

Section C: 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 group CEO'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. This proves to be an effective retention tool
- 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
- Are designed to support our **Thrive** ambitions.

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 of fixed and variable components.

	Purpose	Structure	Opportunity
Fixed			
Component – Base salary	• To reflect market value of the role, individuals' skills, contribution, experience and performance • To attract and retain key talent.	• Paid monthly in cash • Reviewed annually with any increases to be effective from 01 January each year • Base salary reviews consider prevailing market practices, economic conditions and the levels of base salary increase mandates provided to the general employee population.	• Increases are applied in line with outcomes of performance discussions with the individuals concerned and market conditions.
Component – Benefits	• To provide protection and market competitive benefits to aid recruitment and retention.	• Private medical insurance • Income in the event of death or disability. These are: • Appropriate in terms of level of seniority • Market related • Death benefit is a multiple of base salary • Non-pensionable.	• None.
Component – Pension	• To provide market-related benefits • Facilitate the accumulation of savings for post-retirement years.	• Comprises defined benefit and defined contribution plans • Many 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.	• Executive members of defined contribution plans receive a company contribution of up to 18.47% of salary.

Section C: Overview of the Remuneration Policy continued

	Purpose	Structure	Opportunity
Variable			
Component – Annual cash incentive	- 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.	- 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% to 85% of base salary - Weightings for 2023 were: EBITDA – 50%; Return on capital employed (ROCE) – 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 the EBITDA is less than 85 % of target, no bonus is paid - If the group achieves the agreed target for ROCE, a bonus award percentage of 100% will be paid. A bonus award percentage of up to 150% can be earned if the group achieves 115% or more of the agreed target. If the group achieves less than 75% of the target, then no bonus award will be paid. ROCE is only measured at a group level - Safety performance (employees and contractors) is measured against lost-time injury frequency rate (LTIFR) as well as lost-time injury severity rate (LTISR). If the group or a region achieves the LTIFR and LTISR of less than or equal to the agreed target for safety, a bonus award percentage of 100% will be paid. If either LTIFR or LTISR is worse than the target, then a 50% bonus award will be available. If both are worse than target, then no bonus will be paid for this measurement. An additional bonus award of 200% can be earned on the combined LTIFR (employees and contractors) if 85% or better is achieved of the agreed LTIFR target, and this achievement is equal or better than the best achieved during the past five years - Bonuses are paid in cash - Executive bonus scheme (share purchase). The group CEO and Executive Committee members have volunteered to purchase shares with 40% and 30% of their after-tax cash bonus respectively. They must retain the shares for a period of three years. A cash bonus is paid on 20% of the original number of shares. See page 189 - Non-pensionable - Malus and clawback may be applied in the following circumstances: (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 have been satisfied resulting in a higher vesting outcome.	- If targets are exceeded, the maximum bonus for Executive Directors is 119% of base salary - Regional CEO's can earn a maximum bonus of 98% of base salary - Executive committee members and other senior managers may earn a maximum bonus of up to 91% of base salary - A cash award is made.

	Purpose	Structure	Opportunity
Variable			
Component – Long-term share incentive plans (LTSIP)	- 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.	- 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 group CEO and each of the Executive Committee members - Measures for 2023 awards were relative TSR – 50% and relative CFRONA – 50% - Malus and clawback may be applied in the following circumstances: (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 have been satisfied resulting in a higher vesting outcome.	A higher share price will benefit the participants.
	Voluntary minimum shareholding requirement for 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 3x annual base salary, up from his previous 2x. The CFO 2x and all other prescribed officers at 1x annual base salary - The acquisition of shares will primarily be achieved by vesting Performance Shares and through the acquisition of shares under the executive management bonus scheme (whereby an individual may 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.	
Component – Service contracts	Provide an appropriate level of protection to both the executive and to Sappi.	- 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.	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.

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 and uses data from global remuneration surveys, ie 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.

Section C: Overview of the Remuneration Policy continued

Service contracts

Mr Steve Binnie and Mr Glen Pearce have ongoing employment contracts which require 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 65 years. The retirement age of Executive Committee members is generally between the ages of 65 years and 67 years and differs by region.

