

Remuneration report continued

SECTION D: REMUNERATION IMPLEMENTATION REPORT

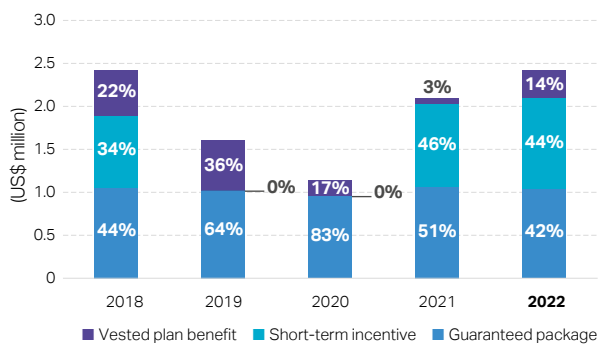
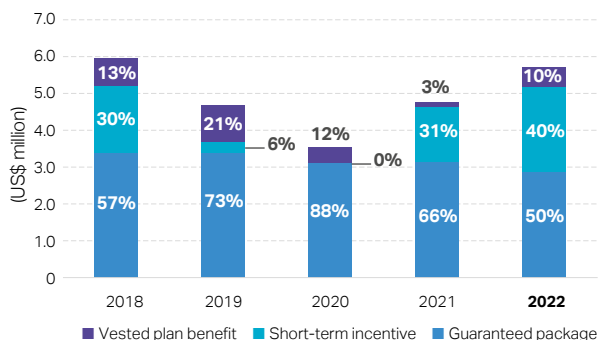
Remuneration structure

Total remuneration comprises fixed pay (ie, base salary and benefits) and variable performance-related pay, which is divided further into short-term incentives with a one-year performance period and long-term incentives, which have a four-year performance period.

Reward mix

The reward mix for executive directors and Executive Committee members is shown in the schematics below.

The long-term incentive awards are based on the vested value of the performance plan shares issued on 4 December 2017 (share price at date of allocation: ZAR95.64). Details of the executive directors' remuneration can be found on page 188.

Executive directors**Prescribed officers' compensation mix**

Our compensation policy aims to have a balance between guaranteed package, short and long-term incentives.

Base salary

The Human Resources and Compensation Committee approved the level of base salary for each executive director, Executive Committee member and other key senior managers.

The salary increases were based on individuals' performances and contributions, internal relativities, inflation rates in the countries of operation, general market salary movement and overall affordability.

In January 2022, Mr Binnie and Mr Pearce received a salary increase of 4.5% on the South African portion of their salaries and 1.0% on the offshore portion of their salaries. Their salaries were US\$549,242 per annum and US\$317,525 per annum, respectively.

The same salary increase percentages were applied in determining the salary increases for Executive Committee members' and general staff, dependent on location.

Retirement benefits

Retirement benefits are largely in the form of defined contribution schemes. In some instances, legacy defined benefit schemes exist. Almost all the defined benefit schemes are closed to new hires.

Mr Binnie and Mr Pearce are both members of defined contribution funds and the total employee and company contribution is ZAR350,000 each.

Short-term incentive

A performance threshold of 85% of budgeted EBITDA for the group is required before any bonus can be paid to participants in the group scheme.

Achievement against short-term incentive metrics: executive directors 2022

Fiscal 2022 was a record earnings year and far exceeded expectations. The outlook at the beginning of the year was challenging, as Sappi faced spiralling input cost and uncertain demand. The market's propensity to absorb substantial selling price increases was untested and there was a vulnerability after recovering from the lows of the Covid-19 period. A reduction in supply capacity and a continuation of global supply chain disruptions favoured local manufactures and Sappi was able to capitalise by increasing selling prices and improving margins in a strong demand environment despite the spike in input cost.

Sappi leadership implemented appropriate strategies to deal with the uncertainties, disruptions in the supply chain, unprecedented events in South Africa and the rise in input cost. This resulted in robust earnings performance and has alleviated prior liquidity concerns. All targets for the MIS measures (EBITDA, ROCE and Safety) were exceeded.

Measures	Weighting	2022 targets			Outcome		
		Threshold	Target	Stretch	Actual performance	% of on-target amount	% of opportunity
EBITDA	50%	US\$600m	US\$706m	US\$776m	US\$1,406m	199%	150%
ROCE	20%	5.71%	7.61%	8.75%	29.9%	393%	150%

Safety

Safety (10%)		Target FY2022	Actual FY2022	Outcome	Was stretch improvement achieved?
LTIFR 5%		0.36	0.30	5%	Yes (2.5%)
LTISR 5%		17.08	9.31	5%	Yes (2.5%)
Total safety award		15%			

Both SNA and SSA have achieved record safety performance. Although their combined injury frequency rate is below their best performance over the last five years, the committee applied their discretion to award the enhanced safety bonus to both these regions. Both will receive the additional bonus points on their safety performance.

