

# Remuneration Report

Dear shareholder, it is with pleasure that I present the committee's report on directors' remuneration. This reporting period has been impacted by the Covid-19 pandemic which we have covered in a great level of detail in other parts of the Annual Integrated Report. This report details the company's compensation policy and implementation thereof for executive directors, executive committee members and non-executive directors.

The information provided in the report has been approved by the board as per the recommendation by the Human Resources and Compensation Committee.

The report is split into three sections: Section A details previous voting outcomes, focus and compliance statement of the committee, Section B gives an overview of our remuneration policy and Section C addresses the implementation of the remuneration policy in 2020.

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 to the principles and recommended practices of King IV as part of our commitment to good corporate governance.

The previous report was supported at the Sappi Limited's AGM on 05 February 2020, with a vote of 80% endorsing the remuneration policy and a vote of 83% for the implementation report.

## Review of directors' remuneration policy and shareholder consultation

We have reviewed our remuneration philosophy and implementation report following feedback that we received from shareholders when preparing the

2020 report. We also aim to ensure that our policy will continue to support Sappi's Thrive 2025 objectives. The key changes that have been made are:

- Implementation of well-defined malus and clawback provisions in relation to both long- and short-term incentive plans
- Disclosure of the Deferred Shares Bonus Plan
- Disclosure of EBITDA and working capital targets and achievements
- Provision of details in terms of performance objectives for the executive team
- To introduce a requirement in 2021 for all prescribed officers to hold shares.

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

## Succession planning

One of the key oversight responsibilities for the committee is to ensure strong succession plans and develop suitable internal candidates for all senior management and executive role appointments. This includes oversight of the group's training and development processes. As we announced in October 2019, Mark Gardner retired as CEO of our North American operations and was succeeded by Mike Haws. The smooth transition process bears testimony of our robust succession planning process to manage the retirement risks. Wayne Rau, CEO of our Sappi Trading Business, will retire at the end of December 2020 and will be succeeded by Richard Wells, currently our Vice President (VP) for Sales and Marketing of the South African business, with Graeme Wild moving to that position. Duane Roothman, General Manager Forestry KwaZulu-Natal, has succeeded Terry Stanger as the VP Forestry Sappi Southern Africa. All of these new appointments are aligned to our talent development approach of 80% from within Sappi and 20% to be recruited externally.

## Remuneration

The remuneration policy and its implementation aim, where possible, to balance short-term market conditions with the need to incentivise management to continue to drive performance and implement the long-term strategy.

As described in the Chairman's and CEO's Report, Sappi's financial performance was severely impacted by the Covid-19 pandemic. Consequently, the CEO and his leadership team agreed not to take a base pay increase for 2021. We believe this is consistent with the tough economic conditions experienced. All non-executive directors have also agreed to no increase in directors' fees for the next financial year. This is done on the back of a 10% reduction in salary for management and fees for directors for three months announced in April 2020.

## Incentive schemes

An EBITDA of US\$389 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 Management Incentive Scheme (MIS). The EBITDA threshold target has not been achieved. Against the backdrop of a very challenging operating environment, the working capital target was also not achieved. Although the safety LTIFR target (own employees) of 0.47 was achieved (actual 0.44), zero points were allocated as a result of a contractor fatality in the forestry operations in South Africa. No MIS will be payable for 2020.

## MIS – short term

EBITDA	+	WC	+	Safety	=	Final score
0		0		0		0

## Performance Share Plan (PSP) – long term

Only the cash flow return on net assets (CFRONA) on the 2016 plan will vest, resulting in a net vesting of 50%.

TSR	+	CFRONA	=	Final score
0%		100%		50%

## Executive objectives

For 2021, the focus of the Sappi leadership team will be to:

- Drive the safety-first programme
- Ensuring that Sappi has sufficient liquidity and capital resources to sustain the business
- Complete the Saiccor Mill Vulindlela project
- Continue leading the Sappi values (of doing business safely, with integrity and courage, making smart decisions that we execute with speed)
- Lead the roll out of the Sappi Thrive25 strategy
- Grow the packaging and speciality papers business with optimal volumes
- Manage the graphic papers business capacity
- Drive operational excellence across all plants
- Drive Sappi's sustainability footprint
- Work to ensure the short-term incentive plan is mindful of the challenging trading conditions and to gain optimum performance in the FY21 results
- Talent management and succession – managing key retirements over the next 12 months and near-term succession

## Conclusion

Our remuneration policy is benchmarked continuously against the relevant industry peers to ensure that it motivates our senior team to achieve the group's objectives and deliver sustainable returns and value creation for our stakeholders. The committee believes that the remuneration of executives during 2020 reflected our challenges and successes to date in the delivery of our strategy. Thank you for your support and advice that you have given for our 2020 remuneration report. The improved disclosures on our policy and the implementation report reflect this feedback. I'm looking forward to continuing engaging with you in the future.

## Mike Fallon

Chairman of the Human Resources and Compensation Committee