Choice of performance measures and approach to target setting

Short-term incentive: MIS

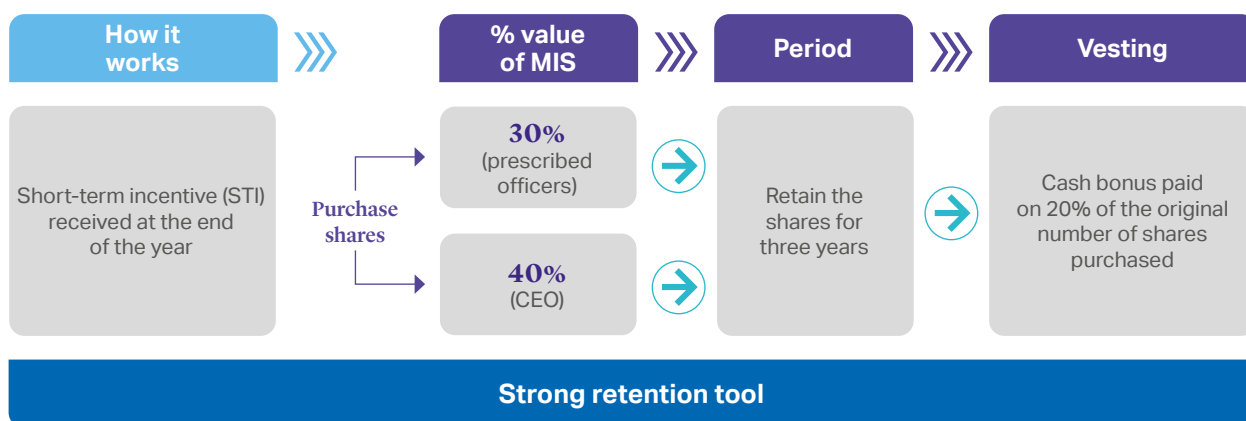
The table below shows the metrics and why they were chosen and how targets are set.

Metric	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.
ROCE 20%	A key indicator of the underlying returns that the group achieves on its capital employed. Achieving a ROCE over time that outperforms the groups weighted cost of capital (WACC + 2% over the cycle) will ensure alignment of the group's returns targets with those expected by the group's shareholders. A key measure for capital expenditure decision-making.	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. Safety performance is measured against LTIFR (LTIFR – 50%) as well as LTISR (LTISR – 50%). An additional bonus award of 200% can be earned on the combined LTIFR (employees and contractors) if 85% or better is achieved of the agreed LTIFR target, and this achievement is equal or better than the best achieved during the past five years.
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 ESG, major capital projects, gender equality and broad-based black economic empowerment (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	Maximum bonus potential
Executive Director	85% of base salary	119% of annual base salary
Regional CEO	70% of base salary	98% of annual base salary
Other prescribed officers (ie Executive Committee members)	65% of base salary	91% of annual base salary

Executive bonus scheme (share purchase): Overview



Remuneration at different performance levels

The chart below illustrates the total potential remuneration (base pay and short-term incentives) for Executive Director at different performance levels.

Remuneration levels – CEO and CFO (% of base pay)



Long-term incentives are excluded from these scenarios as their vesting depends on longer-term performance conditions being met.

Performance Share Plan (PSP)

The PSP provides 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 TSR and relative CFRONA.

The table below shows the metrics and why they were chosen and how targets are set.

Section C: Overview of the Remuneration Policy continued

Metric	Relevance	How do we set the targets?
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.
CFRONA	A key indicator of the effective use of capital. CFRONA is calculated as cash available from operating activities, divided by average total assets (excluding cash) less interest-free liabilities. This measure is calculated using a simple annual average over the previous four-year period.	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.

Including sustainability (decarbonisation) as part of the long-term incentive from October 2024

Climate change is one of Sappi's top 10 risks identified. Sappi is committed to the reduction of GHG emissions and have set decarbonisation targets. These decarbonisation targets were validated by SBTi in 2022. Sappi commits to reducing Scope 1 and Scope 2 GHG emissions by 41.5% per ton of product by 2030 from a 2019 base year.

The Sappi SBTi target is included in our sustainability linked revolving credit facility (RCF).

Performance against the decarbonisation pathway is directly influenced by:

- Timing of capital projects
- Operational factors
- Operational rates (low operating = continuous stop/start conditions, which are more energy intensive)
- Unplanned operational interruptions (eg floods, equipment failure, which results in stop/start conditions).

Metric	Relevance	How do we set the targets?
Sustainability (10%)	The commitment is to reduce Scope 1 and Scope 2 GHG emissions 41.5% per ton of product by 2030 from a 2019 base year.	Average over a four-year period against the approved SBTi pathway.

Envisaged PSP changes for October 2024

Measure	Was	New
TSR	50%	50%
CFRONA	50%	40%
Sustainability	0%	10%

Summary of the incentive categories for October 2024

Long-term incentive – PSP



TSR (50%): TSR measures the total returns to Sappi's shareholders, providing close alignment with shareholder interests. Measured against a peer group by Mercer.

