

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

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.

Remuneration Report continued

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 fixed and variable components.

Purpose	Structure	Opportunity
Fixed		
Component – Base salary		
<ul style="list-style-type: none"> To reflect market value of the role, individuals' skills, contribution, experience and performance To attract and retain key talent 	<ul style="list-style-type: none"> Paid monthly in cash Reviewed annually with any increases to be effective from 01 January each year Base salary reviews take into account prevailing market practices, economic conditions and the levels of base salary increase mandates provided to the general employee population 	<ul style="list-style-type: none"> Increases are applied in line with outcomes of performance discussions with the individuals concerned and market conditions
Component – Benefits		
<ul style="list-style-type: none"> To provide protection and market competitive benefits to aid recruitment and retention 	<ul style="list-style-type: none"> Private medical insurance Income in the event of death or disability <p>These are:</p> <ul style="list-style-type: none"> Appropriate in terms of level of seniority Market related Death benefit is a multiple of base salary Non-pensionable 	<ul style="list-style-type: none"> None
Component – Pension		
<ul style="list-style-type: none"> To provide market related benefits Facilitate the accumulation of savings for post-retirement years 	<ul style="list-style-type: none"> Comprises defined benefit and defined contribution plans A large number of 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 	<ul style="list-style-type: none"> Executive members of defined contribution plans receive a company contribution of up to 18.47% of salary Executive members of defined benefit plans receive company contributions of up to 31.24% of salary. This applies to only one executive committee member. The contribution varies based on the actuarial valuation of the reserves of the relevant schemes

Purpose	Structure	Opportunity
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Variable

Component – Annual cash incentive

<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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 65-85% of base salary • Weightings for 2020 were: EBITDA – 50%; working capital – 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 less than 85% of the target is achieved, no bonus award will be paid • If the agreed target % for working capital 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 90% or less than the target is achieved. If the working capital target is exceeded by more than 10% then no bonus award will be paid for working capital • Bonuses are paid in cash. The group CEO and executive committee members have volunteered to purchase shares with 40% and 30% of their after-tax cash bonus respectively. The right to sell the shares is deferred for up to three years, subject to individual members not being terminated for cause • Non-pensionable • Malus and clawback may be applied in the following circumstances: <ul style="list-style-type: none"> (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 has been satisfied resulting in a higher vesting outcome 	<ul style="list-style-type: none"> • The maximum bonus for executive directors is 116% of base salary • Executive committee members and other senior managers may earn a maximum bonus of up to 95% of base salary • The number of shares arising from the deferred executive Management Incentive Scheme – will be increased by 20% of the original number of shares purchased provided the employee holds all the shares for a period of three years
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Remuneration Report continued

Purpose	Structure	Opportunity
Variable		
Component – Long-term share incentive plans		
<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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 CEO and each of the executive committee members Measures for 2020 awards were relative total shareholder return (TSR) – 50% and relative CFRONA – 50% Malus and clawback may be applied in the following circumstances: <ol style="list-style-type: none"> 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 has been satisfied resulting in a higher vesting outcome 	<ul style="list-style-type: none"> None.
Component – Service contracts		
<ul style="list-style-type: none"> Provide an appropriate level of protection to both the executive and to Sappi 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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

Service contracts

Mr Binnie and Mr Pearce have an ongoing employment contract which requires 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 63 years. The retirement age of executive committee members is generally between the ages of 63 years and 65 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	Percentage (%)	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.
Working capital	20	A key indicator of accounts payable, accounts receivable, cash management and stock levels. Achieving optimum working capital levels in the business requires efficient use of resources throughout the supply chain and influences cash management, a key pillar of our strategy.	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. Measure will be LTIFR
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 sustainability, living the Sappi values, major capital projects and 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	Stretch target
Executive director	85% of base salary	116% of base salary
Regional CEO	70% of base salary	95% of base salary
Other prescribed officers (i.e. executive committee members)	65% of base salary	88.5% of base salary

Remuneration Report continued

Performance Share Plan (PSP)

The Sappi PSP 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 total shareholder return (TSR) and relative CFRONA.

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

Metric	Relevance	How do we set the targets?
Total shareholder return (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.
Cash flow return on net assets	<p>A key indicator of the effective use of capital CFRONA is calculated as cash generated by operations after working capital movements (before interest, tax and dividends) divided by average total assets (excluding cash) less interest-free liabilities.</p> <p>This measure is calculated using a simple annual average over the previous four-year period.</p>	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.

