

Remuneration Report



Mike Fallon

Chairman of the Human Resources and Compensation Committee

“Dear shareholder, I present the committee’s report on remuneration for Executive Directors, Executive Committee members and Non-executive Directors. This report details the company’s compensation policy and implementation thereof. The information provided in this report has been approved by the board as per the recommendation of the Human Resources and Compensation Committee.”

THE MAIN SECTIONS OF THE REPORT ARE AS FOLLOWS:



Section A

Voting and governance

Section B

Key functions of the Human Resources and Compensation Committee

Section C

Overview of the Remuneration Policy

Section D

Remuneration implementation report

Our report and disclosures fully comply with regulatory and statutory provisions relating to remuneration governance in all the countries in which we operate. This report is aligned with the principles and recommended practices of the King Report on Corporate Governance (King IV).

The previous report was supported at the Sappi Limited’s annual general meeting (AGM) on 08 February 2023, with a vote of 94.86% endorsing the Remuneration Policy and a vote of 84.80% in favour of the implementation report.

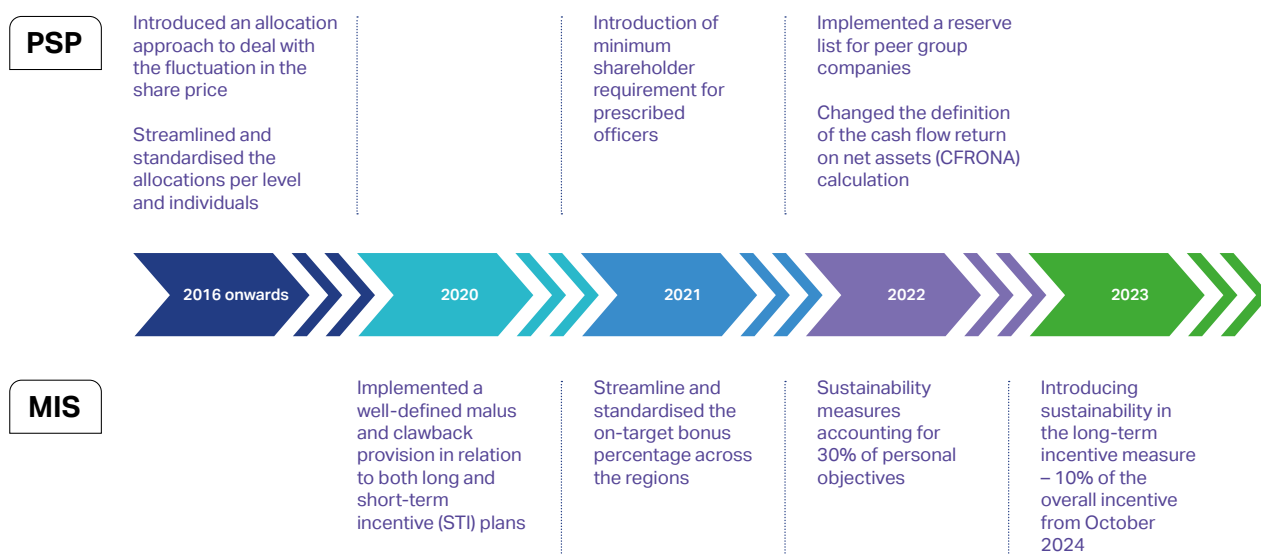
Key shareholders consultation

Both our Remuneration Policy and implementation report received the prerequisite shareholder approval. Despite there being no mandatory requirement to do so, and as part of our good governance process, we met with major shareholders over the last 12 months to seek their guidance and input on key remuneration issues. We were encouraged by the level of engagement and the guidance provided to ensure that Sappi’s Remuneration Policy and implementation report remains robust. Key issues discussed during these engagements were:

- Key elements of our remuneration philosophy and strategy
- Environmental, social and governance (ESG) measures in relation to executive remuneration measures

- Science-based decarbonisation targets that will be used as basis to include sustainability into our long-term incentive measures for 2024
- Early considerations for executive remuneration to drive business performance and to ensure that compensation remains competitive for 2025 and beyond
- Non-executive Director (NED) fees, Chairman fees and succession
- Diversity and inclusion and Sappi's performance against key metrics.

