(26)	(51)	(73)	(100)	(56)
Dividends paid	–	(92)	(81)	(59)	–
Cash generated from operating activities	260	473	410	481	550
Net cash generated (utilised)	(257)	1	(254)	108	359
Cash effects of financing activities	138	56	68	(279)	(130)
Capital expenditure (gross)	351	471	541	357	241
To maintain operations	126	148	167	140	155
To expand operations	225	323	374	217	86
Exchange rates					
US\$ per one Euro exchange rate – closing	1,163	1,094	1,161	1,181	1,123
US\$ per one Euro exchange rate – average (financial year)	1,120	1,128	1,190	1,106	1,111
ZAR to one US\$ exchange rate – closing	17,131	15,156	14,147	13,556	13,714
ZAR to one US\$ exchange rate – average (financial year)	16,226	14,346	13,052	13,381	14,788

⁽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	2020	2019	2018	2017	2016
Statistics					
Number of ordinary shares (millions)⁽¹⁾					
In issue at year end	546.1	542.8	539.3	535.0	530.6
Basic weighted average number of shares in issue during the year	545.5	542.0	538.1	533.9	529.4
Per share information (US cents)					
Basic earnings (loss)	(25)	39	60	63	60
Diluted earnings (loss)	(25)	39	59	62	59
Headline earnings (loss)	(19)	42	59	64	58
Diluted headline earnings (loss)	(19)	42	58	63	57
EPS excluding special items (US cents)	(5)	44	60	64	57
Net asset value	299	359	361	327	260
Profitability ratios (%)					
Operating profit (loss) to sales	(0.8)	6.7	8.4	9.9	10.6
Operating profit excluding special items to sales	1.2	7.0	8.3	9.9	9.5
EBITDA excluding special items to sales	8.2	12.0	13.1	14.8	14.4
Operating profit excluding special items to capital employed (ROCE)	1.6	11.0	14.6	18.0	17.5
Net debt to EBITDA excluding special items	5.2	2.2	2.1	1.7	1.9
Interest cover	4.7	9.3	11.0	9.1	7.3
Return on average equity (ROE)	(7.5)	10.0	17.5	21.6	26.7
Debt ratios (%)					
Net debt to total capitalisation	54.5	43.5	44.6	43.1	50.5
Efficiency ratios					
Asset turnover (times)	0.8	1.0	1.0	1.0	1.0
Inventory turnover ratio	6.3	7.0	6.7	7.0	7.0
Liquidity ratios					
Current asset ratio	1.4	1.5	1.6	1.8	1.4
Trade accounts receivable days outstanding (including receivables securitised)	44	46	45	45	44
Cash interest cover (times)	3.7	7.6	9.3	8.1	5.6
Other non-financial information⁽²⁾					
Sales volumes	6,788	7,622	7,591	7,410	7,253
Number of full-time equivalent employees	12,805	12,821	12,645	12,158	12,051
Lost time injury frequency rate (including contract employees)	0.35	0.54	0.43	0.44	0.46
Energy					
Energy intensity (GJ/adt)	23.71	22.16	22.61	22.77	22.90
Renewable energy to total energy(%)	54.44	53.49	52.14	53.70	53.77
Water					
Specific process water drawn (m ³ /adt)	36.82	34.33	34.24	33.95	34.90
Specific process water returned (m ³ /adt)	34.53	32.19	32.30	32.10	32.23
Waste					
Specific total landfill (tonne/adt)	0.061	0.066	0.064	0.079	0.069
Emissions					
Specific Scope 1 emissions (ton CO ₂ eq/adt)	0.71	0.66	0.69	0.68	0.69
Absolute Scope 1 (ton CO ₂ e)	4,083,122.97	4,426,125	4,452,593	4,326,977	4,230,404
Specific Scope 2 emissions (ton CO ₂ eq/adt)	0.21	0.23	0.24	0.25	0.28
Absolute Scope 2 (ton CO ₂ e)	1,196,188.99	1,539,904	1,545,314	1,583,416	1,692,230

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 on page 164.

Share statistics

as at September 2020

Shareholding

Ordinary shares in issue	Number of shareholders	%	Number of shares ⁽¹⁾	% of shares in issue
1 – 5,000	7,512	85.8	3,607,542	0.7
5,001 – 10,000	250	2.9	1,852,531	0.3
10,001 – 50,000	395	4.5	9,590,328	1.8
50,001 – 100,000	162	1.9	11,478,259	2.1
100,001 – 1,000,000	346	4.0	107,339,644	19.7
Over 1,000,000	78	0.9	412,230,707	75.4
	8,743	100.0	546,099,011	100.0

⁽¹⁾ The number of shares excludes 1,761,527 treasury shares held by the group.

Shareholder spread

Type of shareholder	% of shares in issue
Non-public	0.5
Sappi Limited directors and prescribed officers	0.5
Associates of group directors	–
Trustees of the company's share and retirement funding schemes	–
Shareowners who, by virtue of any agreement, have the right to nominate board members	–
Share owners interested in 10% or more of the issued shares	–
Public (the number of public shareholders as at September 2020 was 8,732)	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, No 71 of 2008, as amended 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 2020, the following are beneficial holders of more than 5% of the issued share capital of Sappi Limited:

Beneficial holder	Shares	%
Public Investment Corporation	109,237,995	20.0
Allan Gray Balanced Fund	35,321,140	6.5
Alexander Forbes Investments	27,399,324	5.0

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 2020, the following fund managers were responsible for managing 5% or more of the share capital of Sappi Limited:

Fund manager	Shares	%
Allan Gray Pty Limited	101,437,748	18.6
Public Investment Corporation	90,211,054	16.5
Prudential Investment Managers	65,214,855	11.9
Ninety One Plc	58,132,747	10.6

