

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

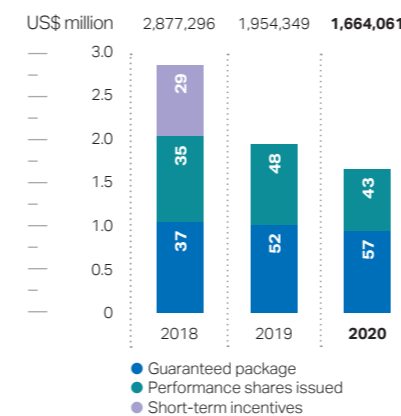
Total compensation comprises fixed pay (i.e. base salary and benefits) and variable performance related pay, which is divided further into short-term incentives with a one-year performance period and long-term incentives which have a four-year performance period.

Compensation mix

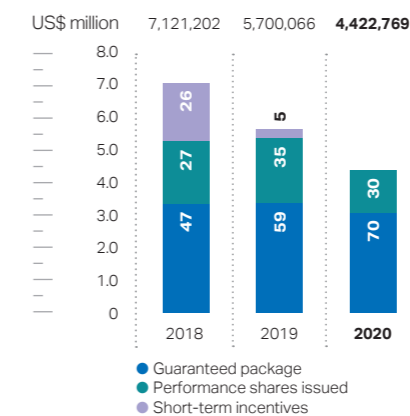
The compensation mix for executive directors and executive committee members is shown in the schematics below.

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 voluntary 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	% of targets	80% ready now successors for all key retirements 100% development plans in place for key talent
Successors identified for all key retirees for next 12 months		
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.

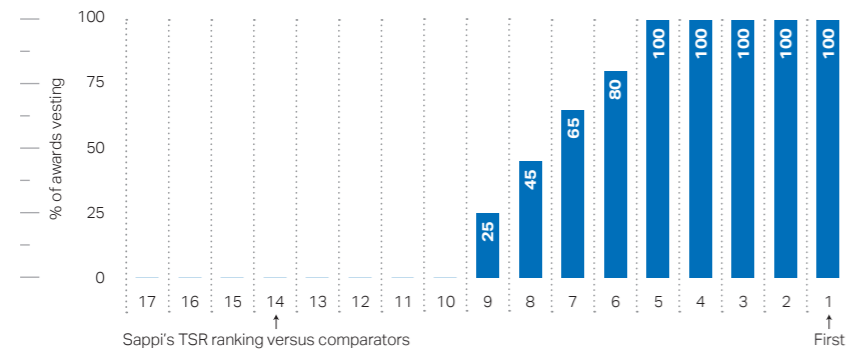
Performance Share Plan outcomes for 2020

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.

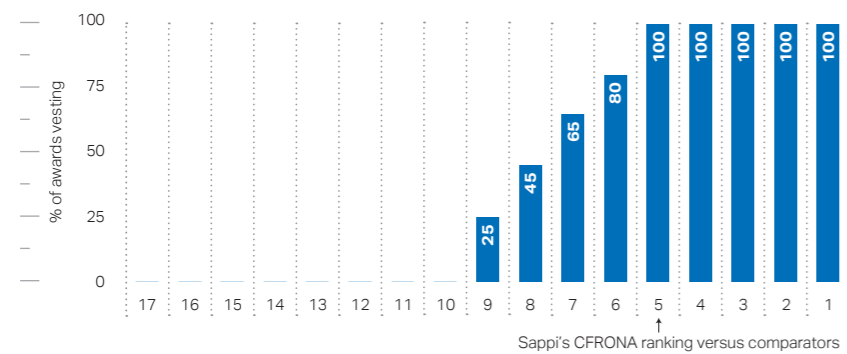
For the four-year period ending September 2020, Sappi's performance relative to the peer group measured on CFRONA was ranked 5th, resulted in 100% vesting on the CFRONA component. This result was verified by KPMG, our external auditors. In aggregate, therefore 50% of the total 2016 awards vested.

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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

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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			Total
	Board fees	Committee fees	Travel allowance	
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 Mehloakulu	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			Total
	Board fees	Committee fees	Travel allowance	
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 Mehloakulu	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.