sappi

2021 GROUP SUSTAINABILITY REPORT

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Icons

- Risk
- Case study
- Related and explanatory information in this report is cross referenced.
- See more detailed information in other published documents on www.sappi.com or other interactive reports.
- See more detailed information on third-party websites.

Thrive25 strategy

- Grow our business
- Sustain our financial health
- Drive operational excellence
- Enhance trust

About the theme

Strength. Vigour. Resilience. Those are all words associated with *Advance*, our theme for 2021. We are moving forward from a year during which we all had to adapt to a new way of doing business, a different way of being in the world. We have emerged from that process robust and resilient, more determined than ever before to play our role in shaping a thriving world. We are **advancing boldly**, but, as reflected in the beauty and delicacy of the images used throughout this report, we do so in a manner that is **deeply responsive** to society and the natural world.

Who we are

Sappi is a leading global provider of everyday materials made from woodfibre based renewable resources. As a diversified, innovative and trusted leader focused on sustainable processes and products, we are building a more circular economy by making what we should, not just what we can.

Our raw material offerings (such as dissolving pulp, wood pulp, biomaterials and timber) and end-use products (packaging and speciality papers, graphic papers, casting and release papers and forestry products) are manufactured from woodfibre sourced from sustainably managed forests and plantations, in production facilities powered, in many cases, with bio-energy from steam and existing waste streams.

Together with our partners, Sappi works to build a thriving world by acting boldly to support the planet, people and prosperity.

Paper capacity per year
5.5 million tons

Paper pulp capacity per year
2.5 million tons

Dissolving pulp (DP) capacity per year
1.4 million tons

Globally we have
12,492
employees[1]

394,000 ha
Owned and leased sustainably managed forests in South Africa

1 This number aligns with the 2021 Annual Integrated Report and differs from the numbers given on page 84 of this report. The former number is supplied by Finance which calculates numbers differently from Human Resources which has supplied the numbers on page 84.

Where we operate

Sappi Trading

Sappi Trading operates a network for the sale and distribution of our products outside our core operating regions of North America, Europe and South Africa. Sappi Trading also coordinates our shipping and logistical functions for exports from these regions.

Sales offices

- Hong Kong
- Bogotá
- Johannesburg
- México City
- Nairobi
- São Paulo
- Shanghai
- Sydney

Logistics offices

- Durban

Europe

10 Production facilities
15 Sales offices

North America

4 Production facilities
6 Sales offices

South Africa

5 Production facilities
6 Sales offices

About **this report**

SCOPE OF THIS REPORT

This report is aligned with our annual integrated report and covers the period from the beginning of October 2020 to the end of September 2021. We report on a regional and global basis, wherever possible presenting data over five years to make the information relevant, accessible and comparable. Commentary is provided on graphs to enhance understanding and specific measurement criteria – as well as instances where these have changed – are clearly spelled out.

REPORTING FRAMEWORK

As Sappi Limited is headquartered in South Africa and we have our primary listing on the JSE, we abide by the King IV Code on Corporate Governance (King IV™ [1]). Our annual integrated report provides a very clear link between sustainability and strategy and sets out how we create stakeholder value in a sustainable manner.

ALIGNING WITH THE GRI

This report has been prepared in line with the GRI (Global Reporting Initiative) standards in terms of the core option, supported by Sappi's internally developed guidelines. The relevant indicators can be found in our *interactive GRI index*.

DETERMINING MATERIALITY

We consider material matters to be those matters that could facilitate or inhibit our OneSappi strategy and that could substantively affect – either positively or negatively – our ability to create stakeholder value over the short, medium and long term. The information presented has been determined on the basis of our ongoing extensive engagement with our stakeholders and has been assessed against the backdrop of current business operations, as well as the opportunities, challenges and prevailing trends in our industry and the global economy within the context of the global forces shaping our world.

In preparing this report, we have tracked environmental findings and research, public opinion, employee views and attitudes, the interests and priorities of environmental and social groups, as well as the activities, profiles and interests of investors, employees, suppliers, customers, communities, governments and regulatory authorities.

While we do cover economic (Prosperity) issues to some extent, these are dealt with in greater detail in our annual integrated report. We aim to present information that is material, accurate, comparable, relevant and complete. The information presented covers topics and indicators that reflect our significant economic, environmental and social impacts, as well as issues that would substantively influence the assessments and decisions of stakeholders.

IDENTIFYING STAKEHOLDERS

We have identified the stakeholders we expect to use our report on the basis of our ongoing engagement, both formal and informal, with them. The various ways in which we engage our stakeholders are set out in the *Our key relationships* section. The stakeholders we expect to use this report include investors, customers, suppliers, employees, communities, governmental and non-governmental organisations, environmental bodies and all those who are affected by our activities.

NOTE

Note: The regional sustainability report for **SNA**, as well as our corporate citizenship report for **SSA** can be found on *www.sappi.com*.

EXTERNAL ASSURANCE

In 2021 we obtained external limited assurance on selected sustainability key performance indicators in this report (please refer to the *Independent Assurance Practitioner's Limited Assurance Report* on Selected Key Performance Indicators on the following pages).

EXTERNAL ASSURANCE

Direct emissions (Scope 1) (tCO_2e)	4 273 188,88[LA]
Indirect emissions (Scope 2) (tCO_2e)	1 022 586,29[LA]
Employee (own) LTIFR (rate)	0.48[LA]
Contractor LTIFR (rate)	0.31[LA]

LA: Limited assurance provided by KPMG.

External reviews of our sustainability performance

We reported to the CDP (*www.cdp.net/en*) under its climate and forest programmes, making our responses publicly available and scoring A- for forests and B for climate.

All three regions – Europe, North America and South Africa – achieved a Platinum medal in FY2021.

We were confirmed as a constituent of this index.

1 *Copyright and trademarks are owned by the Institute of Directors in South Africa NPC and all of its rights are reserved.*

Independent Assurance Practitioner's Limited Assurance Report on Selected Key Performance Indicators

To the Directors of Sappi Limited

REPORT ON SELECTED KEY PERFORMANCE INDICATORS

We have undertaken a limited assurance engagement on selected key performance indicators (KPIs), as described below, and presented in the 2021 Group Sustainability Report of Sappi Limited (Sappi) for the year ended September 2021 (the Report). The engagement was conducted by a multidisciplinary team including safety, environmental and assurance specialists with relevant experience in sustainability reporting.

SUBJECT MATTER

We have been engaged to provide a limited assurance conclusion in our report on the following selected KPIs, marked with a 'LA' on the relevant pages of the Report. The selected KPIs described below have been prepared in accordance with the Global Reporting Initiative Sustainability Reporting Standards ("GRI Standards"), supported by Sappi's internally developed guidelines (collectively referred to as "Sappi's reporting criteria").

Category	Selected KPIs	Scope of Coverage
Environment	Direct emissions (Scope 1) tCO_2e	Sappi Global (Total Group)
	Indirect emissions (Scope 2) tCO_2e	
Safety	Employee (Own) LTIFR (rate)	
	Contractor LTIFR (rate)	

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for the selection, preparation, and presentation of the selected KPIs in accordance with the accompanying Sappi reporting criteria. This responsibility includes the identification of stakeholders and stakeholder requirements, material issues, commitments with respect to sustainability performance and design, implementation and maintenance of internal control relevant to the preparation of the Report that is free from material misstatement, whether due to fraud or error. The Directors are also responsible for determining the appropriateness of the measurement and reporting criteria in view of the intended users of the selected KPIs and for ensuring that those criteria are publicly available to the Report users.

INHERENT LIMITATIONS

The Greenhouse Gas (GHG) emission quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases.

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirements of the *Code of Professional Conduct for Registered Auditors* issued by the Independent Regulatory Board for Auditors (IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*.

KPMG Incorporated applies the International Standard on Quality Control 1, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

PRACTITIONER'S RESPONSIBILITY

Our responsibility is to express a limited assurance conclusion on the selected KPIs based on the procedures we have performed and the evidence we have obtained. We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements other than Audits or Reviews of Historical Financial Information*, and in respect to the greenhouse gas emissions, in accordance with the International Standard on Assurance Engagements 3410 (ISAE 3410), *Assurance Engagements on Greenhouse Gas Statements*, issued by the International Auditing and Assurance Standards Board. These Standards require that we plan and perform our engagement to obtain limited assurance about whether the selected KPIs are free from material misstatement.