Share statistics	2020	2019	2018	2017	2016
Ordinary shares in issue (millions) ⁽¹⁾	546.1	542.8	539.3	535.0	530.6
Net asset value per share (US cents)	299	359	361	327	260
Number of shares traded (millions)					
JSE	736.3	537.1	557.4	630.7	544.7
New York	2.0	0.3	0.4	3.1	0.9
Value of shares traded					
JSE (ZAR million)	24,509.3	33,141.3	49,837.1	54,760.0	35,428.6
New York (US\$ million)	4.0	1.5	2.9	20.3	4.2
Percentage of issued shares traded	135.2	99.0	103.4	118.5	102.8
Market price per share					
– year end					
JSE (South African cents)	2,377	3,629	8,875	9,206	7,226
New York (US cents)	151	251	639	681	522
– highest					
JSE (South African cents)	4,799	9,059	10,579	10,438	7,942
New York (US cents)	345	640	749	797	522
– lowest					
JSE (South African cents)	1,720	3,542	7,180	6,953	3,982
New York (US cents)	107	241	613	509	282
Earnings yield (%) ⁽²⁾	negative	16.29	9.56	9.28	11.39
Price/earnings ratio (times) ⁽²⁾	negative	6.14	10.46	10.78	8.78
Total market capitalisation (US\$ million) ⁽²⁾	758	1,300	3,383	3,633	2,796

⁽¹⁾ The number of shares excludes 1,761,527 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 on page 164.

Glossary

General definitions

AGM – Annual General Meeting.

AF&PA – American Forest and Paper Association.

air dry tons (ADT) – Meaning dry solids content of 90% and moisture content of 10%.

BCTMP – Bleached Chemi-Thermo Mechanical Pulp.

biochemicals – Enzymes, hormones, pheromones etc, which either occur naturally or are manufactured to be identical to naturally occurring substances. Biochemicals have many environment-friendly applications, such as natural pesticides that work in non-lethal ways as repellents or by disrupting the mating patterns of the pests.

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 supports 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.

casting and release paper – Embossed paper used to impart design in polyurethane or polyvinyl chloride plastic films for the production of synthetic leather and other solid textured surfaces.

CEPI – Confederation of European Paper Industries.

Cham Paper Group Holding AG (CPG) – Speciality paper business acquired by Sappi, which included CPG's Carmignano and Condino Mills (Italy) and its digital imaging business located in Cham (Switzerland) as well as all brands and know-how.

chemical oxygen demand (COD) – The amount of oxygen required to break down the organic compounds in effluent.

chemical pulp – A generic term for pulp made from woodfibre that has been produced in a chemical process.

CHP – Combined heat and power.

coated mechanical paper (CM) – Coated paper made from groundwood pulp which has been produced in a mechanical process, primarily used for magazines, catalogues and advertising material.

coated paper – Papers that contain a layer of coating material on one or both sides. The coating materials, consisting of pigments and binders, act as a filler to improve the printing surface of the paper.

coated woodfree paper (CWF) – Coated paper made from chemical pulp which is made from woodfibre that has been produced in a chemical process, primarily used for high-end publications and advertising material.

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 spin fibre and filament.

EIA – Environmental impact assessment.

ESG – Environmental, social and corporate governance.


energy – Is present in many forms such as solar, mechanical, thermal, electrical and chemical. Any source of energy can be tapped to perform work. In power plants, coal is burned and its chemical energy is converted into electrical energy. To generate steam, coal and other fossil fuels are burned, thus converting stored chemical energy into thermal energy.

fibre – Fibre is generally referred to as pulp in the paper industry. Wood is treated chemically or mechanically to separate the fibres during the pulping process.

fine paper – Paper usually produced from chemical pulp for printing and writing purposes and consisting of coated and uncoated paper.

FMCG – Fast-moving consumer goods. Examples include non-durable goods such as packaged foods, beverages, toiletries, over-the-counter medicines and many other consumables.

FSA – Forestry South Africa.

Forest Stewardship Council (FSC) – A global, not-for-profit organisation dedicated to the promotion of responsible forest management world-wide.
(<https://ic.fsc.org/en>) 

full-time equivalent employee – The number of total hours worked divided by the maximum number of compensable hours in a full-time schedule as defined by law.

graphic papers – A generic term for a group of papers intended for commercial printing use such as coated woodfree, coated mechanical, uncoated woodfree and newsprint.

greenhouse gases (GHG) – The GHGs included in the Kyoto Protocol are carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.

hemicellulose sugars – The biorefinery process for second generation hemicellulose sugars involves recovering them from the prehydrolysis liquor, and then separating them mostly from lignin.

ISO – The International Organization for Standardization.

JSE Limited – The main securities exchange in South Africa.

kraft paper – Packaging or other paper (bleached or unbleached) made from kraft pulp.

kraft pulp – Chemical wood pulp produced by digesting wood by means of the sulphate pulping process.

Kyoto Protocol – A document signed by over 160 countries at Kyoto, Japan in December 1997 which commits signatories to reducing their emission of GHG relative to levels emitted in 1990.

lignosulphonate – Lignosulphonate is a highly soluble lignin derivative and a product of the sulphite pulping process.

linerboard – The grade of paperboard used for the exterior facings of corrugated board. Linerboard is combined with corrugating medium by converters to produce corrugated board used in boxes.

liquor – White liquor is the aqueous solution of sodium hydroxide and sodium sulphide used to extract lignin during kraft pulping. Black liquor is the resultant combination of lignin, water and chemicals.

lost-time injury frequency rate (LTIFR) – Number of lost time injuries x 200,000 divided by man hours.

managed forest – Naturally occurring forests that are harvested and managed commercially.

market pulp – Pulp produced for sale on the open market, as opposed to that produced for own consumption in an integrated mill.

mechanical pulp – Pulp produced by means of the mechanical grinding or refining of wood or woodchips.

nanocellulose – Cellulose is the main component of plant stems, leaves and roots. Traditionally, its main commercial use was in producing paper and textiles. Nanocellulose is derived from further processing cellulose to a smaller size fraction or nano scale. These engineered celluloses open up opportunities for advanced, planet-friendly solutions in place of environmentally harmful products.

natural/indigenous forest – Pristine areas not used commercially.