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

Stora Enso	Lenzing	Domtar	UPM-Kymmene
Rayonier Advance Materials	Borregaard	Sun Paper	Metsá Board
Ahlstrom-Munksjo	Holmen	Mondi PLC	International Paper
West Rock	Verso	Suzano	Resolute Forest Products

Vesting schedule

The vesting schedule for 2016 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%

Malus and clawback

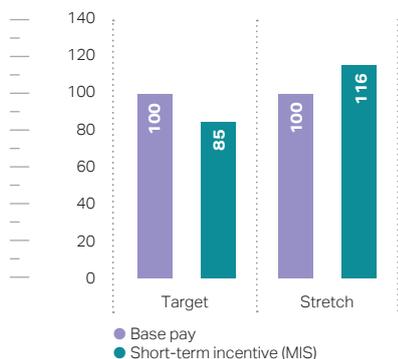
Awards made to the CEO, CFO and prescribed officers under Sappi's MIS and PSP are subject to both malus and clawback provisions which may be applied during the period of two years after the date of vesting or granting. Clawback refers to the recovery of paid or vested amounts and malus refers to the 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 has been satisfied resulting in a higher vesting outcome

Remuneration scenarios at different performance levels

The charts below illustrate the total potential remuneration (base pay and short-term incentives) for executive director at different performance levels.

Remuneration levels (CEO and CFO)
(percentage of base pay)



PSPs are excluded from these scenarios as their vesting depends on performance conditions being met. Vesting is based on a linear vesting schedule over a four-year period.

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 taken into account 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.

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 global remuneration surveys and uses data from global remuneration survey, i.e. 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.

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

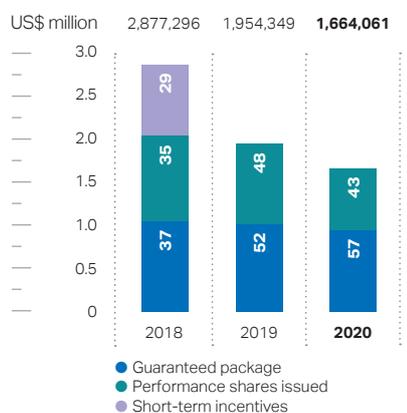
Total compensation comprises fixed pay (i.e. base salary and benefits) and variable performance related pay, which is divided further into short-term incentives with a one-year performance period and long-term incentives which have a four-year performance period.

Compensation mix

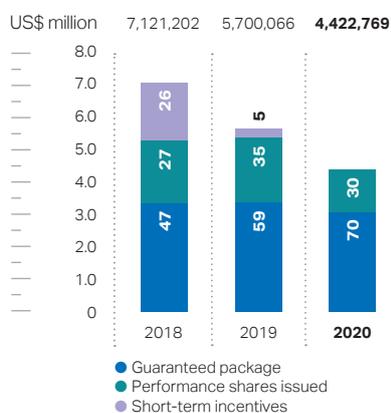
The compensation mix for executive directors and executive committee members is shown in the schematics below.

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

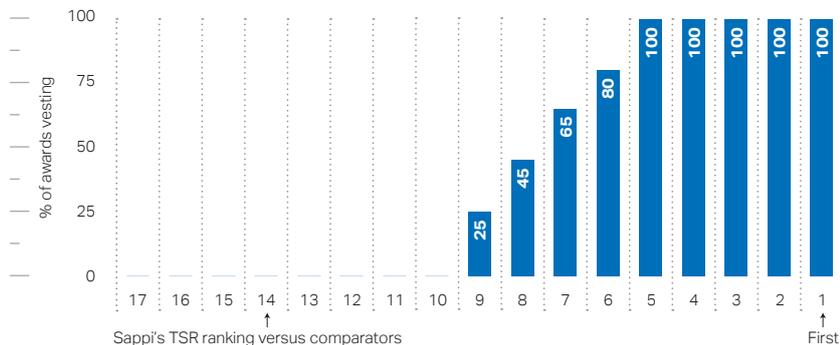
Performance Share Plan outcomes for 2020

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.

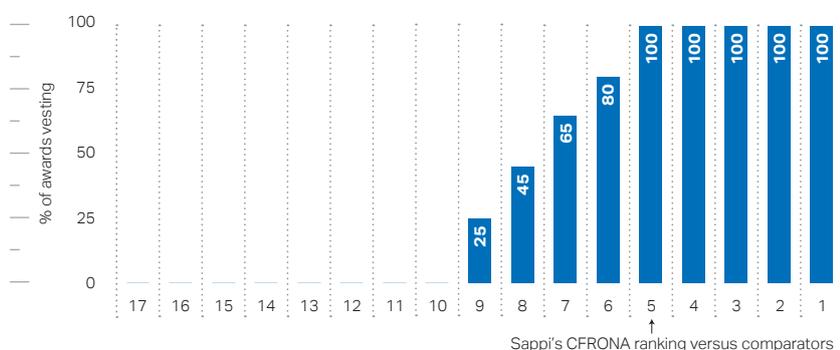
For the four-year period ending September 2020, Sappi's performance relative to the peer group measured on CFRONA was ranked 5th, resulted in 100% vesting on the CFRONA component. This result was verified by KPMG, our external auditors. In aggregate, therefore 50% of the total 2016 awards vested.

Remuneration Report continued

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

Remuneration Report continued

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			
	Board fees	Committee fees	Travel allowance	Total
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 Mehlomakulu	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			
	Board fees	Committee fees	Travel allowance	Total
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 Mehlomakulu	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.