A limited assurance engagement undertaken in accordance with ISAE 3000 (revised) and ISAE 3410 involves assessing the suitability in the circumstances of Sappi's use of its reporting criteria as the basis of preparation for the selected KPIs, assessing the risks of material misstatement of the selected KPIs whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the selected KPIs. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. The procedures we performed

Independent Assurance Practitioner's Limited Assurance Report on Selected Key Performance Indicators *continued*

were based on our professional judgement and included inquiries, observation of processes followed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing and reconciling information with underlying records.

Given the circumstances of the engagement, the procedures performed included the following:

- Interviewed management to obtain an understanding of the internal control environment, risk assessment process and information systems relevant to the sustainability reporting process;
- Inspected documentation to corroborate the statements of management in our interviews;
- Tested the processes and systems to generate, collate, aggregate, monitor and report the selected KPIs;
- Conducted interviews with relevant key personnel and data owners to understand data collection and report preparation processes, as well as the associated key controls;
- Inspected supporting documentation on a sample basis and performed analytical procedures to evaluate the data generation and reporting processes against the reporting criteria;
- Evaluated the reasonableness and appropriateness of significant estimates and judgments made by the directors in the preparation of the selected KPIs; and
- Evaluated whether the selected KPIs presented in the Report are consistent with our overall knowledge and experience of sustainability management and performance at Sappi.

The procedures performed in a limited assurance engagement vary in nature and timing and are less in extent than for a reasonable assurance engagement. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether Sappi's selected KPIs have been prepared, in all material respects, in accordance with the accompanying Sappi reporting criteria.

LIMITED ASSURANCE CONCLUSION

Based on the procedures we have performed and the evidence we have obtained and subject to the inherent limitations outlined elsewhere in this report, nothing has come to our attention that causes us to believe that the selected KPIs as set out in the subject matter paragraph above for the year ended September 2021 are not prepared, in all material respects, in accordance with Sappi's reporting criteria.

OTHER MATTERS

The maintenance and integrity of the Sappi website is the responsibility of Sappi management. Our procedures did not involve consideration of these matters and, accordingly, we accept no responsibility for any changes to either the information in the Report or our independent limited assurance report that may have occurred since the initial date of its presentation on Sappi's website.

RESTRICTION OF LIABILITY

Our work has been undertaken to enable us to express a limited assurance conclusion on the selected KPIs to the Directors of Sappi in accordance with the terms of our engagement, and for no other purpose. We do not accept or assume liability to any party other than Sappi, for our work, for this report, or for the conclusion we have reached.

KPMG Inc.
Registered Auditor

Per PAH Lalla
Chartered Accountant (SA)
Registered Auditor
Director

KPMG Crescent
85 Empire Road
Parktown
Johannesburg
2193

15 December 2021

forge on

governance

17 PARTNERSHIPS FOR THE GOALS

Enhancing **trust**

As we work to build a thriving world by unlocking the power of renewable resources to benefit people, communities, and the planet, we need to do so from a foundation of trust.

This foundation is reinforced by our robust sustainability governance structure:

Regional Sustainable Councils (RSCs) in Europe, North America and South Africa, are responsible for establishing and implementing our on-the-ground sustainability strategy. Issues in this regard are presented at the quarterly Regional Sustainable Development Councils (RSCs) and Group Sustainable Development Council (GSDC) meetings. The GSDC is chaired by the Group Head: Investor Relations and Sustainability. The GSDC reviews key trends and developments together with strategy and implementation and makes recommendations which are fed through to the Social, Ethics, Transformation and Sustainability (SETS) committee and ultimately, to the Sappi Limited board.

The SETS committee has an independent role with accountability to the Board and is comprised of a majority of independent non-executive members, whose duties are delegated to them by the board of directors in compliance with a board-approved terms of reference. The role of the SETS Committee, together with the Audit and Risk Committee, is to assist the Board with the oversight of sustainability issues within the company and to provide guidance to management's work in respect of its duties.

The chairman of the SETS committee has served as the President of the International Union for the Conservation of Nature; Chairman of the UN Commission for Sustainable Development; Chairman of WWF-SA and currently serves as the deputy chair of the South African President's climate change commission.

Our sustainability governance structure

emerge

Performance against **our global and regional targets**

The United National Sustainable Development Goals (UN SDGs) inspire us all to strive for a better future, setting out a roadmap for where we collectively need to go and how to get there.

We have identified seven priority goals at global level – and a further two in South Africa – where we believe we can make the most impact and where we are concentrating our efforts.

Our performance against our global and regional targets is set out on the following pages.

Key

Self-assessment of 2021 performance

- Satisfactory performance
- Progress to be made
- Unsatisfactory performance

GLOBAL

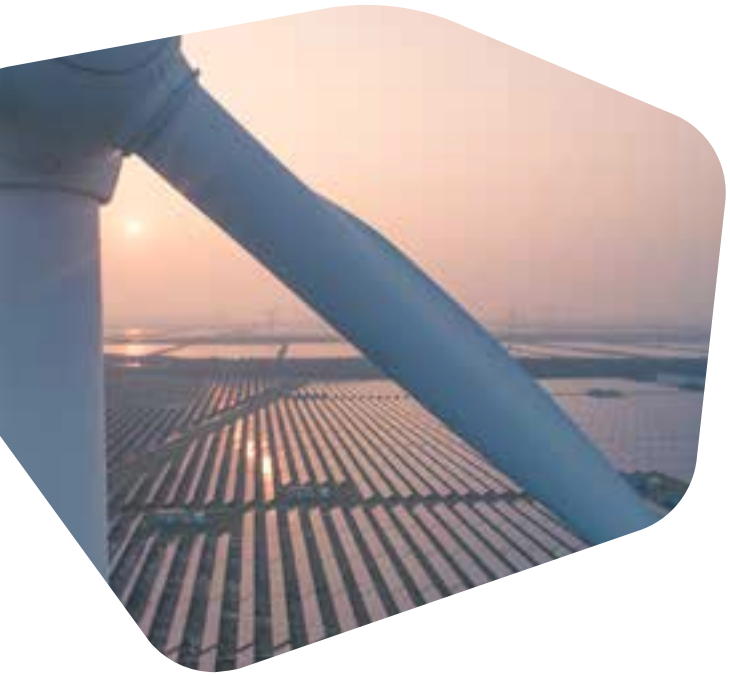
Thrive25 target	2019 base	2021 target	2021 performance	Assessment of performance
Reduce specific water use in water-stressed locations by 23%[1]	44.5 m³/adt	42.2 m³/adt	46.2 m³/adt	

1 *This target currently applies to Sappi's mills in South Africa; Sappi's mills in North America and Europe are not located in water-stressed locations.*

Performance against **our global and regional targets** *continued*

GLOBAL

Thrive25 target	2019 base	2021 target	2021 performance	Assessment of performance
Increase share of renewable and clean energy by 8% points	51.6%	54%	**52.4%**	
Decrease specific total energy by 5%	22.1 GJ/adt	22.4 GJ/adt	**22.3 GJ/adt**	



SEU

Thrive25 target	2019 base	2021 target	2021 performance	Assessment of performance
Increase share of renewable and clean energy by 11% points	39.3%	40.6%	**39.1%**	
Decrease specific total energy by 5%	15.6 GJ/adt	15.3 GJ/adt	**16.1 GJ/adt**	

SNA

Thrive25 target	2019 base	2021 target	2021 performance	Assessment of performance
Maintain share of renewable and clean energy by within 5% of baseline (79.05) or higher	79.05%	75% - 83%	**80.66%**	
Decrease specific total energy by 5%	25.66 GJ/adt	25.4 GJ/adt	**23.81 GJ/adt**	

SSA

Thrive25 target	2019 base	2021 target	2021 performance	Assessment of performance
Increase share of renewable and clean energy by 7% points	44.1%	46.1%	**43.8%**	
Decrease specific total energy by 9%	30.9 GJ/adt	33.1 GJ/adt	**32.2 GJ/adt**	

Performance against **our global and regional targets** *continued*

GLOBAL

Thrive25 target	2019 base	2021 target	2021 performance	Assessment of performance
Achieve zero workplace injuries (Lost Time Injury Frequency Rate (LTIFR): own employees)	0.71	0.42	**0.48**[LA]	
Achieve zero workplace injuries (LTIFR) own employees and contractors	0.53	0.43	**0.38**	
Increase proportion of women in management roles by 3.7% points	19.3%	20%	**20.2%**	
80% share of procurement spend with declared compliance with Supplier Code of Conduct	0%	20%	**59%**	
Participation in Employee Engagement survey to be above 85%	90%	>85%	**84%**	
Percentage of staff engaged with our business >75%[1]	NA	>75%	**76%**	
Return on capital employed (ROCE) to be 2% points above the weighted average cost of capital (WACC)	11.5%	12%	**5.40%**	

SEU

Thrive25 target	2019 base	2021 target	2021 performance	Assessment of performance
Achieve zero workplace injuries (Lost Time Injury Frequency Rate (LTIFR): own employees)	0.96	0.47	**0.78**	
Increase proportion of women in management roles by 5.8 points	13.7%	14.6%	**14.9%**	
80% share of procurement spend with declared compliance with Supplier Code of Conduct	0%	60%	**67%**	
Participation in Employee Engagement survey to be above 85%	96%	85%	**81.3%**	
Percentage of staff engaged with our business >75%	NA	>75%	**74%**	
Return on net operating assets (RONOA) to be 2% points above WACC	6.7%	0.2%	**-3.8%**	

1 Note that this target is currently being revised across all regions, due to the fact that we have appointed a new service provider to assess employee engagement and the framing of the questions is now different.