NBHK – Northern Bleached Hardwood Kraft pulp. One of the varieties of market pulp, produced from hardwood trees (ie birch or aspen) in Scandinavia, Canada and northern United States of America.

NBSK – Northern Bleached Softwood Kraft pulp. One of the main varieties of market pulp, produced from coniferous trees (ie spruce, pine) in Scandinavia, Canada and northern United States of America. The price of NBSK is a benchmark widely used in the pulp and paper industry for comparative purposes.

newsprint – Paper produced for the printing of newspapers mainly from mechanical pulp and/or recycled waste paper.

NGO – Non-governmental organisation.

NPO – Non-profit organisation.

OHSAS – An international health and safety standard.

OTC – Over-the-counter trading of shares.

Packaging and speciality papers – A generic term for a group of papers intended for commercial and industrial use such as flexible packaging, label papers, functional papers, containerboard, paperboard, silicone base papers, casting and release

papers, dye sublimation papers, inkjet papers and tissue paper.

packaging paper – Paper used for packaging purposes.

PAMSA – Paper Manufacturers' Association of South Africa.

Programme for the Endorsement of Forest Certification™ (PEFC™) – An international non-profit, NGO dedicated to promoting sustainable forest management (SFM) through independent third-party certification. PEFC™ works by endorsing national forest certification systems and is represented in 49 countries through national organisations such as SFI® in North America.
(<https://www.pefc.org>) 

plantation – Large scale planted forests, intensively managed, highly productive and grown primarily for wood and fibre production.

PM – Paper machine.

power – The rate at which energy is used or produced.

pulpwood – Wood suitable for producing pulp – usually not of sufficient standard for sawmilling.

raster – A rectangular pattern of parallel scanning lines followed by the electron beam on a television screen or computer monitor.

release paper – Based paper used in the production of making release liners, the backing paper for self-adhesive labels.

sackkraft – Kraft paper used to produce multi-wall paper sacks.

Sappi Biotech – The business unit within Sappi which drives innovation and commercialisation of biomaterials and biochemicals.

Sappi Europe (SEU) – The business unit within Sappi which oversees operations in the European region.

Sappi Dissolving Pulp (DP) – The business unit within Sappi which oversees the production and marketing of DP.

Glossary continued

Sappi North America (SNA) – The business unit within Sappi which oversees operations in the North American region.

Sappi Southern Africa (SSA) – The business unit within Sappi which oversees operations in the Southern Africa region.

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®) – 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 in the PEFC program. (<https://www.forests.org>) 

thermo-mechanical pulp – Pulp produced by processing woodfibres using heat and mechanical grinding or refining wood or woodchips.

ton – Metric ton of 1,000 kg.

total suspended solids (TSS) – Refers to matter suspended or dissolved in effluent.

tons per annum (tpa) – Term used in this report to denote tons per annum (tons a year). Capacity figures in this report denote tons per annum at maximum continuous run rate.

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 anticorruption.

UN SDGs – United Nations Sustainable Development Goals.

viscose staple fibre (VSF) – A natural fibre made from purified cellulose, primarily from DP that can be twisted to form yarn.

woodfree paper – Paper made from chemical pulp.

World Wide Fund for Nature (WWF) – The world’s largest conservation organisation, focused on supporting biological diversity.

General financial definitions

acquisition date – The date on which control in respect of subsidiaries, joint control in respect of joint arrangements and significant influence in associates commences.

associate – An entity over which the investor has significant influence.

basic earnings per share – Net profit for the year divided by the weighted average number of shares in issue during the year.

commissioning date – The date that an item of property, plant and equipment, whether acquired or constructed, is brought into use.

compound annual growth rate – Is the mean annual growth rate of an investment over a specified period of time longer than one year.

control – An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

diluted earnings per share – Is calculated by assuming conversion or exercise of all potentially dilutive shares, share options and share awards unless these are anti-dilutive.

discount rate – This is the pre-tax interest rate that reflects the current market assessment of the time value of money for the purposes of determining discounted cash flows. In determining the cash flows the risks specific to the asset or liability are taken into account in determining those cash flows and are not included in determining the discount rate.

disposal date – The date on which control in respect of subsidiaries, joint arrangements and significant influence in associates ceases.

fair value – The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

financial results – Comprise the financial position (assets, liabilities and equity), results of operations (revenue and expenses) and cash flows of an entity and of the group.

foreign operation – An entity whose activities are based or conducted in a country or currency other than that of the reporting entity.

functional currency – The currency of the primary economic environment in which the entity operates.

group – The group comprises Sappi Limited, its subsidiaries and its interest in joint ventures and associates.

joint arrangement – Is an arrangement of which two or more parties have joint control.

joint venture – Is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

operation – A component of the group:

- That represents a separate major line of business or geographical area of operation that is distinguished separately for financial and operating purposes.

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 International Financial Reporting Standards (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.

current asset ratio – Current assets divided by current liabilities.

dividend yield – Dividends per share, which were declared after year end, in US cents divided by the financial year-end closing prices on the JSE Limited converted to US cents using the closing financial year-end exchange rate.

earnings yield – Earnings per share divided by the financial year-end closing prices on the JSE Limited converted to US cents using the closing financial year-end exchange rate.