Personal objectives of executives for 2022 MIS

Performance objectives	Link to strategic fundamental	Description	Review	Weighting (%)
Focus on safety	 Drive operational excellence	Drive safety first across Sappi with continuous improvement on overall severity rates measured by the injury index II and severity index of own and contractors.	Safety performance continuously improving – Sappi LTIFR 2022 – 0.30.	10
Implement our sustainability targets	 Enhance trust	Implementation of our sustainability targets align with SBTi and United Nations Global Compact.	- Science based targets approved by SBTi - Specific GHG emissions kg CO₂eq/ADT - Specific solid waste to landfill kg/ADT - Share of certified fibre %. See key material issues section on pages  99 to 109 or more details.	30
Continue to improve Sappi's profitability	 Sustain our financial health	Ensure that Sappi will have sufficient liquidity and capital resources to sustain the business.	Record EBITDA and EBITDA margin ROCE (24.8%).	10
Focus on paying down debt	 Sustain our financial health	Ensure that Sappi will have sufficient liquidity and capital resources to sustain the business.	Net debt down to US\$1,163 million < 1 x net debt/EBITDA.	10

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Performance objectives	Link to strategic fundamental	Description	Review	Weighting (%)
Execute on the strategic plans and projects	 Grow our business	Implementation of key strategic initiatives.	• Successful ramp-up of the Saiccor Mill expansion project • Executed Project Silver, selling of the graphic European assets • Continue to transition the business from a graphic papers business to a growing packaging and speciality papers business on volume and earnings.	20
Manage the graphic papers margins and volumes and continue to transform the business towards packaging and speciality papers	 Grow our business  Drive operational excellence	Managed capacity in line with market demands, pricing and logistical challenges.	• Strong growth in volume and continued roll out of new grades in all regions • Demand for sustainable packaging material still a strong drive to growth.	20

The Chairman conducted a formal review with the CEO and scored him out of 20 points on the achievement of the stated objectives.

Based on this outcome, the Chairman awarded 19 points to Mr Binnie and 19 points to Mr Pearce. Due to the exceptional performance of Sappi, the EBITDA, ROCE and Safety targets were achieved. This will result in a bonus payment of 118.15% of annual base salary for executive directors.

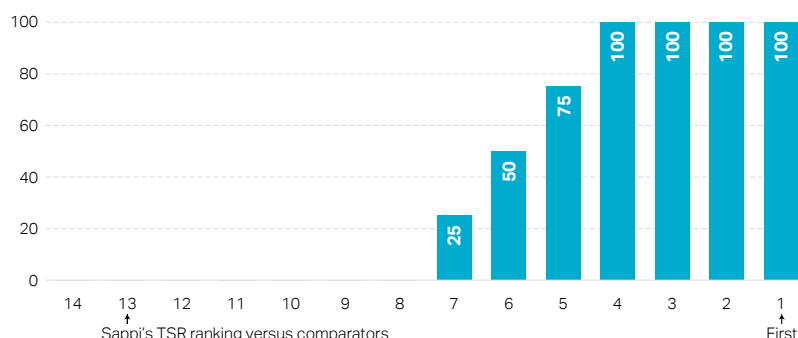
PSP outcomes for 2022

For the four-year period ending September 2022, Sappi's performance relative to the peer group measured on TSR was ranked 13th, resulted in a 0% vesting on the TSR component. The determination of the vesting of the shares was provided by Mercer, an independent third party.

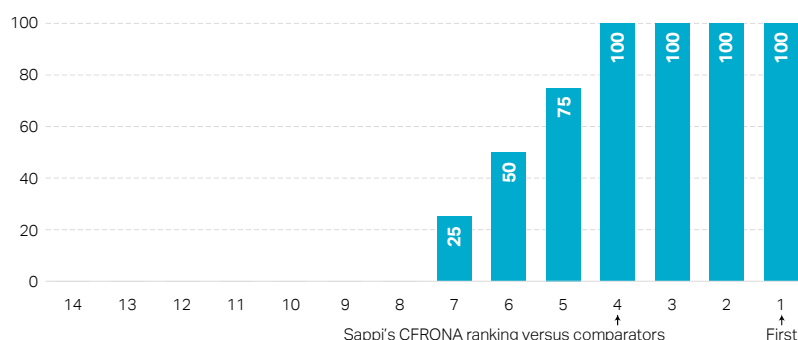
For the four-year period ending September 2022, Sappi's performance relative to the peer group measured on CFRONA was ranked fourth, resulted in 100% vesting on the CFRONA component. This result was verified by KPMG, our external auditors.