Performance against **our global and regional targets** *continued*

SNA

Thrive25 target	2019 base	2021 target	2021 performance	Assessment of performance
Achieve zero workplace injuries (Lost Time Injury Frequency Rate (LTIFR): own employees)	0.25	0	**0.33**	
Increase proportion of women in management roles by 4% points	19%	20%	**21%**	
80% share of procurement spend with declared compliance with Supplier Code of Conduct	0	50%	**53%**	
Participation in Employee Engagement survey to be above 85%	68%	74%	**65.5%**	
Percentage of staff engaged with our business >75%	NA		**69%**	
Return on net operating assets (RONOA) to be 2% points above WACC	2.4%	-2.0%	**8.1%**	

SSA

Thrive25 target	2019 base	2021 target	2021 performance	Assessment of performance
Achieve zero workplace injuries (Lost Time Injury Frequency Rate (LTIFR): own employees)	0.70	0.37	**0.29**	
Drive down lost time injury severity rate (LTISR) combined own and contractor employee to below 25%	124.1	<25	**16.5**	
Increase proportion of women in management roles by 3.1% points	18.9%	19.5%	**22.3%**	
80% share of procurement spend with declared compliance with Supplier Code of Conduct	0%	20%	**44%**	
Participation in Employee Engagement survey to be above 85%	93%	>85%	**95.5%**	
Percentage of staff engaged with our business >75%	NA		**79%**	
Return on net operating assets (RONOA) to be 2% points above WACC	14.6%	3.3%	**6.9%**	

Performance against **our global and regional targets** *continued*

GLOBAL

Thrive25 target	2019 base	2021 target	2021 performance	Assessment of performance
Launch 25 products with defined sustainability benefits	0	4	**1**	
Reduce specific landfilled solid waste by 15%	65.9 kg/adt	60 kg/adt	**52.8 kg/adt**	

SEU

Thrive25 target	2019 base	2021 target	2021 performance	Assessment of performance
Launch 15 products with defined sustainability benefits	0	1	**0**	
Reduce specific landfilled solid waste by 5%	13.6 kg/adt	13.9 kg/adt	**10.8 kg/adt**	

SNA

Thrive25 target	2019 base	2021 target	2021 performance	Assessment of performance
Launch 5 products with defined sustainability benefits	0	2	**1**	
Reduce specific landfilled solid waste by 10%	76 kg/adt	74.5 kg/adt	**68.5 kg/adt**	

SSA

Thrive25 target	2019 base	2021 target	2021 performance	Assessment of performance
Launch 5 products with defined sustainability benefits	0	1	**0**	
Reduce specific landfilled solid waste by 24%	153 kg/adt	136.2 kg/adt	**112.1 kg/adt**	
Promote sustainable growth in our plantations >4 (Annual growth in million tons)	3.96	>4.00	**4.06**	

Performance against **our global and regional targets** *continued*

GLOBAL

Thrive25 target	2019 base	2021 target	2021 performance	Assessment of performance
Decrease specific GHG (Scope 1 + 2) emissions by 18%	883.4 kg CO_2e/adt	897.7 kg CO_2e/adt	**840.9 kg CO_2e/adt**	

SNA

Thrive25 target	2019 base	2021 target	2021 performance	Assessment of performance
Decrease specific GHG (Scope 1 + 2) emissions by 5%	381.6 kg CO_2e/adt	377.8 kg CO_2e/adt	**317.3 kg CO_2e/adt**	

SEU

Thrive25 target	2019 base	2021 target	2021 performance	Assessment of performance
Decrease specific GHG (Scope 1 + 2) emissions by 25%	699.43 kg CO_2e/adt	711.2 kg CO_2e/adt	**637.18 kg CO_2e/adt**	

SSA

Thrive25 target	2019 base	2021 target	2021 performance	Assessment of performance
Decrease specific GHG (Scope 1 + 2) emissions by 20%	1,708.5 kg CO_2e/adt	1,769.9 kg CO_2e/adt	**1,799.6 kg CO_2e/adt**	
Decrease specific purchased fossil energy by 21%	17.3 GJ/adt	17.9 GJ/adt	**18.0 GJ/adt**	

Performance against **our global and regional targets** *continued*

GLOBAL

Thrive25 target	2019 base	2021 target	2021 performance	Assessment of performance
Share of certified fibre >75%	75%	>75%	77%	

SEU

Thrive25 target	2019 base	2021 target	2021 performance	Assessment of performance
Share of certified fibre >78%	77.5%	>78%	86.8%	

SNA

Thrive25 target	2019 base	2021 target	2021 performance	Assessment of performance
Share of certified fibre >55%	55.3%	>55%	57%	

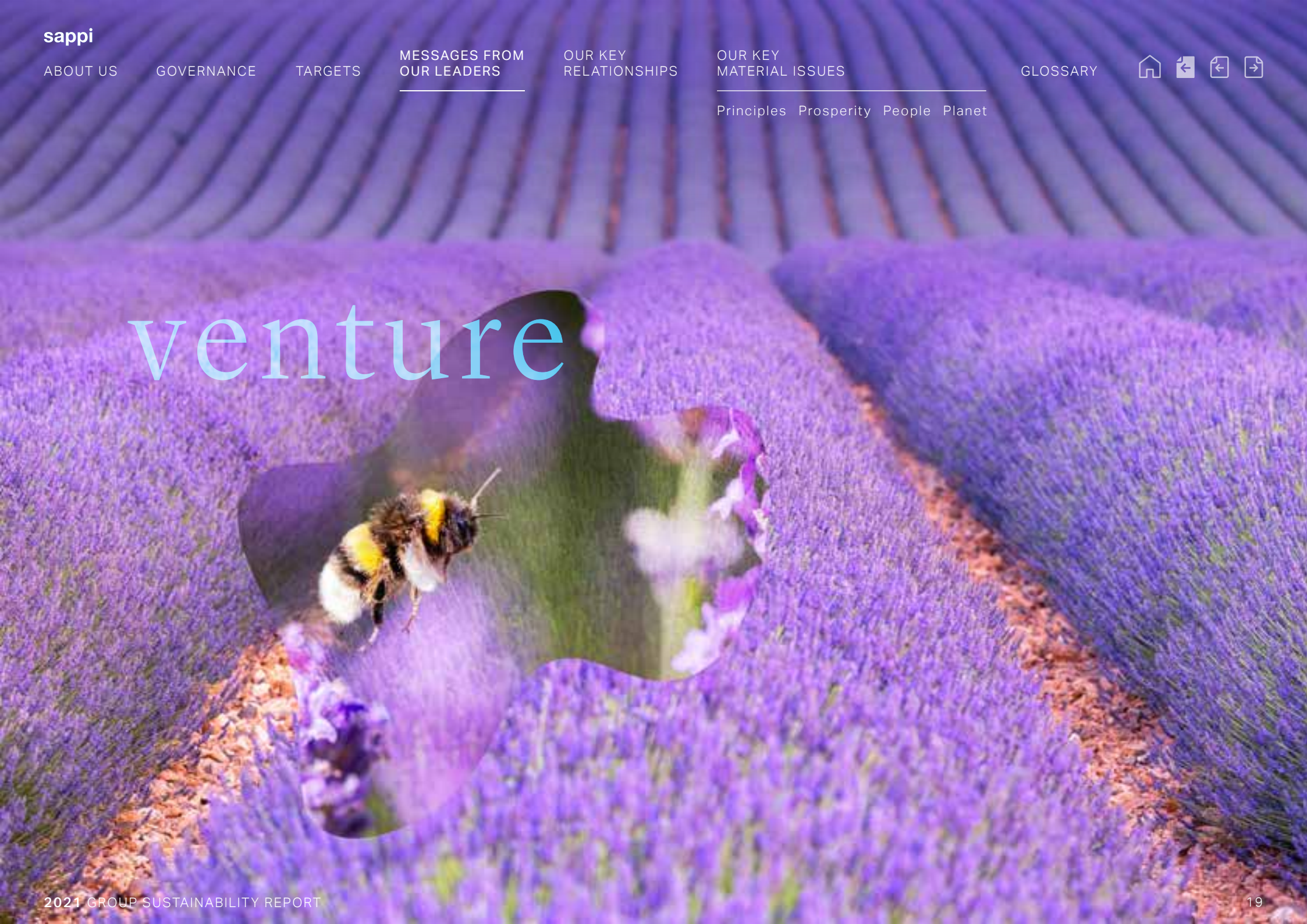
SSA

Thrive25 target	2019 base	2021 target	2021 performance	Assessment of performance
Share of certified fibre >82%	81.9%	>82%	85%	
Enhance biodiversity in conservation areas by 10%	0	All ICA sites assessed	90% KZN and 100% of Mpumalanga	