EBITDA excluding special items – Earnings before interest (net finance costs), taxation, depreciation, amortisation and special items.

EPS excluding special items – Earnings per share excluding special items and certain once-off finance and tax items.

fellings – The amount charged against the income statement representing the standing value of the plantations harvested.

GAAP – Generally accepted accounting principles.

headline earnings – As defined in Circular 1/2019, issued by the South African Institute of Chartered Accountants in December 2019, 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.

Glossary continued

net operating assets – Total assets (excluding deferred taxation and cash and cash equivalents) less current liabilities (excluding interest-bearing borrowings, lease liabilities and overdraft).

ordinary dividend cover – Profit for the period divided by the ordinary dividend declared, multiplied by the actual number of shares in issue at year end.

ordinary shareholders' interest per share – Shareholders' equity divided by the actual number of shares in issue at year end.

price/earnings ratio – The financial year-end closing prices on the JSE Limited converted to US cents using the closing financial year-end exchange rate divided by earnings per share.

revolving credit facility (RCF) – A variable line of credit used by public and private businesses.

ROCE – Return on average capital employed. Operating profit excluding special items divided by average capital employed.

ROE – Return on average equity. Profit for the period divided by average shareholders' equity.

RONOA – Return on average net operating assets. Operating profit excluding special items divided by average net operating assets.

SG&A – Selling, general and administrative expenses.

special items – Special items cover those items which management believe are material by nature or amount to the operating results and require separate disclosure. Such items would generally include profit or loss on disposal of property, investments and businesses, asset impairments, restructuring charges, non-recurring integration costs related to acquisitions, financial impacts of natural disasters, non-cash gains or losses on the price fair value adjustment of plantations and alternative fuel tax credits receivable in cash.

total market capitalisation – Ordinary number of shares in issue (excluding treasury shares held by the group) multiplied by the financial year-end closing prices on the JSE Limited converted to US cents using the closing financial year-end exchange rate.

trade receivables days outstanding (including securitised balances) – Gross trade receivables, including receivables securitised, divided by sales multiplied by the number of days in the year.

Notice to shareholders

Notice of Annual General Meeting (AGM)

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)

Shareholders will be aware of the evolving Covid-19 pandemic and the measures taken by the South African government to prevent its spread, including guidelines on physical distancing, and limits on public gatherings. These all impact the manner in which traditional shareholder meetings are held. In line with these measures the board has, in accordance with Sappi's MOI, resolved to hold the Annual General Meeting electronically on **Wednesday, 03 February 2021 at 14:00**.

Record date

The record date on which shareholders must be recorded as such in the register maintained by the transfer secretaries for the purposes of determining which shareholders are entitled to receive this Notice of Annual General Meeting is Friday, 4 December 2020 (notice record date). This Notice of Annual General Meeting will be posted to shareholders on Thursday, 17 December 2020 and this will be announced on the Stock Exchange News Service, the official news service of the JSE, on the same date.

The last day to trade in order to be eligible to attend and vote electronically at the Annual General Meeting is Tuesday, 26 January 2021.

The record date to determine which shareholders are entitled to attend electronically and vote at the AGM is Friday, 29 January 2021.

1. Ordinary resolution number 1: Presentation of annual financial statements

Ordinary resolution number 1 is proposed to present the annual financial statements of the company for the year ended September 2020, including the Directors' Report, the report of the auditors and the report of the Audit and Risk Committee.

Abridged or summarised financial statements are contained in the Chief Financial Officer's Report of the Annual Integrated Report (see page 98). The complete Group Annual Financial Statements for the year ended September 2020 are available on the Sappi website: www.sappi.com

"Resolved that the Group Annual Financial Statements for the year ended September 2020 of the company, including the Directors' Report, the report of the auditors and the report of the Audit and Risk Committee, be and are hereby received and accepted."

(In order for this resolution to be adopted, the support of more than 50% of the voting rights exercised on the resolution by shareholders present or represented by proxy at the AGM and entitled to exercise voting rights on the resolution is required.)

2. Ordinary resolutions numbers 2.1 to 2.4: Re-election of the directors retiring by rotation in terms of Sappi's Memorandum of Incorporation

The board has evaluated the performances of each of the directors who are retiring by rotation and recommends and supports the re-election of each of them. For brief biographical details of those directors, refer to note 1 in **Notice to shareholders** on page 176.

It is intended that all the directors who retire by rotation will, if possible, attend the AGM by means of videoconferencing.

In order for these resolutions 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 proxy at the AGM and entitled to exercise voting rights on the resolution is required:

Notice to shareholders continued

Ordinary resolution number 2.1

"Resolved that Ms Z Malinga is re-elected as a director of Sappi."

Ordinary resolution number 2.2

"Resolved that Mr V Moosa is re-elected as a director of Sappi."

Ordinary resolution number 2.3

"Resolved that Mr RJAM Renders is re-elected as a director of Sappi."

Ordinary resolution number 2.4

"Resolved that Sir Nigel Rudd is re-elected as a director of Sappi."

3. Ordinary resolution number 3: Election of Audit and Risk Committee members

Ordinary resolution number 3 is proposed to elect the members of the Audit and Risk Committee in terms of section 94(2) of the South African Companies Act, 71 of 2008 (as amended) (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 of the company must elect an Audit and Risk Committee comprising at least three members.

The Nomination and Governance Committee assessed the performance and independence of each of the directors proposed to be members of the Audit and Risk Committee and the board considered and accepted the findings of the Nomination and Governance Committee. 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 and Risk 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 member of the Audit and Risk Committee are included in the biographies of all directors contained under **Our Leadership** of the Annual Integrated Report (see page 120).