In aggregate, therefore 50% of the total 2018 awards vested.

2018 TSR vesting schedule (% of awards vesting)



2018 CFRONA vesting schedule (% of awards vesting)



In December 2018, Mr Binnie was granted 142,000 conditional performance plan shares, of which 50% of the allocation will vest in November 2022.

In December 2018, Mr Pearce was granted 65,000 conditional performance plan shares, of which 50% of the allocation will vest in November 2022.

The historical vesting of PSP awards:

Share awards	2019	2020	2021	2022
TSR	80%	0%	0%	0%
CFRONA	100%	100%	25%	100%
Aggregate	90%	50%	12.5%	50%

PSP allocations for 2022

Each year, Mercer Kepler provides management with a recommendation for an appropriate pool size. For the 2022 allocation, it was approved to grant the number of shares implied by the same ZAR value of the previous year PSP awards, where value is based on trailing long-run average share price at grant (eg 12 months). This approach has been applied for the last five years and is consistent with recommendations by our shareholders, to disclose the allocation method.

Mr Binnie was awarded 162,000 conditional performance plan shares in November 2022 that will vest in November 2026.

Mr Pearce was awarded 77,000 conditional performance plan shares in November 2022 that will vest in November 2026.

Executive Bonus Scheme (Share Purchase)

Members of the Executive Committee volunteer to purchase Sappi Limited shares to the value of 30% of their after-tax cash bonus and to keep the shares for a period of three years, with the exception of the group CEO, who volunteers to purchase shares to the value of 40% of his after-tax cash bonus and to keep the shares for a period of three years.

The shares purchased, as agreed above, is registered in the participants' own name and he/she will be able to sell these shares at any time outside of closed periods for trading of Sappi Limited shares and so long as the participant does not have any price-sensitive information pertaining to the Sappi group that would prevent him/her from transacting in Sappi Limited securities.

The participant undertakes to keep the shares for a period of 36 months, and if none of the shares have been sold or encumbered during and up to the end date of this 36-month period, then the participant will receive a cash bonus amount based on the then current market value of Sappi shares on the Johannesburg Stock Exchange at the end of the 36-month period, of 20% of the original number of shares purchased, which amount will be grossed up for tax purposes.

For this reporting cycle, no bonuses were paid in 2019.

Dilution

If all outstanding plan shares were to vest as at September 2022, the resulting dilution effect would be 2.79% (2021: 2.53%, 2020: 2.12%) of issued ordinary share capital excluding treasury shares.

Voluntary minimum share holding

This voluntary requirement has been introduced for all prescribed officers. The target holding as a multiple of annual base salary needs to be achieved by December 2025. The requirement is that the CEO should hold three times annual base salary, up from his previous two times. The CFO holds two times and all other prescribed officers at one times annual base salary.

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The acquisition of shares will primarily be achieved by vesting performance shares and through the acquisition of shares under the executive bonus scheme (share purchase), whereby an individual volunteers to purchase shares from a designated portion of their after tax MIS bonus. However, individuals can also purchase shares during the normal open period with the appropriate approvals. SENS announcements will be applicable.

	Shareholding			
	Target minimum	Number of shares (Sept 2022)	Value of shares	Actual multiple
Prescribed officer				
SR Binnie	3x	417,125	US\$1,076,183	1.9
GT Pearce	2x	193,752	US\$499,880	1.5
M Eikelenboom*	1x	22,943	US\$59,193	0.1
M Haws	1x	42,750	US\$110,295	0.3
A Thiel	1x	571,402	US\$1,474,217	4.3
M van Hoven	1x	210,778	US\$543,807	3.0
G Bowles	1x	80,051	US\$206,532	0.8
F Marupen	1x	84,636	US\$218,361	1.1
M Mansoor	1x	61,800	US\$159,444	0.5

* Based on base salary as at 1 April 2021 for M Eikelenboom.

- Average share price of US\$2.58 (ZAR44.30) for September 2022.
- Based on the base salary as at 1 January 2021.