Performance against **our global and regional targets** *continued*

ADDITIONAL PRIORITY SDGS IN SSA

Thrive25 target	2019 base	2021 target	2021 performance	Assessment of performance
Advance Broad-based Black Economic Empowerment (BBBEE) to level 1	Level 2	Level 1	**Level 1**	


venture

Leadership **messages**

Dear stakeholders

The Covid-19 pandemic had a profound, negative impact in terms of SDG1: *No Poverty*.

The World Bank is reporting that globally, extreme poverty levels rose in 2020 for the first time in over 20 years and that approximately 100 million additional people are living in poverty as a result of the pandemic.

In addition, during the year, the world experienced extreme weather events precipitated by climate change. These compounded the disruption of the pandemic and slowed poverty reduction progress, with a significant proportion of the global population experiencing food insecurity.

If the Covid-19 pandemic taught us anything, it was that developments in one part of the world – no matter how distant – can have profound effects on us all. At Sappi we have long recognised that we are dependent on each other and on healthy, resilient ecosystems. We need to nurture both People and the Planet if we are to achieve our purpose of building a thriving world.

Accordingly, we have identified certain key United Nations Sustainable Development goals as priorities and we are framing our sustainability journey in terms of these goals. We are measuring our progress in terms of Thrive25 global and regional targets which serve as milestones along the road. Tracking progress against these *targets* (detailed on *pages 11 - 18* of this report) as we do on a quarterly basis allows us to modify our response very quickly where necessary.

This journey has been accelerated by our focus, as identified in our Thrive25 strategy, on working with all stakeholders to ensure we are creating solutions for our collective needs.

We are working with communities to respond to their needs. We are also collaborating on issues like social equity, skills and entrepreneurship; as well as decarbonisation, deforestation and biodiversity. In addition, our scientists and research centres continue their partnerships to offer our customers more sustainable solutions, to promote the responsible management of natural resources and to leverage artificial intelligence. We support the global drive to achieve net zero by 2050 and I am pleased to report that across the group, Sappi's focus on and actions related to climate change and decarbonisation intensified in the year under review.

Through these and our other actions, we are creating a powerful dynamic that links growth and inclusion and is helping us to advance further.

The agility and adaptability Sappi demonstrated during the Covid-19 pandemic laid the foundation for the manner in which we advanced over the past year. Notably, there were no fatalities as there were in FY2020. In addition, due in large part to the unstinting effort and commitment of our remarkable people, we returned to profitability. This underpins our drive to promote growth and inclusivity, benefiting not only our shareholders, but also the wide range of stakeholders who are impacted by our business.

Valli Moosa
Chairman
Social, Ethics, Transformation and Sustainability (SETS) Committee

Leadership **messages** *continued*

Dear stakeholders

While I am very proud of our return to profitability following a turbulent year in which everyone at Sappi worked exceptionally hard to adapt to the impact and implications of the Coronavirus pandemic, I am even more proud of the way we achieved this, securing the safety of our staff, supporting our communities in needs and ensuring that we maintained the integrity of our business and our supply chain to ensure that our customers could continue to trade.

During the first year of our Thrive25 strategy, our dedicated, resourceful people continued to focus on our goal of pursuing circular ecosystems, including utilising 100% of every tree harvested. We worked to offer viable alternatives to fossil-based products, expanding our range of packaging and speciality grades. We optimised our business processes and made progress in obtaining benefit from new systems including machine learning and advanced analytics.

We continued to prioritise the safety of our people, whether related to Covid-19, civil unrest in South Africa or the operational and occupational safety of our workforce.

During the Covid-19 related lockdowns, our IT teams worked hard to facilitate a seamless transition to working from home where the nature of work permitted. Following the easing of lockdown restrictions, we implemented a phased return to work. We also embarked on a detailed and sustained communication drive to provide our people and our contractors with information about the Covid-19 pandemic. We continue to encourage vaccination and in South Africa, established vaccination centres at our offices and mills to accelerate the uptake of vaccinations.

Despite there being no work-related fatalities during the year, regrettably and tragically, 17 employees succumbed to Covid-19. Recognising that these fatalities, together with the mental challenges associated with the various lockdowns all over the world, were having negative impacts on our employees' mental health, we responded with wellbeing programmes aimed at alleviating stress and providing support.

The theme for this report – *Advance* – is reflected in the fact that the group generated a profit for the year of US$13 million, a substantial improvement on the loss of US$135 million in the FY2020 financial year.

We worked to embed our priority UN Sustainable Development Goals throughout the business and heightened our focus and ambition on climate action, submitting our 2030 greenhouse gas (GHG) emission reduction target to the Science Based Target initiative (SBTi) for validation. We also completed assessment of our mill operations and forestry assets, following the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

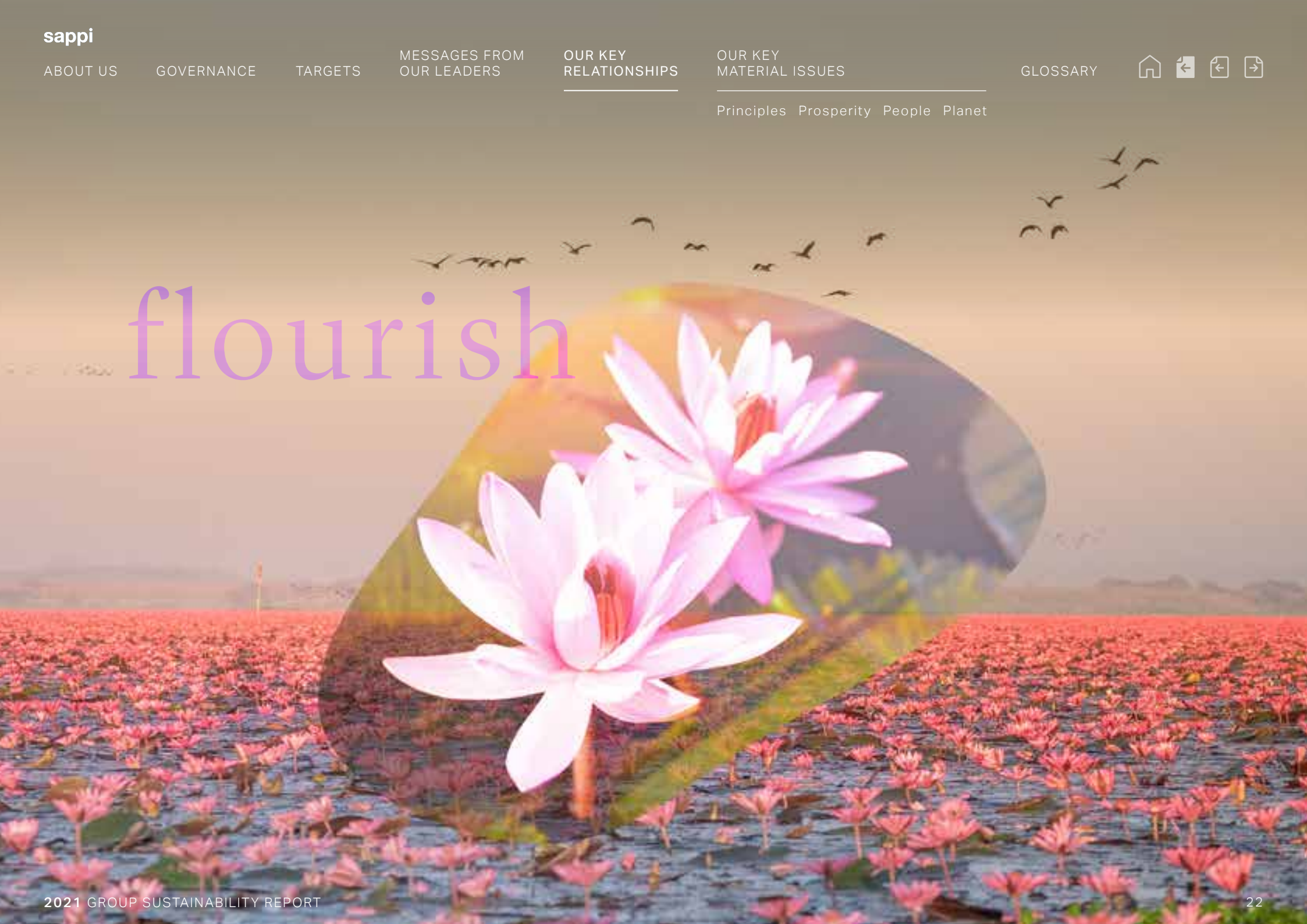
When our people speak, we want them to feel that they have been heard and understood. Accordingly, we appointed a new service provider to assess employee engagement and are confident that the new approach has already enabled us to respond to issues and concerns more quickly and in a more focused manner. Our drive to promote entrepreneurship and skills in South Africa was successful, despite the constraints of the pandemic, with our dedicated Enterprise and Supplier Development (ESD) department in this country making strides in incorporating small, medium and micro enterprises into the economic mainstream.

