

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.