Recent improvements in remuneration policies



PSP – Performance share plan

MIS – Management incentive scheme

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

Our sustainability journey

As reported in 2022 our sustainability journey is on track. Sustainability is firmly embedded in our short-term management incentive scheme (MIS) where implementation of our **Thrive** sustainability targets constitutes 30% of executives' personal objectives. The key focus areas cover our three most material planet issues, which relate directly to our commitment to mitigate climate change; GHG emissions, solid waste to landfill and fibre certification.

Our science-based decarbonisation targets have been approved by SBTi and communicated externally. This provided us with an excellent opportunity to track our progress in terms of our Scope 1, 2 and 3 carbon emission targets set for the period until 2030.

The focus for 2024 will be to finalise the details of our sustainability measure for inclusion in our long-term incentive

plan. This measure will be based on our decarbonisation plan and will account for 10% of the overall long-term measures. Sappi Limited have committed to reduce Scope 1 and Scope 2 GHG emissions by a significant 41.5% per ton of product by 2030 using 2019 as base year.

Health and safety

We have worked tirelessly to create a culture where safety is a priority for our employees and contractors. Again, we had an excellent safety year with all the regions achieving record safety performances. The group achieved their best ever lost-time injury frequency rate (LTIFR) performance. We are incredibly pleased to again report there were no work-related fatalities during this year. In addition, several noteworthy milestones were achieved during this period, namely:

- Sappi Forest Zululand Coastal Business achieved a record-breaking safety milestone of working 7 million zero lost-time man hours
- Sappi Southern Africa (SSA) achieved a LTIFR of 0.22
- Sappi North America (SNA) achieved a LTIFR of 0.14
- Sappi Europe (SEU) achieved a LTIFR 0.44.

Remuneration Report continued

Our safety ambition remains zero injuries and we will continue to implement enhanced procedures and focus on improved personal behaviour and leadership engagement.

Employee Engagement Survey

The engagement survey was completed in April 2023. Again, excellent participation at 94% from all Sappi employees. Engagement levels also improved from the levels in 2021. Leadership's dedication to close the gaps identified in a very structured way is commendable.

Continued strengthening of our Non-executive Director team

The Nomination and Governance Committee reviews the composition of the board three times per annum, considering size, skills, independence, tenure, experience/expertise, diversity and the overall mix of the board. The board Chairman and the Lead Independent Director also have individual consultations with board members regarding their performance. Every second year there is an independent evaluation of the board, the sub-committees and individual member effectiveness. These evaluations get discussed by the board and action plans are prepared and tracked.

Sappi's approach and process to the appointment of NEDs is based on criteria which look at the diversity of tenure, race, gender, geographical location and expertise. We are committed to ensuring that our board composition will continue to reflect the benefits of our rigorous NED succession planning.

In September and October 2022, we appointed Ms Eleni Istavridis, Mr Louis von Zeuner and Mr Nkululeko Sowazi as Independent NEDs. They have undergone a rigorous induction programme that included the following:

- An onboarding by the group Company Secretary to provide an understanding of both the role of a director and the framework in which the board operates
- Compulsory directors' briefings by Sappi's sponsor. One-on-one sessions with the executive management team and key management personnel
- Visits to operational sites in North America, Europe and South Africa
- Visits to all R&D facilities across the group
- All three of the newly appointed directors were appointed to the Audit and Risk Committee (ARC)
- Extensive engagements with the various board sub-committees.

The current Chairman, Sir Nigel Rudd, and Mr Peter Mageza (Chairman of the ARC), will retire from the Sappi board in February 2024. As announced, the board has agreed that Mr Nkululeko Sowazi will be the future Chairman of the board. Mr Sowazi will complete the detailed handover and will take over as Chairman from 08 February 2024. Sappi used Mercer to assist with a recommendation on the appropriate fee levels for the new Chairman. Details of the fee can be found on pages 184 and 185 of this report.

Subject to shareholder approval, Ms Zola Malinga has been appointed as the new ARC Chairperson as from 08 February 2024. A detailed handover process is underway.

Further changes to the composition on the board sub-committees will be announced in 2024.