The rollout of our Supplier Code of Conduct also gained traction and our efforts in terms of responsible procurement were enhanced by our partnership with EcoVadis, essentially a sustainability assessment tool.

We are confident that, despite the ongoing pandemic-related disruptions, the year ahead will continue to see an improvement for Sappi. Together with our stakeholders, we will continue to leverage the power of a unified Sappi to build a thriving world by unlocking the power of renewable resources to benefit people, communities and the planet.

Steve Binnie
Chief Executive Officer
Sappi Limited

flourish



our key relationships

17 PARTNERSHIPS FOR THE GOALS

One of the strategic fundamentals of our Thrive25 strategy is to enhance trust. This means listening to our stakeholders and responding to their issues and concerns. To do this and to improve our understanding of their needs, we proactively partner with them, challenging the status quo where necessary as we seek to transform the future with innovative, biobased, and renewable materials. Our overarching aim is to collaborate with our stakeholders to make all processes and materials more sustainable, to leverage cutting-edge thinking that will help them become more successful and contribute to a thriving world.

The challenges facing the creation of a thriving world necessitate bold, decisive action. In partnership with our stakeholders, we're thinking and acting more boldly than ever before to come up with real-world solutions to a broad range of challenges.

We establish and maintain proactive dialogue with all our stakeholders. In doing so we recognise that stakeholder needs are dynamic and that we need to be responsive to the evolving stakeholder landscape. In addition to responsiveness, our approach to engagement is based on the principles of inclusivity, materiality, relevance and completeness.

We assess the quality of our relationships both informally, as set out on the following pages, and formally – through regular employee and customer surveys, community forums and Poverty Greenlight in South Africa.

Our stakeholder work is aligned to the governance framework of King IV, namely performance and value creation, adequate and effective controls and trust, as well as reputation and legitimacy and ethics. Our membership of the UN Glocal Compact provides further guidance to our stakeholder approach.

Trust is not possible without an ethical culture underpinning our everyday activities, which is why we train our employees, customers and suppliers on our Code of Ethics and also promote awareness of the Sappi Hotlines in each region which allow all stakeholders to report breaches of the Code in full confidentiality without fear of reprisal.

We regularly review our activities with regard to the Organisation for Economic Co-operation and Development (OECD) Anti-Bribery Convention and the Convention's 2009 Anti-Bribery Recommendation, particularly Section VII of the OECD Guidelines for Multinational Enterprises dealing with Combating Bribery, Bribe Solicitation and Extortion. No issues have been raised regarding Sappi with regards to compliance with the Convention and Guidelines either externally or internally.

Read more: *Maintaining ethical behaviour and compliance*.

UN GLOBAL COMPACT

UNGC **Principle 10**:
Businesses should work against corruption in all its forms, including extortion and bribery.

Employees

SELF-ASSESSMENT OF QUALITY OF RELATIONSHIPS:

Good

Why we engage

As we take Sappi into the future based on the clear roadmap entrenched in our Thrive25 strategy, our task is to help our people understand the plan and clear their path to success. Our aim is to unlock the wide-ranging, significant expertise of our people today and tomorrow. In doing so, we secure our exciting future in woodfibre as a business that provides relevant solutions, delivers enhanced value and is a trusted partner to all our stakeholders.

SHARED PRIORITIES	OUR RESPONSE
Constructive action with regard to Covid-19	As the pandemic and associated lockdown continued, we continued to facilitate remote working and a staggered return to our sites. Covid-19 information hubs continued to support our staff, customers and their families, focusing specifically on vaccination-related topics.
Involvement in safety	• For the second year running, the theme for Global Safety Awareness week was 'I Value Life'. Because of the Covid-19 pandemic, virtual webinars and e-media were used to convey the messages to our people. • Involving our people in health and safety is part of our collaborative approach to doing business. Health and safety committees are in place at all our operations. Through these committees, our people are consulted about the development/review of policies and procedures and changes that affect workplace safety or health. – In **SEU**, formal health and safety committees are in place at different levels of the business in line with statutory requirements. All employees are represented by the safety committees. – In **SNA**, all unions have the opportunity to participate in joint management worker safety committees. – In **SSA**, (including Sappi Limited), health and safety representatives are elected from non-supervisory staff. In line with legislation, there is one representative for every 50 workers. – **Sappi Trading** does not have formal joint management worker health and safety committees due to the small size of the offices, but there are appointed safety officers. **Read more** about safety: *Ensuring the safety of our employees and contractors*

Employees *continued*

SHARED PRIORITIES	OUR RESPONSE
Focused wellness and wellbeing	• **Wellbeing and wellness programmes** are tailored to the needs of each region. • In **SSA**, our **HIV/AIDS programme** provides support for employees and contractors. In this region, we also work with government in terms of community health programmes.
Effective recognition programmes	Our recognition programmes include: **Sappi Limited** • Technical Innovation Awards • CEO Award for Excellence **SEU** • Annual Coryphaena Award **SNA** • TOUTS Recognition Awards – in FY2021 employees generated over 2,400 TOUTS • Periodic regional President's Awards **SSA** • Excellence in Achievement Awards (EAA) • Annual safety awards • Annual regional CEO Awards **Sappi Trading** • SMART Awards
Connection with Sappi's strategic goals and high levels of engagement	We conduct engagement surveys every second year, with the most recent one taking place this year. In 2021 we selected a new survey provider. Their service offering includes a much-improved participant experience, significant granularity in reporting as well as fast turnaround times in obtaining the results. The timespan for results reduced from three months to one month. In addition, the engagement categories in the new survey are more defined and specific than in the previous survey. **Read more:** *Engaging more closely with our employees*

Employees *continued*

SHARED PRIORITIES	OUR RESPONSE
Training and development that benefits Sappi and our employees	**Globally**, each employee benefitted from 48.3 hours of training. Training spend per region was: **SEU:** US$473, **SNA:** US$238, **SSA**: US$671, **Sappi Trading:** US$504. **SEU:** • The Leadership Talent Strategy and Sappi Leadership Academy develop a leadership pipeline. • The Apprenticeship Programme and Graduate Trainee Programme sources talent. **SNA:** • Education programmes are supported at targeted colleges and universities, as are programmes to encourage study in fields relevant to our operations, including scholarship programmes and internships. • We provide support for the University of Minnesota Sustainable Forests Education Cooperative within the State of Maine which offers continuing education opportunities to forestry and natural resource professionals in a broad range of fields. • Sappi Learning, a Cornerstone based system is a training and development tool offering new ways of engaging employees in personal development planning, with access to a whole library of online training content, including Udemy training modules. **SSA:** • The Sappi Leadership Academy prepares future leaders. • Apprenticeships, Engineers in Training and Foresters in Training programmes build our human capital for the future. • The Regional Employment Equity and Learning Committee ensures that we meet our legislative obligation to consult and attempt to reach agreement, as placed on us by the Employment Equity Act and Skills Development Act. The Committee meets at least twice a year.
Encourage employee volunteerism through initiatives	**SEU:** Support of various local education, cultural and environmental projects based on annual requests and identified needs. **SNA:** The Employee Ideas that Matter initiative through which we provide grants to employees to benefit the nonprofit organisations they are most passionate about. The winners share US$25,000 in corporate giving to support their selected causes. **SSA:** Employee wellbeing committees at each mill support local community projects as well as Mandela Day.