"Resolved that an Audit and Risk Committee be and is hereby elected, by separate election to the committee of the following independent directors:

3.1	Mr NP Mageza	Chairman
3.2	Ms ZN Malinga	Member*
3.3	Dr B Mehlomakulu	Member
3.4	Mr RJAM Renders	Member*
3.5	Ms JE Stipp	Member

in terms of the Companies Act, to hold office until the conclusion of the next AGM and to perform the duties and responsibilities stipulated in section 94(7) of the Companies Act and in King IV and to perform such other duties and responsibilities as may from time to time be delegated to it by the board."

In order for these resolutions 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 proxy at the AGM and entitled to exercise voting rights on the resolution is required.

* Subject to his/her re-election as a director pursuant to ordinary resolution number 2.1 and 2.3, respectively.

4. Ordinary resolution number 4: Appointment of auditors

The board has evaluated the performance of KPMG Inc. and recommends their re-appointment as auditors of Sappi.

"Resolved that KPMG Inc. (with the designated registered auditor to be Mr Coenie Basson) be re-appointed as the auditors of Sappi for the financial year ending September 2021 and to remain in office until the conclusion of the next AGM."

In order for this resolution to be adopted, the support of more than 50% of the voting rights exercised on the resolution by shareholders present or represented by proxy at the AGM and entitled to exercise voting rights on the resolution is required.

5. Ordinary resolution number 5: Specific authority to issue ordinary shares

"Resolved in accordance with paragraph 5.51(g) of the Listings Requirements, that:

the company, in accordance with the terms and conditions (the terms and conditions) of the ZAR1,800,000,000 convertible bonds due 26 November 2025 issued by Sappi Southern Africa Limited on 25 November 2020 (convertible bonds), be and is hereby authorised to issue ordinary shares in the company to those holders of the convertible bonds who have exercised their rights to convert the convertible bonds into ordinary shares in the company and that the board be authorised to take all the steps and actions that may be required to issue those ordinary shares to those holders in accordance with the terms and conditions. The number of ordinary shares to be issued to a holder of a convertible bond who has exercised any right to convert convertible bonds into ordinary shares will be determined in accordance with the terms and conditions; and

unless adjusted in terms of the terms and conditions, the principal amount of the convertible bonds will be convertible into ordinary shares in the company at an initial conversion price of approximately ZAR33.1636 (thirty three Rand and sixteen cents) per ordinary share, subject to the terms and conditions,

provided that the number of ordinary shares that may be issued in terms of this resolution is limited to a maximum of 66,000,000,000 (sixty six million) ordinary shares."

Shareholders are referred to the circular to shareholders (the specific authority circular) posted on the same date as the date of this Notice of Annual General Meeting setting out the relevant details in respect of this resolution, as required by the Listings Requirements. A copy of the specific authority circular has been posted to shareholders on the same date as this Notice of Annual General Meeting and can also be accessed on the company's website on www.sappi.com.

Pursuant to the Listings Requirements, in order for this resolution to be adopted, the support of more than 75% of the voting rights exercised on the resolution by shareholders present or represented by proxy at the AGM and entitled to exercise voting rights on the resolution is required. Shareholders, including their associates as defined in the Listings Requirements, who have participated in the convertible bond offering will not have their votes taken into account in determining whether this resolution has been approved by the requisite majority.

6. Ordinary resolution number 6: Remuneration policy

"Resolved as an ordinary resolution, that the company's remuneration policy as contained under **Remuneration Report** of the Annual Integrated Report (see page 138), be and is hereby endorsed by way of a non-binding advisory vote."

This non-binding advisory vote is being proposed in accordance with the recommendations of King IV.

In order for this resolution to be adopted, the support of more than 50% of the voting rights exercised on the resolution by shareholders present or represented by proxy at the AGM and entitled to exercise voting rights on the resolution is required.

7. Ordinary resolution number 7: Remuneration implementation report

"Resolved as an ordinary resolution, that the company's remuneration implementation report under **Remuneration Report** of the Annual Integrated Report (see page 138), be and is hereby endorsed by way of a non-binding advisory vote."

This further non-binding advisory vote is being proposed in accordance with the recommendations of King IV.

In order for this resolution to be adopted, the support of more than 50% of the voting rights exercised on the resolution by shareholders present or represented by proxy at the AGM and entitled to exercise voting rights on the resolution is required.

Notice to shareholders continued

8. Special resolution number 1: Non-executive directors' fees

"Resolved that, with effect from 01 October 2020 and until otherwise determined by Sappi in general meeting, the remuneration of the non-executive directors for their services shall be as follows:

Fee structure

	Fees
1. Sappi board fees⁽¹⁾	
Chairperson	
If United Kingdom resident	£319,940 ⁽²⁾
Lead independent director	
If South African resident	ZAR674,450
If United Kingdom resident	£70,070
If United States of America resident	US\$105,820
If European resident	€93,500
Other directors	
If South African resident	ZAR450,750
If United Kingdom resident	£46,670
If United States of America resident	US\$70,540
If European resident	€62,290
2. Audit and Risk Committee fees⁽¹⁾	
Chairperson	
If South African resident	ZAR468,050
If United Kingdom resident	£47,390
If United States of America resident	US\$73,060
If European resident	€63,240
Other directors	
If South African resident	ZAR234,030
If United Kingdom resident	£23,830
If United States of America resident	US\$35,680
If European resident	€31,790
3. Human Resources and Compensation Committee, Nomination and Governance Committee, Social, Ethics, Sustainability and Transformation Committee and any other committee fees⁽¹⁾	
Chairperson	
If South African resident	ZAR281,400
If United Kingdom resident	£28,160
If United States of America resident	US\$41,750
If European resident	€37,570
Other directors	
If South African resident	ZAR146,450
If United Kingdom resident	£19,730
If United States of America resident	US\$25,500
If European resident	€26,330
4. Additional meeting fees for board meetings in excess of five meetings per annum whether attended in person or by teleconference/video-conference	
If South African resident	ZAR45,190 per meeting
If United Kingdom resident	£4,630 per meeting
If United States of America resident	US\$7,050 per meeting
If European resident	€6,170 per meeting

	Fees
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
If United Kingdom resident	US\$3,800 per meeting
If United States of America resident	US\$3,800 per meeting
If European resident	US\$3,800 per meeting

⁽¹⁾ Fees per annum unless otherwise indicated.