Remuneration disclosure of executive directors and prescribed officers**Executive directors' emoluments for 2022 (US Dollar)**

Executive director	Short-term compensation (STC)				Subtotal STC	LTSIP (Value of shares vested this year)*	Total
	Base salary	Annual cash award	Other allowances	Benefits and pension	A	B	A + B
SR Binnie	549,242	673,307	15,973	80,893	1,319,415	229,427	1,548,842
GT Pearce	317,525	388,990	9,086	58,760	774,361	105,019	879,304
Total	866,767	1,062,297	25,059	139,653	2,093,776	334,446	2,428,146

* Long-term Share Incentive Plan (LTSIP).

- Local earnings are translated into the reporting currency (US\$) using the average exchange rate over the financial year. The average rate for SA Rand and Swiss Franc weakened by 6% and 4% respectively against the US Dollar
- Due to the earnings currencies (ZAR) weakening against the reporting currency (US\$) over the year, this had the effect of showing earnings in US\$ terms to be lower
- Base salary – the actual salary earned during 2022
- Performance-related remuneration – the actual value earned in 2022 based on the rules of the MIS
- Sums paid by way of expense allowance – expenses allowed
- Contributions paid under pension and medical aid schemes – the annual contribution paid by the company into a defined benefit fund on behalf of the members determined as a percentage of their base salary
- Long-term shares vested in November 2022.

LTSIP benefit: 2022 allocation (will vest in 2026)

Executive director	Number of shares	Share price at allocation	Total awarded benefit*
SR Binnie	162,000	R51	US\$523,480
GT Pearce	77,000	R51	US\$248,815

* Assuming 100% vesting on both performance conditions.

Executive directors' emoluments for 2021 (US Dollar)

Executive director	Short-term compensation (STC)				Subtotal STC	LTSIP (Value of shares vested this year)	Total
	Base salary	Annual cash award	Other allowances	Benefits and pension	A	B	A + B
SR Binnie	564,742	607,749	16,440	84,179	1,273,110	50,924	1,324,034
GT Pearce	326,357	351,098	9,344	61,581	748,380	23,417	771,797
Total	891,099	958,847	25,784	145,760	2,021,490	74,341	2,095,831

- Local earnings are translated into the reporting currency (USD) using the average exchange rate over the financial year. The average rate for SA Rands and Swiss Francs appreciated by 8% and 6% respectively against the US Dollar
- Due to the earnings currencies (ZAR) appreciating against the reporting currency (USD) over the year, this had the effect of showing earnings in USD terms to be higher
- Base salary – the actual salary earned during 2021
- Performance related remuneration – the actual value earned in 2021 based on the rules of the MIS
- Sums paid by way of expense allowance – expenses allowed
- Contributions paid under pension and medical aid schemes – the annual contribution paid by the company into a defined benefit fund on behalf of the members determined as a percentage of their base salary
- Long-term shares vested in December 2021.

Prescribed officers/Executive Committee members (US Dollar)

Prescribed officers are members of the group Executive Committee.

The table below sets out the remuneration for prescribed officers for 2022:

Prescribed officer	Short-term compensation (STC)				Subtotal STC	LTSIP (Value of shares vested this year)	Total
	Base salary	Annual cash award	Other allowances	Benefits and pension	A	B	A + B
M Eikelenboom	514,341	581,459	2,713	120,831	1,219,344	37,161	1,256,505
M Haws	448,993	520,062	–	51,953	1,021,008	37,161	1,058,169
A Thiel	330,492	278,379	11,233	56,635	676,739	127,639	804,378
M van Hoven	176,065	165,428	5,388	46,659	393,540	98,556	492,096
G Bowles	258,365	259,810	8,477	52,049	578,701	105,019	683,720
F Marupen	185,526	174,134	5,625	45,126	410,411	85,631	496,042
M Mansoor	317,523	312,171	160,186	77,647	867,527	63,012	930,539
Total	2,231,305	2,291,443	193,622	450,900	5,167,270	554,179	5,721,449

LTIP benefit: 2022 allocation (will vest in 2026)

Prescribed officer	Number of shares	Share price at allocation	Total awarded benefit*
G Bowles	70,000	R51	US\$226,195
M van Hoven	72,000	R51	US\$232,658
F Marupen	61,000	R51	US\$197,113
A Thiel	90,000	R51	US\$290,822
M Eikelenboom	90,000	R51	US\$290,822
M Haws	90,000	R51	US\$290,822
M Mansoor	54,000	R51	US\$174,493

* Assuming 100% vesting on both performance conditions.