Employees *continued*

SHARED PRIORITIES	OUR RESPONSE
Understanding of Sappi's commitment to sustainability which underpins our strategy	Globally, targeted internal publications and social media campaigns linked to global days like Global Ethics Day, World Environment Day (*https://www.youtube.com/watch?v=Bx7EQuoX8OM*) and the International Day of Biodiversity (*https://www.youtube.com/watch?v=JNyMmRRPJMc*) enhance understanding of the sustainability landscape in general as well as our actions to ensure that we play an active role in driving responsibility within this landscape, in particular. **SEU** has established the **Blue Couch** series which involves series, video interviews on new products, innovations, sustainability and more. **SNA** runs an active **Sustainability Ambassador** programme which promotes understanding and awareness of sustainability-related issues. **SSA** continues to operate **Ask Alex**, an initiative whereby employees can pose questions to our CEO.

Challenges for value creation

- Recruitment and retention of key skills.
- Loss of institutional memory as older employees retire.

Opportunities for value creation

- Alignment with our strategic direction enables our people to contribute more positively to the business as well as their personal and career development.
- By building our human capital base, we establish a base of technical skills needed both by Sappi and by the industry.
- A diverse workforce enhances our ability to service global markets and promotes a culture of inclusivity.
- An increased commitment to safety delivers benefits at personal, team and operational levels.
- By establishing an ethical culture where corporate citizenship is promoted, we ensure the ongoing viability of our business, enhance reputation and become an employer of choice.

Employees *continued*

Supporting communities on Mandela Day

Sappi Southern Africa rallies to the call to #ServeLikeMadiba in July every year by encouraging our staff to give generously of their time in the week around former President Nelson Mandela's birthday. In 2021 we adjusted our activities due to the realities of Covid-19 restrictions and the impact of social unrest.

One of our biggest beneficiaries this year was the Nelson Mandela Children's Hospital who received a donation of branded blankets, Typek A4 paper, and hand sanitiser. They responded by saying: "Thank you Sappi for #servinglikemadiba by donating 2 years' worth of paper! Together with sanitiser, blankets and water for the children at our Nelson Mandela Children's Hospital."

Staying in Gauteng, our head office staff partnered with the Helen Joseph Hospital, a teaching hospital affiliated with the University of Witwatersrand's Medical School, who received a much-needed specialised fridge for storing Covid-19 vaccines and other medication at the optimum temperature. They commented: "The shortening of time saved in rushing to and from other areas to fetch medication will help all patients facing an emergency and will keep our medication requiring refrigeration safe and effective."

In KwaZulu-Natal (KZN), our Sappi Forests personnel donated 90 packs of baby nappies to the Salvation Army's Joseph Baynes Children's Home in Pietermaritzburg. The staff who received these were delighted and commented: "Christmas came early for us this year! When you have 30 children aged under two you use a lot of nappies every day. Your generous donation was just so amazing and will go a long way to keep our little ones dry and comfortable. We thank you for blessing us with this kind donation. In the uncertain times we live, people like you make our jobs just so much easier."

Elsewhere in KZN several of our neighbouring forestry communities in the KZN Midlands were supplied essential nutritional porridge packs. Sappi Forests joined forces with Savithi Trading Company, one of its contractor partners, and 1,500 kg of porridge was distributed. A further 3,000 kg of the porridge was distributed by our teams of foresters and community relations personnel, who worked closely with the Department of Social Development to identify and distribute the porridge to the child-headed households in our operational areas near KwaMbonambi, inland near Ixopo and Bulwer, and in the vicinity of Greytown and surrounds.

In the communities of Umkomaas, Mandeni and Stanger, surrounding our three mills in KZN, our employees contributed towards securing foodstuff to be distributed in food parcels via local NGOs to people who had been affected by food shortages, exacerbated by the disruption of supply chains resulting from the unrest. Donations were also made by staff from around the country to assist communities who had been left destitute by the civil unrest.

At our Mpumalanga operations, we teamed up with members of the Ngodwana Integrated Community Forum and arranged an Early Childhood Development (ECD) Outreach programme, donating blankets and goodie bags to the children of Empilweni Day Care and Woodhouse Day Care centres. In Barberton, the children at the St John's Care Centre each received a care parcel containing toiletries and a soft toy, whilst the Centre received Typek office paper, along with the nine Penreach ECD centres that we support in the Emjindini Township.

Unions

SELF-ASSESSMENT OF QUALITY OF RELATIONSHIP:

Fair

Why we engage

In 2021, globally, 56.43% of our workforce was unionised, with 71.53% belonging to a bargaining unit. A workplace where people feel they have been heard and in which they can make a meaningful contribution promotes productivity and stability. Accordingly, it makes sound business sense to maintain constructive relationships with our employees and their representatives. We do so in a spirit of mutual respect and understanding.

SHARED PRIORITIES	OUR RESPONSE
Freedom of association, collective bargaining and disciplined behaviour	Sappi endorses the principles of fair labour practice as entrenched in the **United Nations Global Compact and Universal Declaration of Human Rights**. At a minimum, we conform to and often exceed labour legislation requirements in countries in which we operate. Protecting the right to freedom of association and collective bargaining is fundamental to the manner in which we do business. We engage extensively with representative trade unions. Discussions range from remuneration issues to training and development, health and safety and organisational changes. Given the complex labour situation in South Africa, we have established a number of structures to enhance ongoing positive engagement with union leadership. This is facilitated by structures such as the **National Partnership Forum** which includes senior members of management and senior union leaders who hold regular meetings where business, safety and union challenges are discussed. **Disciplined behaviour** is essential for individual wellbeing and to achieve our group goals and objectives. In each region, disciplinary codes ensure appropriate procedures are applied consistently, while grievance policies entrench the rights of employees, including the right to raise a grievance without fear of victimisation, right to seek guidance and assistance from a member of the human resources department or their representative at any time and the right to appeal to a higher authority, without prejudice. **Read more:** *Supporting sound labour relations* UNGC **Principle 3**: Businesses should uphold freedom of association and the effective recognition of the right to collective bargaining.
Safety and wellness initiatives	The health and safety committees at all our operations provide a forum for consultation about the development/review of policies and procedures and changes that affect workplace safety or health. Wellness programmes include fitness and medical screening programmes, as well as psychological and financial support.

Unions *continued*

SHARED PRIORITIES	OUR RESPONSE
Remuneration, working hours and other conditions of service	Our labour standards ensure that our remuneration practices are fair, with compensation levels set to reflect competitive market practices and internal equity, as well as company and individual performance. In rural areas, forest products companies like Sappi are often the only, or major, employers which makes the local population very dependent on the company and which could, in turn, lead to exploitative behaviour and an indirect form of forced labour. Against this backdrop, in all three regions, labour is sourced on the open market, we pay market-related wages in line with or above local legislation and ensure that working hours are fair. UNGC **Principle 4**: The elimination of all forms of forced and compulsory labour.
Resolving grievances, engaging on strategy	• Well-established grievance channels, disciplinary procedures and whistleblower protocols provide a non-retributory framework. • We regularly engage with unions on economic conditions, market dynamics and growth plans.

Challenges for value creation

- Multi-union landscapes, particularly in North America and South Africa, add to complexities in the labour environment.
- Unrealistic expectations about wage increases, particularly due to the ongoing Covid-19 pandemic.

Opportunities for value creation

- Good employee/management relations enable us to resolve new and difficult labour issues as they develop.
- When employees understand strategic direction and operating context, they are more likely to be more committed to Sappi, leading to a more stable labour force and higher levels of productivity.