⁽²⁾ Inclusive of all board committee fees. If a future Chairperson is not United Kingdom domiciled, appropriate benchmark information in relation to his/her domicile will be used to determine fees payable.

Sappi's practice, as recorded previously, is to review directors' fees annually. However, as a result of Covid-19-related issues, the non-executive directors agreed not to increase the fees for the ensuing year. This is in line with no increases granted to executive directors of the company.

Non-executive directors' fees are paid quarterly (in March, June, September and December each year). The practice has been and will continue to be that directors' fees and board committee fees are paid to non-executive directors only.

In order for this resolution to be adopted, the support of at least 75% of the voting rights exercised on the resolution by shareholders present or represented by proxy at the AGM and entitled to exercise voting rights on the resolution is required.

9. Special resolution number 2: Financial assistance

"Resolved that, to the extent required by sections 44 and/or 45 of the Companies Act, the board may, subject to the provisions of the Companies Act, the company's Memorandum of Incorporation and the requirements of any recognised stock exchange on which the shares of the company may from time to time be listed, authorise the company to provide direct or indirect financial assistance to any related or inter-related (as defined in the Companies Act) company or corporation of the company, on terms and conditions which the directors may determine, commencing on the date of passing of this resolution and ending at the next meeting."

In order for this resolution to be adopted, the support of at least 75% of the voting rights exercised on the resolution by shareholders present or represented by proxy at the AGM and entitled to exercise voting rights on the resolution is required.

10. Ordinary resolution number 8: Signature of documents

"Resolved that any director of Sappi is authorised to sign all such documents and do all such things as may be necessary for or incidental to the implementation of the resolutions passed at the AGM held on 03 February 2021 or any adjournment thereof."

In order for this resolution to be adopted, the support of more than 50% of the voting rights exercised on the resolution by shareholders present or represented by proxy at the AGM and entitled to exercise voting rights on the resolution is required.

11. To receive a report from the Social, Ethics, Transformation and Sustainability (SETS) Committee

Shareholders are referred to the Social, Ethics, Transformation and Sustainability (SETS) Committee Report in the Annual Integrated Report (see page 156).

Notice to shareholders continued

Proxies

Shareholders who are recorded as such in the register maintained by the transfer secretaries on the record date ("qualifying shareholders") are entitled to appoint one or more proxies to attend, speak and on a poll to vote in their stead. A proxy need not be a shareholder. For the convenience of shareholders, a form of proxy is enclosed.

The attached form of proxy is only to be completed by qualifying shareholders 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 JSE's electronic settlement system (Strate Limited) and are recorded in the sub-register in own name dematerialised form (i.e. shareholders who have specifically instructed their Central Securities Depository Participant (CSDP) or broker to hold their shares in their own name on Sappi's sub-register).

Qualifying shareholders who have dematerialised their Sappi shares and who are not registered as own name dematerialised shareholders and who wish to:

- attend the AGM (electronically) must instruct their CSDP or brokers to provide them with a letter of representation to enable them to attend such meeting, or
- vote, 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 a qualifying shareholder must not complete the attached form of proxy.

When authorised to do so, CSDPs or brokers recorded in Sappi's sub-register or their nominees should vote either by appointing a duly authorised representative to attend and vote at the AGM to be held on 03 February 2021 or any adjournment thereof or by completing the attached form of proxy and returning it to one of the addresses indicated on the form of proxy in accordance with the instructions thereon.

Electronic participation by shareholders

As a result of the continuing uncertainty around restrictions placed on public gatherings, and the social distancing requirements relating to the Covid-19 pandemic, which may continue to be in force as at the date of the Annual General Meeting, the Annual General Meeting will be conducted entirely by way of electronic communication and electronic facilities.

The company will offer qualifying shareholders (or their representatives or proxies) reasonable access through electronic facilities and a virtual meeting platform to participate in the Annual General Meeting.

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 Annual General Meeting through electronic facilities; and
- vote during the Annual General Meeting through a virtual meeting platform.

Qualifying shareholders are invited to request such access by sending an email (a participation request) to be received by no later than 14:00 (South African Standard Time) on Monday, 01 February 2021 to the transfer secretaries at proxy@computershare.co.za or by 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 to enable it (or its representative or proxy) to participate and/or vote in the Annual General Meeting (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, to be received by no later than **14:00 (South African Standard Time) on Monday, 01 February 2021**. If a qualifying shareholder does not email a participation request complying with the above requirement 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, to be received prior to the commencement of the Annual General Meeting. Qualifying shareholders should nevertheless be aware that if they send a participation request near to the time of commencement of the Annual General Meeting, 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 Annual General Meeting; (ii) the transfer secretaries will not have sufficient time to send the connection details notice; or (iii) the connection details notice will not reach the qualifying shareholder prior to the commencement of the Annual General Meeting.

In relation to a participation request received by the transfer secretaries from a qualifying shareholder:

- by **14:00 (South African Standard Time) on Monday, 01 February 2021**, the transfer secretaries will use reasonable endeavours, to email the connection details notice by no later than **14:00 (South African Standard Time) on Tuesday, 02 February 2021**; or
- after **14:00 (South African Standard Time) on Monday, 01 February 2021** but prior to the commencement of the Annual General Meeting, 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, please send an email to proxy@computershare.co.za.