CFRONA (40%): CFRONA is calculated as cash available from operating activities, divided by average total assets (excluding cash) less interest-free liabilities. This measure is calculated using a simple annual average over the previous four-year period. Measures against a peer group and audited by KPMG.

Sustainability (10%): Sustainability measured against the achievement of the science-based targets. Target verified by SBTi.

Short-term measures – MIS



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.

ROCE (20%): A key indicator of the underlying returns that the group achieves on its capital employed.

Safety (10%): A core value of the company and one of the indicators of whether the business is meeting its sustainability goal of zero harm. Includes own employees and contractors and measured against LTIFR and LTISR.

Personal objectives (20%): Priorities are set in line with the business plan for the applicable year. Targets and ranges are then cascaded to the rest of the business teams. 30% of personal objectives allocated to ESG.

Peer group

The peer group for the PSP award consisted of the following 16 industry-related companies



• Stora Enso	• Lenzing	• Graphic Packaging International	• UPM-Kymmene
• Rayonier Advance Materials	• Borregaard	• Navigator Company SA	• Metsä Board
• BillerudKorsnäs	• Holmen	• Mondi PLC	• International Paper
• DS Smith	• Clearwater Papers	• Suzano	• Smurfit Kappa/ WestRock

Vesting schedule

The original vesting schedule for 2019 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%

Adjusted vesting schedule for 2019 and 2020 allocations

There has been an increase in merger and acquisition (M&A) activity in Sappi peer group. Since 2019 Ahlstrom-Munksjö, Domtar and now Verso Corporation have been replaced in the comparator group. Sappi has tasked Mercer, a specialist remuneration consultancy, to provide alternatives in this regard to ensure the robustness of the comparator group and the integrity of the vesting schedule.

To date, Sappi has applied the 'follow the money' methodology for all in flight PSPs impacted by M&A. By removing peers that have been subject to M&A activity and adjusting the vesting schedule, Sappi can ensure that the targets remain as challenging as before. The recalibration of this kind follows a set of standard principles that will ensure fairness for shareholders and participants. This will result in fewer peers for the mentioned outstanding cycles.

The adjusted schedule for the 2019 allocation for both TSR and CFRONA is as follows:

Position	Vesting
1 – 4	100%
5	75%
6	50%
7	25%
8 – 13	0%

Section C: Overview of the Remuneration Policy continued

Reserve list

To retain the robustness of the comparator peer group, a reserve list of companies has been agreed to provide replacements to cater for any future merger and acquisition activities. These companies are:

- Klabin
- Sylvamo Corporation.

The inclusion of these companies will ensure that the comparator group remains robust in terms of product and regional diversity.

Disclosure

In this report, Sappi discloses vested as well as grant performance share values.

Malus and clawback

Awards made to the Chief Executive Officer (CEO), Chief Financial Officer (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 have been satisfied resulting in a higher vesting outcome.

Remuneration Policy for NEDs (fees)

Element	Purpose	How it works	Fees
Non-executive Chairman (fees)	• 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.	• The Chairman receives an all-inclusive fee.	• 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 NEDs (fees)	• 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.	• The non-executives are paid a basic fee • Attendance fees are also paid to reflect the requirement for NEDs 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.	• NEDs' 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 NEDs have letters of appointment with Sappi Limited for an initial period of three years. In accordance with best practice, NEDs 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.

NED succession: An overview

A. Key consideration



Expertise

- Relevant expertise.

Tenure

- Having the right mix of NEDs with a focus on experience and new thinking.

Diversity and inclusion considered

- Gender, race and location.

Understanding the Sappi business environment

- Understanding the cyclical nature of the pulp and paper industry.

B. Annual review of the composition and effectiveness of the board



- Every second year an independent evaluation of the board and individual member effectiveness
- Nomination and Governance Committee reviews that composition of the board three times per annum, looking at size, independence, tenure, expertise, diversity and overall mix of the board.

C. Process



Succession/vacancy

- Nomination and Governance Committee consider the key issues and criteria.

Appointment of a specialist recruitment agency

- Provide a shortlist on candidates to the Nomination and Governance Committee.

Interviews

- Completed by the Nomination and Governance Committee.

Appointment

- Followed by a detailed induction plan.

Three new NEDs were appointed since September 2022, namely; Mr Louis von Zeuner, Ms Eleni Istavridis and Mr Nkululeko Sowazi. As announced in November 2023, Mr Sowazi has been appointed as the new Chairman.