Customers

SELF-ASSESSMENT OF QUALITY OF RELATIONSHIP:

Excellent

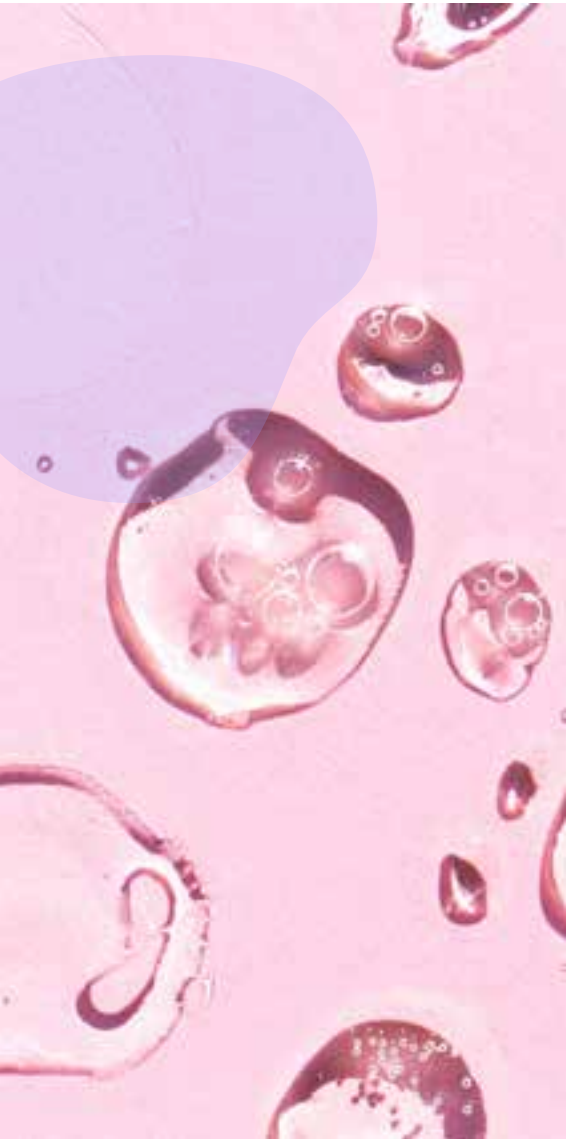
Why we engage

The more closely we engage and collaborate with our customers, the more likely we are to understand and respond to their evolving needs by offering relevant solutions in the form of sustainable and practical products and services. This partnership approach builds the loyalty and long-term relationships that enable us to thrive.

Through our continued focus on innovating paper and packaging solutions, pulp and biomaterials we remain committed to partnerships with customers who are increasingly focused on the social and environmental credentials of our products. Survey after survey confirms that consumers want to be greener in their purchasing decisions. We are committed to having a positive impact across the entire value chain by embracing the circular economy. We do this by using sustainable materials based on certified wood, replacing fossil-based chemistry and working on new technologies that support transformation in Sappi and across our value chain partners to reduce CO_2 emissions and contribute to the UN SDGs.

SHARED PRIORITIES	OUR RESPONSE
Enhanced service levels	In SEU, we have entered into **a partnership with Shippeo** which offers 'predictive visibility' of **supply chain transportation**, enhancing the customer experience by providing a reliable estimate of when an order will arrive with the customer as well as a faster response to customer inquiries on goods in transit. Proactive sharing of the live delivery status with customers ensures early warnings are given on potential delivery delays. This move will enable us to measure and manage carrier performance in real-time, as well as benefit from faster and more efficient information exchange and communication between customer service, logistics and carrier teams. Insights drawn from resulting data will also help to drive continuous improvement of operational processes.
New or enhanced products that meet rapidly changing market demand	**Research and Development (R&D)** Consumers have become increasingly aware of social and environmental issues and our customers are looking to us for help in this regard. Against this backdrop, our Innovation and Sustainability department enables us to put sustainability at the heart of everything we produce, enhances our understanding of our customers' current and future needs and means we can meet and anticipate those needs. Where relevant, we will conduct R&D and develop products to suit customers' specific needs. **Read more:** *Developing and commercialising innovations in addition to adjacent businesses* **Verve** We partnered with Birla Cellulose, one of the leading viscose manufacturers in the textile value chain, to provide a forest-to-garment traceability solution for 22 global brand owners. We are also an advisory partner in the development of the Textile Exchange biodiversity module. **Read more:** *Positioning Verve as the Fibre of Choice*

Customers *continued*



SHARED PRIORITIES	OUR RESPONSE
New or enhanced products that meet rapidly changing market demand *continued*	**BioTech** We achieved commercialisation of Symbio, our biocomposite, and commissioned our first industrial installation at one of our paper mills to exploit the strength functionality of Valida in the base sheet as well as the barrier functionality in a coating application and are moving ahead with our furfural plant at Saiccor Mill. **Casting and release papers** Ultracast Viva release paper won the Green Product Award 2021 jury prize in the fashion category. This award program recognises companies and start-ups that have distinguished themselves by their sustainable practices and product results. Ultracast Viva is a first-of-its-kind product made specifically for high-fidelity PVC, PU, semi-PU and solvent-free casting systems that are used in the manufacturing of coated fabrics.

Customers *continued*

SHARED PRIORITIES	OUR RESPONSE
Information and campaigns to promote print as a communication medium and encourage the use of packaging	• We continue to participate in industry initiatives like TwoSides. • We also participate in a number of tradeshows including: – Luxe Pack in Monaco where we showcased our high-quality paperboard product Algro Design and our new, upmarket Fusion Nature Plus virgin fibre liner. – FachPack in Germany where we presented our innovative high-barrier papers with integrated heat-sealing capability, an uncoated, bright white virgin-fibre liner for corrugated board applications and paper carrier bags, a non-wet-strength, wet-glue label paper and new papers in the flexible packaging sector. **SEU** • Shortly after year-end, for the second year running, Sappi will be joining other leading organisations and brands to sponsor a Europe-wide hackathon bringing together small teams of start-ups, scale-ups, industry enthusiasts and students to brainstorm innovative solutions to issues facing the graphics sector. This year's hackathon will tackle multiple challenges in six main categories exploring the overall theme: "The graphic communication enterprise of the future. How to future-proof our industry?" **SNA** • Launched a Sustainable Alternatives Campaign that included a video, a new addition to Sappi's website and social posts demonstrating how Sappi is partnering with other businesses to be pioneers in more sustainable alternatives. The campaign shows the many ways Sappi can enable brands and businesses to meet their sustainability promises by committing to using renewable resource-based materials in their products and packaging. Details can be found at S *www.sappi.com/promise* • Hosted a series of webinars designed to promote where print and packaging meet digital marketing. Topics included the persuasive role of packaging, direct mail and how interactivity, customisation, and innovative printing technologies and special effects leverage the unique power of print to expand brand presence, grow sales, and build a bridge between online and offline marketing.

Customers *continued*

SHARED PRIORITIES	OUR RESPONSE
Information about the fibre sourcing and production processes behind our brands	• Customers generally approach us for information about the fibre sourcing and production processes behind our brands, including carbon footprint. In response to these requests, we compile wood origin declarations, and in all regions, we publish Paper Profiles and information sheets for our papers. We also respond to many questionnaires from our customers that collect data on our CO_2 reduction plans and performance. In **SNA**, we hold Customer Council meetings and have developed our own eQ GHG emissions calculator that quantifies the amount of emissions associated with a customer order and how those emissions compare against the industry average. (S) • We publish fibre sourcing declarations on *www.sappi.com* for all mills. • At the request of our customers, in all three regions, we participate in EcoVadis and hold a platinum rating for all three regions. • Regions engage with suppliers through sustainability summits and individual meetings. • We publish FAQs covering topics like climate change, as well as forest and energy certification.

Customers *continued*

SHARED PRIORITIES	OUR RESPONSE
Technical information	(S) **Globally**, a series of technical brochures is available on our website *www.sappi.com* **SEU:** • The Sappi&You online knowledge platform for graphic paper offers a personalised online experience for printers, publishers and brand owners. Supported by eCommerce, it provides increased functionality to support our customers. (S) • The PSP site to provide targeted information on packaging and speciality papers (*www.sappi-psp.com*). **SNA:** (S) • The POP site is aimed at marketers, creatives, designers and printers looking to innovate in their categories (*https://sappipops.com/*). (S) • Sappi etc is an educational platform for designers and printers (*www.sappi.com/sappietc*). **SSA:** • Our paper and paper pulp product offerings are supported by strong technical teams at each mill and the technology centre in Tshwane.

Challenges for value creation

- Confusion about responsible forest management and the sustainable commercial use of forests and plantations with deforestation and lack of understanding about the manner in which the forests and plantations from which we source woodfibre help mitigate global warming.
- Promoting understanding of decarbonisation across the value chain.

Opportunities for value creation

- Meet customer needs for products with an enhanced environmental profile.
- Innovate to align with evolving market trends.
- Increase awareness of the importance of sustainability.
- Promote our customers' own sustainability journeys.
- Keep abreast of market developments.
- Showcase our products and promote the Sappi brand.

Customers *continued*

Digital and paper: a powerful combination

Printed electronics are decidedly on the move. Radio-frequency identification (RFID) is no longer a niche technology. It is already being used to great effect in many areas of everyday life: in our passports, ID cards and travel cards, clothes, library books, and much more. The vast scale and intricacy of the RFID market also offers new opportunities for the printing industry. With this in mind, ISBC, an international company focused on the development of unique RFID and Internet of Things (IoT) products has developed and presented on the market an innovative product: ISBC® RFID Paper. The product is sheet-fed and made with Sappi's 100% fibrebased Swiss Matt specialty paper, used mostly as an inkjet paper for large-format printing. RFID chips are embedded into the paper sheets causing no effect over the paper surface which remains flat and smooth.