Executive capacity building

During the reporting period Louis Kruyshaar was appointed as Group Head Manufacturing and Innovation. He succeeds Gary Bowles who retires from Sappi at the end of January 2024. All other senior management changes that took place in 2022 and 2023 have now been bedded down. Carefully planned succession is bearing fruit as evidenced by the smooth business transition and the continued high performance of the various teams.

Several key retirements will take place between now and 2030. The committee is working with management to ensure smooth management transitions over the next few years.

Development opportunities for all employees remains a key focus area with particular attention given to technical development in operations and engineering. Targeted development for high-potential employees, using role-specific competency assessments, has significantly improved the bench strength of candidates who are ready to step into other roles. Leadership capacity building at three levels (head of department, managers, and supervisors) also gained significant traction with satisfactory progress on all our leadership programmes. This is a key focus for the committee.

2023 Management Incentive Scheme (MIS) outcomes

The group achieved an EBITDA of US\$731 million for the year, substantially below the record achieved in 2022. As per the rules of the scheme, an EBITDA threshold of 85% of target should be achieved before any bonuses get paid. Therefore, the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) did not receive a bonus payment for the financial elements. The executives had the potential of the 20 points in their personal objectives as an incentive. Details of these are covered further in Section D of the report.

A transformational 2024 ahead

The budget for 2024 anticipates a recovery relative to low operating rates experienced during 2023. However, European graphic papers are declining at an unprecedented rate of more than 10% per annum. This will result in more graphic papers capacity being taken out and will unfortunately lead to the closure or sale of some operations. The committee will, however, work on plans with management to ensure that teams are kept motivated and incentivised to complete all these transformational projects on time and within budget. The 2024 work plan for the committee will include several key issues as discussed with key shareholders in 2023. The aim of these anticipated changes will both drive the business performance and ensure that Sappi remains competitive and is able to attract and retain key talent.

Mr Steve Binnie and his leadership team will focus on the following:

- Driving our world-class safety performance
- Transforming and repositioning the European business
- Remaining cost competitive in a high inflationary environment
- Maximising the pulp production to ensure improved profitability
- Delivering the Somerset PM2 conversion against robust time and cost parameters
- Continuing to develop and optimising the packaging and speciality papers portfolio in all regions
- Optimally managing cash flows throughout the year
- Continuing to deliver on the transformational strategic plans and projects
- Driving progress to achieve our ambitious sustainability targets
- Ensuring high levels of employee engagement through the close-out of actions as identified from the 2023 Employee Engagement Survey.

Compliance statement

The Human Resources and Compensation Committee is committed to maintaining high standards of corporate governance. They support and apply the principles of good governance advocated by King IV. Our remuneration approach and disclosures fully comply with regulatory and

statutory provisions relating to reward governance in all the countries in which we operate. The committee ensures compliance with legal and regulatory requirements around compensation.

The Human Resources and Compensation Committee is of the view that the objectives stated in the Remuneration Policy have been achieved for the period under review. The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference and with the status of remuneration and incentives in the group.