Management and the board will be available during the Annual General Meeting, through the electronic facilities, to address any matters which are raised relating to the resolutions to be tabled in the Annual General Meeting.

Sappi will make the platform and electronic facilities available at no cost to the user. However, any third-party costs relating to the use of, or access to, the 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; or
- any loss arising in any way from the use of the platform or electronic facilities including, without limitation, any malfunctioning or other failure of the platform or facilities, or any failure of any email to reach, or delay in any email reaching, its intended destination, in the case of all of the aforementioned whether or not as a result of any act or omission on the part of the company, the transfer secretaries or anyone else.

Questions

The board encourages shareholders to participate and to ask questions at the AGM. In order to facilitate the answering of questions at the meeting, shareholders who wish to ask questions in advance are encouraged to submit their questions in writing to the Group Company Secretary by 17:00 on Friday, 29 January 2021 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

Secretaries: per A Mahendranath
Group Company Secretary
Sappi Southern Africa Limited
108 Oxford Road
Houghton Estate
Johannesburg, 2198
South Africa

17 December 2020

Notice to shareholders continued

Notes

1. Directors retiring by rotation who are seeking re-election

Zola Nwabisa Malinga (42)

(Independent)

Qualifications: BCom, CA(SA)

Nationality: South African

Appointed: October 2018

Sappi board committee membership

- Audit and Risk Committee

Other board and organisation memberships

- Grindrod Bank Limited
- Grindrod Financial Holdings Limited

Skills, expertise and experience

Mrs Malinga, a Chartered Accountant, has extensive experience in investment banking and corporate finance. She is the founder and Executive Director of Jade Capital Partners, a women-owned investment holding company which invests in the property and industrial sectors. She was previously a director in the Real Estate Finance Division of Standard Bank where she was also a member of the Executive and Deal Approval Committees. Prior to this, she was an Investment Banker at Standard Bank and a Corporate Finance Consultant at Investec Bank Limited. Mrs Malinga previously served as a non-executive director on Sasol Inzalo Limited, Hospitality Property Fund Limited and Grindrod Limited.

Mohammed Valli Moosa (Valli) (63)

(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 United Kingdom and in a number of African countries. He served on the board of transport and logistics company, Imperial Holdings. Imperial operates in Sub-Saharan Africa, Brazil, The Netherlands, Germany and the United Kingdom. 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 UN Commission for Sustainable Development; Chairman of WWF(SA) 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.

Robertus Johannes Antonius Maria Renders (Rob Jan) (67)

(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)

Skills, expertise and experience:

Currently a business consultant, Mr Renders was a member of the board of Duropack GmbH from 2012 until the end of May 2015, as well as Chief Executive Officer 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 specialised in sustainable packaging and engineered material solutions.

Sir Nigel Rudd (73)

(Independent Chairman)

Qualifications: DL, Chartered Accountant

Nationality: British

Appointed: April 2006

Sappi board committee memberships

- Nomination and Governance Committee (Chairman)
- Attends Audit and Risk Committee, Human Resources and Compensation Committee and Social, Ethics, Transformation and Sustainability Committee meetings ex officio

Other board and organisation memberships

- Signature Aviation plc (Chairman)
- Meggitt plc (Chairman)

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 and the company went on to become one of the largest industrial holding companies in the United Kingdom. He was knighted by the queen for services to the manufacturing industry in the UK in 1996 and holds honorary doctorates from Loughborough and Derby Universities.

Shareholders' diary

Annual General Meeting	03 February 2021
First quarter results released	February 2021
Second quarter and half-year results released	May 2021
Third quarter results released	August 2021
Financial year end	September 2021
Preliminary fourth quarter and year results	November 2021
Annual Integrated Report posted to shareholders and posted on website	December 2021

Proxy form

for the Annual General Meeting

Sappi Limited

(Registration number: 1936/008963/06)
 (Incorporated in the Republic of South Africa)
 (Sappi or the company)
 Issuer code: SAP
 JSE code: SAP
 ISIN code: ZAE000006284

For use by shareholders who:

- hold shares in certificated form; or
- hold dematerialised shares (ie where the paper share certificates representing the shares have been replaced with electronic records of ownership under the electronic settlement and depository system (Strate Limited of the JSE Limited) and are recorded in Sappi's sub-register with own name registration (ie shareholders who have specifically instructed their Central Securities Depository Participant (CSDP) to record the holding of their shares in their own name in Sappi's sub-register).

If you are unable to attend the eighty-fourth Annual General Meeting of the members to be held at 14:00 on Wednesday, 03 February 2021 you should complete and return the form of proxy as soon as possible, but in any event to be received by not later than 14:00 South African time on Monday, 01 February 2021, to Sappi's transfer secretaries, Computershare Investor Services Proprietary Limited, by way of hand delivery to Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, Republic of South Africa or by way of postal delivery to Private Bag X9000, Saxonwold, 2132, Republic of South Africa or handed to the chairman of the Annual General Meeting before the appointed proxy exercises any of the relevant shareholder's rights.