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The table below sets out the remuneration for prescribed officers for 2021:

Prescribed officer	Short-term compensation (STC)				Subtotal STC	LTSIP (Value of shares vested this year)	Total
	Base salary	Annual cash award	Other allowances ²	Benefits and pension	A	B	A + B
B Wiersum ¹	414,011	–	1,494	147,274	562,779	24,718	587,497
M Eikelenboom	274,953	–	1,494	62,905	412,039	7,806	419,845
M Haws	437,552	391,597	–	49,375	878,524	8,178	886,702
A Thiel	339,777	307,032	11,561	59,071	717,441	28,250	745,691
M van Hoven	179,317	148,830	5,537	48,522	382,206	21,931	404,137
G Bowles	265,605	234,379	8,726	54,275	562,985	23,417	586,402
F Marupen	190,682	157,173	5,790	47,591	401,236	18,957	420,193
M Mansoor	321,900	259,661	137,000	64,205	782,766	14,125	796,891

¹ Retired March 2021.

² Other allowances include a significant salary sacrifice.

Non-executive directors' fees

Directors are normally remunerated in the currency of the country in which they live or work from. Directors' fees are established in local currencies to reflect market conditions in those countries.

Non-executive directors' fees reflect their services as directors and services on various sub-committees on which they serve. The quantum of committee fees depends on whether the director is an ordinary member or a chairman of the committee. Non-executive directors do not earn attendance fees, however, additional fees are paid for attendance at board meetings more than the five scheduled meetings per annum.

The Chairman of the Sappi Limited board receives a flat director's fee and does not earn committee fees. Non-executive directors do not participate in any incentive schemes or plans of any kind.

In determining the fees for non-executive directors, due consideration is given to the fee practice of companies of similar size and complexity in the countries in which the directors are based. The extreme volatility of currencies, in particular the Rand/US Dollar exchange rate in the past few years, caused distortions of the relative fees in US Dollar paid to individual directors.

All Sappi's non-executive director fees will be adjusted in line with executive management increases globally. These increases are estimated between 4% and 6%. As for the Chairman's fee, for the third consecutive year, no increase was recommended.

We will continue to review our non-executive director fees against the market and our comparator group to ensure that our fees are at the appropriate levels, taking into account the size and complexity of Sappi.

Non-executive directors' fees are proposed by the Executive Committee, agreed by the Human Resources and Compensation Committee, recommended by the board and approved at the AGM by the shareholders.

The non-executive directors' fees for 2022 financial year were approved by shareholders. The table below sets out the remuneration for non-executive directors for 2022:

Name	2022			
	Board fees	Committee fees	Travel allowance	Total
ANR Rudd	GBP338,736	GBP0	GBP9,665	GBP348,401
MA Fallon	GBP66,166	GBP48,608	GBP9,546	GBP124,320
BR Beamish	GBP56,768	GBP40,052	GBP3,556	GBP100,376
NP Mageza	ZAR565,482	ZAR642,152	ZAR183,643	ZAR1,391,277
MV Moosa	ZAR799,248	ZAR447,103	ZAR183,643	ZAR1,429,994
B Mehlomakulu	ZAR565,482	ZAR397,601	ZAR183,643	ZAR1,146,726
ZN Malinga	ZAR565,482	ZAR244,561	ZAR122,291	ZAR932,334
LL von Zeuner ¹	ZAR39,253	ZAR0	ZAR0	ZAR39,253
RJAM Renders	EUR75,377	EUR58,701	EUR6,834	EUR140,912
JM Lopez	US\$86,756	US\$26,138	US\$19,000	US\$131,894
JE Stipp ²	US\$26,038	US\$13,170	US\$3,800	US\$43,008

¹ Appointed to the board in September 2022.

² Resigned 9 February 2022.

- Fees are benchmarked and comparable to the market fees payable to the directors' residence
- Fees include two additional board meetings held in the period.

Name	2021			
	Board fees	Committee fees	Travel allowance	Total
ANR Rudd	GBP319,940	GBP0	GBP0	GBP319,940
MA Fallon	GBP46,670	GBP47,890	GBP0	GBP94,560
BR Beamish	GBP46,670	GBP39,460	GBP0	GBP86,130
NP Mageza	ZAR450,750	ZAR614,500	ZAR56,868	ZAR1,122,118
MV Moosa	ZAR674,450	ZAR427,850	ZAR56,868	ZAR1,159,168
B Mehlomakulu	ZAR450,750	ZAR380,480	ZAR56,868	ZAR888,098
ZN Malinga	ZAR450,750	ZAR234,030	ZAR56,868	ZAR741,648
RJAM Renders	EUR62,290	EUR58,120	EUR0	EUR120,410
JM Lopez	US\$70,540	US\$25,500	US\$3,800	US\$99,840
JE Stipp	US\$70,540	US\$35,680	US\$3,800	US\$110,020