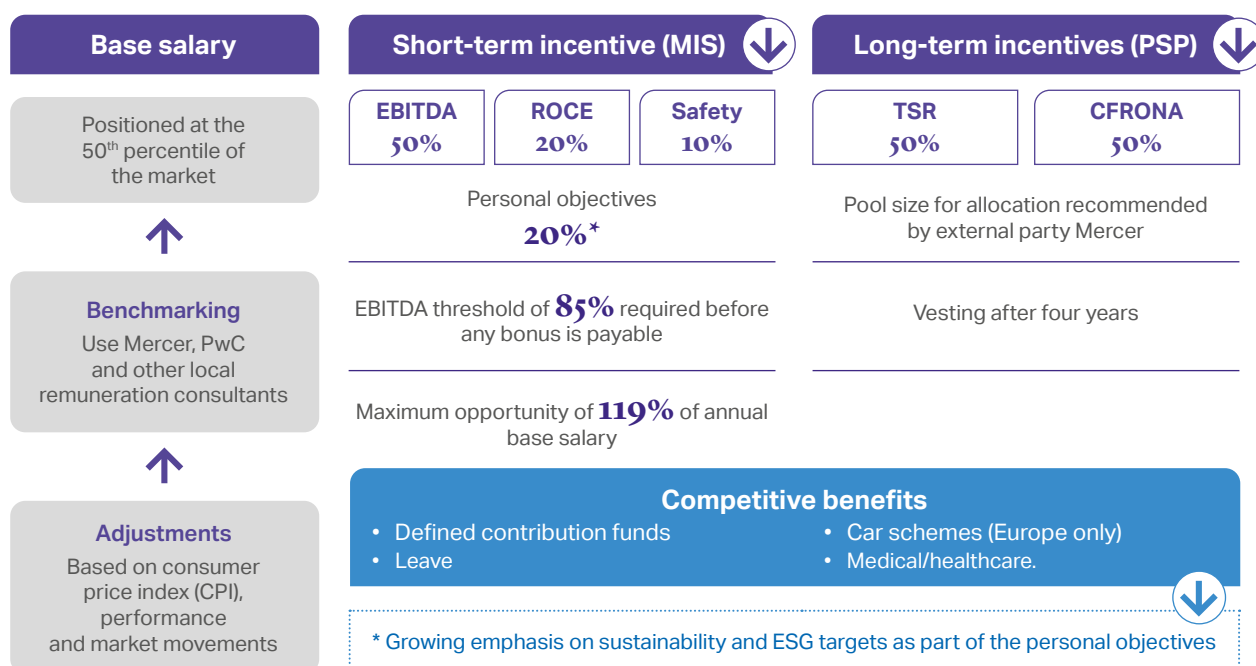
Conclusion

Our Remuneration Policy is benchmarked continuously against the relevant industry peers to ensure competitive reward. It motivates our senior team to achieve the group's objectives, deliver sustainable returns, and value creation for our shareholders. Thank you for the support given for our 2022 Remuneration Report and for the guidance provided in 2023, which will form the basis of our future work plan. The committee believes that the remuneration of executives during 2023 reflects our challenges and successes to date in the delivery of our strategy.

Mike Fallon

Chairman of the Human Resources and Compensation Committee

Sappi remuneration at a glance



Section A: Voting and governance

Statement of voting at AGM

The AGM of Sappi Limited was held on 08 February 2023 and the requisite resolutions endorsing the Remuneration Policy and the implementation report were passed as follows:

Ordinary resolution number 16: Non-binding endorsement of Remuneration Policy

For	Against	Abstain
94.86%	4.84	0.3%

Ordinary resolution number 17: Non-binding endorsement of implementation report

For	Against	Abstain
84.80%	14.99%	0.21%

Voting on remuneration

As required by King IV, Sappi's Remuneration Policy and implementation report as detailed in this Remuneration Report, need to be tabled for separate non-binding advisory votes by shareholders at the upcoming AGM. In the event that either the Remuneration Policy or the implementation report, or both, are voted against by 25% or more of the voting rights entitled to be exercised by shareholders at such AGM, then the committee will ensure that the following measures are taken in good faith and with best reasonable efforts:

- An engagement process to ascertain the reasons for the dissenting votes
- Appropriately addressing legitimate and reasonable objections and concerns raised which may include amending the Remuneration Policy or clarifying or adjusting remuneration governance and/or processes.

Statement by the board regarding compliance with the Remuneration Policy

The board annually receives a report from the Human Resources and Compensation Committee on pay practices across the group, including salary levels and trends, collective bargaining outcomes and bonus participation.

The board endorses the Human Resources and Compensation Committee position that Sappi's Remuneration Policy is set taking appropriate account of remuneration and employment conditions of other employees in the group and external factors. It is the view of the board that this policy as detailed herein, drives business performance and value creation for all stakeholders.

Statement of fair and responsible remuneration

The group's compensation policy for the remuneration of Executive Directors and other senior executives is set taking appropriate account of remuneration and employment conditions of other employees in the group.

The committee annually receives a report from management on pay practices across the group, including salary levels and trends, collective bargaining outcomes and bonus participation. At the time that salary increases are considered the committee additionally receives a report on the approach management proposes to adopt for general staff increases. Both these reports are considered in the committee's decisions regarding the remuneration of Executive Directors and other senior executives.

In some countries where the group operates, more formal consultation arrangements with employee representatives are in place relating to employment terms and conditions, in accordance with local legislation and practice. The group also conducts employee engagement surveys every two years which gauge employees' satisfaction with their working conditions. The Sappi board is given feedback on these survey results.