Shareholders who have dematerialised their shares and who do not have own name registration and wish to attend the Annual General Meeting, must instruct their CSDP or broker to provide them with the relevant letter of representation to enable them to attend such meeting, or, alternatively, should they wish to vote, but not to attend the Annual General Meeting, they must provide their CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker. **Such shareholders must not complete this form of proxy.**

I/We

of

being a shareholder(s) of Sappi holding _____ Sappi shares and entitled to vote at the abovementioned Annual General Meeting, appoint or failing him/her

or failing him/her

or failing him/her, the chairman of the meeting as my/our proxy to attend and speak and, on a poll, to vote for me/us on the resolutions to be proposed (with or without modification) at the Annual General Meeting of Sappi to be held at 14:00 on Wednesday, 03 February 2021 or any adjournment thereof, as follows:

	Number of shares		
	For	Against	Abstain
Ordinary resolution number 1 – Receipt and acceptance of 2020 Group Annual Financial Statements, including Directors' Report, Auditors' Report and Audit and Risk Committee Report			
Ordinary resolution number 2 – Re election of directors retiring by rotation in terms of Sappi's Memorandum of Incorporation ⁽¹⁾			
Ordinary resolution number 2.1 – Re-election of Ms ZN Malinga as a director of Sappi			
Ordinary resolution number 2.2 – Re-election of Mr V Moosa as a director of Sappi			
Ordinary resolution number 2.3 – Re-election of Mr RJAM Renders as a director of Sappi			
Ordinary resolution number 2.4 – Re-election of Sir Nigel Rudd as a director of Sappi			
Ordinary resolution number 3 – Election of Audit and Risk Committee members			
Ordinary resolution number 3.1 – Election of Mr NP Mageza as member and Chairman of the Audit and Risk Committee			
Ordinary resolution number 3.2 – Election of Ms ZN Malinga as a member of the Audit and Risk Committee ⁽²⁾			
Ordinary resolution number 3.3 – Election of Dr B Mehloimakulu as a member of the Audit and Risk Committee			
Ordinary resolution number 3.4 – Election of Mr RJAM Renders as a member of the Audit and Risk Committee ⁽²⁾			
Ordinary resolution number 3.5 – Election of Ms JE Stipp as a member of the Audit and Risk Committee			
Ordinary resolution number 4 – Re-appointment of KPMG Inc. as auditors of Sappi for the year ending September 2020 and until the next Annual General Meeting of Sappi			
Ordinary resolution number 5 – Specific authority to issue ordinary shares			
Ordinary resolution number 6 – Non-binding endorsement of remuneration policy			
Ordinary resolution number 7 – Non-binding endorsement of remuneration implementation report			
Special resolution number 1 – Non executive directors' fees			
Special resolution number 2 – Authority for loans or other financial assistance to related or inter-related companies or corporations			
Ordinary resolution number 8 – Authority for directors to sign all documents and do all such things necessary to implement the above resolutions			

⁽¹⁾ See notes in Notice to shareholders on page 176.

⁽²⁾ Subject to his/her re-election as a director pursuant to ordinary resolution 2.1 and 2.3 above.

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

on

Assisted by me (where applicable)

Each shareholder is entitled to appoint one or more proxies (who need not be shareholders of Sappi) to attend, speak, and on a poll, vote in place of that shareholder at the Annual General Meeting or any adjournment thereof.

Notes to the proxy

The form of proxy must only be used by certificated shareholders or shareholders who hold dematerialised shares with own name registration. Other shareholders are reminded that the onus is on them to communicate with their CSDP or broker.

Instructions on signing and lodging the Annual General Meeting proxy form

1. A deletion of any printed matter (only where a shareholder is allowed to choose between more than one alternative option) and the completion of any blank spaces need not be signed or initialled. Any alteration must be signed, not initialled.
2. The chairman shall be entitled to decline to accept the authority of the signatory:
 - 2.1 under a power of attorney, or
 - 2.2 on behalf of a company,
 - if the power of attorney or authority has not been lodged at the offices of the Company's transfer secretaries, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, Republic of South Africa or posted to Private Bag X9000, Saxonwold, 2132, Republic of South Africa.
3. The signatory may insert the name(s) of any person(s) whom the signatory wishes to appoint as his/her proxy in the blank spaces provided for that purpose.
4. When there are joint holders of shares and if more than one of such joint holders is present or represented, the person whose name stands first in the register in respect of such shares or his/her proxy, as the case may be, shall alone be entitled to vote in respect thereof.
5. The completion and lodging of the form of proxy will not preclude the signatory from attending the meeting and speaking and voting electronically thereat to the exclusion of any proxy appointed in terms hereof should such signatory wish to do so.
6. Forms of proxy must be lodged with, or posted to, the offices of Sappi's transfer secretaries, Computershare Investor Services Proprietary Limited, at Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, Republic of South Africa (for hand delivery) or Private Bag X9000, Saxonwold, 2132, Republic of South Africa (for postal delivery), to be received by not later than 14:00 on Monday, 01 February 2021 or handed to the chairman of the Annual General Meeting before the appointed proxy exercises any of the relevant shareholder's rights.
7. If the signatory does not indicate in the appropriate place on the face hereof how he/she wishes to vote in respect of a particular resolution, his/her proxy shall be entitled to vote as he/she deems fit in respect of that resolution.
8. The chairman of the Annual General Meeting may reject any proxy form which is completed other than in accordance with these instructions and may accept any proxy form when he is satisfied as to the manner in which a member wishes to vote.

Summary in terms of section 58(8)(b)(i) of the South African Companies Act, 2008, as amended

Section 58(8)(b)(i) provides that if a company supplies a form of instrument for appointing a proxy, the form of proxy supplied by the 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, among other things, to 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 and 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.
- A proxy appointment must be in writing, dated and signed by the shareholder; and remains valid only until the end of the meeting at which it was intended to be used, unless the proxy appointment is revoked, in which case the proxy appointment will be cancelled with effect from such revocation.
- A shareholder may revoke a proxy appointment in writing.
- A proxy appointment is suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder.
- A proxy is entitled to exercise, or abstain from exercising, any voting right of the shareholder without direction.

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
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Ami.Mahendranath@sappi.com
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JSE Sponsor

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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 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;
- 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
- 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.



THE OAK TREE GROUP

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sappi