Communities

SELF-ASSESSMENT OF QUALITY OF RELATIONSHIP:

Fair to good and steadily improving

Why we engage

Recognising that we are part of the communities beyond our fence lines and that their prosperity and wellbeing are linked to our own, we strive to make a purpose-driven, meaningful contribution towards the wellbeing and development of our neighbouring communities. We work to create positive social impact by jointly identifying and leveraging opportunities, thereby demonstrating our commitment to transparency and collaboration.

Community engagement meetings take various formats in our mills in the regions where they operate. These range from broad liaison forums for business, local government and communities to legally mandated environmental forums that form part of the licensing conditions of mills. In South Africa, there are local farmer and community forums related to our forestry communities.

In response to the Covid-19[1] pandemic, we refocused our response to and investment in the communities close to our areas of operation.

SHARED PRIORITIES	OUR RESPONSE
Community support including employment, job creation, business opportunities, economic and social impacts/ contributions	**SEU:** • Employees are encouraged to nominate and participate in local community projects and events. • At a local community level our focus is to add to the wellbeing, safety and health of our communities. We support various local schools, sports and hobby clubs, forest products industry students, local safety and environmental organisations and local charities. **SNA:** • Each site has a group focusing on community connections to channel local support. • Education programmes are supported at targeted colleges and universities as are programmes to encourage study in fields relevant to our operations. • We provide financial support to several non-profit conservation organisations to support regional biologist positions, landowner and community outreach activities, advocacy efforts, etc. Examples include elementary and secondary school field days, community forestry workshops, landowner outreach projects in cooperation with state agencies and industry associations, billboards promoting Sappi's private lands forestry programme and private landowner management assistance. • The **Ideas that Matter** programme continues to recognise and support designers who support good causes. Since 1999 the programme has funded over 500 non-profit projects and has contributed nearly US$14 million to a wide range of causes around the world that use design as a positive force in society. Given our focus during the past year on responding to Covid-19 and the Coronavirus pandemic, the ITM programme was suspended. It has been reformatted and relaunched for 2022 to align with the United Nations Sustainable Development Goals encouraging applicants to use design to address global challenges. • The **Employee Ideas that Matter** programme provides direct funding to the nonprofit organisations that our employees are most passionate about through the Employee Ideas That Matter (EITM) programme.

[1] *Covid-19 references SARS CoV-2 (Coronavirus) pandemic*

Communities *continued*

SHARED PRIORITIES	OUR RESPONSE
Community support including employment, job creation, business opportunities, economic and social impacts/ contributions *continued*	**SSA** • Community support has been bolstered by the creation of a dedicated multi-disciplinary team comprised of the Enterprise and Supplier Development (ESD) team, the Human Resources team and the Corporate Citizenship team. This structure has been rolled out at each mill site and is referred to as the Community Management Committee (CMC). The purpose of this CMC is to identify shared value opportunities which help identify and support local entrepreneurs as well as to promote the sourcing of goods and services from local suppliers where possible. The CMC at all times aims to collaborate with government, NGOs and the private sector for scale. • Given South Africa's significant development needs, the bulk of community support is allocated to this region. Support is directed to education, environment and socio-economic development, based on helping communities help themselves. Initiatives include: – Sappi Khulisa, our enterprise development scheme for emerging timber farmers – The Abashintshi Youth programme – Education throughout the education value chain, including early childhood development (ECD); Khulisa Ulwazi, our training centres for small growers and two training centres for local unemployed youth at Saiccor and the Ngodwana Mills – Support for local tourism through our mountain biking and trail running sponsorships and promoting recreational riding on Sappi land.

Challenges for value creation

- Community expectations for jobs and service delivery.

Opportunities for value creation

- Enhanced licence to operate and thrive.
- Promoting socio-economic development which could, in the long term, lead to increased demand for our products.
- Initiation of real social mobilisation and change for the better.
- Closer integration with local development plans from the authorities.

Communities *continued*

Collaborating to support the endangered Pepperbark tree

Our operations are deeply seated within the traditional communities of South Africa and we are committed to developing and improving the resilience of the communities and environment in which we operate. One such example is the partnership between our Shaw Forestry Research Centre and local research institutes to restore the endangered Pepperbark tree (Warburgia salutaris) which is widely used in traditional medicine for primary health needs like the common cold. This tree is endangered due to unstainable bark harvesting. The Pepperbark tree was previously widespread but is currently found growing in small pockets in nature reserves and is under constant surveillance. It was a challenge to cultivate this species due to a pest that damages the seed and due to the presence of aromatic oils in the cuttings.

In 2014, we joined a project, launched by SANParks, the Agricultural Research Council (ARC) and South African National Biodiversity Institute (SANBI) and used on in house skills in cutting production to propagate the Pepperbark tree. The project has been a major success, with Sappi also assisting in the distribution of approximately 40, 000 Pepperbark seedlings and cuttings to rural communities, at no cost. The financial impact of the project is intangible but invaluable: the programme of work has led to the discovery that the Pepperbark tree can be harvested sustainably because the medicinal properties of the highly prized bark are also abundant in the twigs and leaves. This has led to an educational outreach programme with traditional healers and community members. A working group partnership has also established a gene bank and seed orchard and will co-ordinate the Pepperbark conservation project.

Sappi has also provided the Pepperbark trees to neighbouring countries, like eSwatini via the eSwatini Traditional Healers Association and to Zimbabwe in partnership with Botanic Gardens Conservation International. Due to the success of the programme, the South African government has asked Sappi to consider adopting further endangered species for re-establishment.

Industry bodies, related memberships and organised business

SELF-ASSESSMENT OF QUALITY OF RELATIONSHIP:

Good

Why we engage

We engage with industry bodies and business believing that together, we are better equipped to meet the needs of a growing and changing society. Our focus is on using our expertise and our networks to help create a more sustainable future. Accordingly, we partner with industry and business bodies to provide input on issues and regulations that affect and are relevant to our businesses and industries. We also support and partner with industry initiatives aimed at promoting the use of our products and the overall sustainability of our industry. One of our longest relationships is with the United Nations Global Compact, to which we have been a signatory since 2008. We work to implement the UNGC's ten principles, all of which align with the UN SDGs. Under our Thrive25 strategy which emphasises partnership and collaboration, we have been focusing more intensively on working closely and more often with those who share both our values and commitment to our industry.

SHARED PRIORITIES	OUR RESPONSE
Decarbonisation and net zero	In FY2021, we continued our work on the **Science Based Targets Initiative (SBTi)** in line with our group-wide decarbonisation strategy and expect our science-based targets to be approved by the SBTi before the end of the calendar year 2021. We also became a project member of the **WBCSD Forest Solutions Group's Forest sector net zero roadmap project** (July 2021- July 2022). In **SNA**, we renewed our commitment to the **SmartWay® Transport Partnership**, an innovative collaboration between the U.S. Environmental Protection Agency (EPA) and industry. The partnership provides a framework to assess the environmental and energy efficiency of goods movement supply chains and benchmark overall performance.
Biodiversity	In 2021, we joined the **Circular Bioeconomy Alliance (CBA)**, a new global movement which puts nature at the heart of the global circular bioeconomy. Established by His Royal Highness the Prince of Wales under his Sustainable Markets Initiative in 2020, the CBA aims to accelerate the transition to a circular bioeconomy that is climate neutral, inclusive and prospers in harmony with nature, by providing knowledge-informed support and a learning and networking platform. It connects the dots between investors, companies, local communities, governmental and non-governmental organisations to advance the circular bioeconomy. At this stage, the focus on biodiversity in the textile industry – as with many others – is nascent. The **Textile Exchange** has developed a biodiversity module and associated Index to prepare the fashion industry for action. Sappi was an advisory partner in the module development. The module is going through an initial pilot phase to track the level of engagement and effort that companies are starting to make in terms of biodiversity. The biodiversity module will support and develop alongside the science-based targets network to reinforce consistency in language, frameworks and measurements. Additionally, use of this module and its future iterations will help companies prepare for stakeholder (including investor) questions around nature-related risk. In **SNA** we have conducted training for wood procurement teams on biodiversity involving local, state and regional experts from state government agencies. In **SSA** we have seven declared **nature reserves** on our landholdings in the Mpumalanga and KwaZulu-Natal provinces. These proclaimed nature reserves are part of South Africa's Biodiversity Stewardship Programme managed by the South African National Biodiversity Institute (SANBI) and are based on partnerships between landowners, provincial conservation authorities and NGOs, to secure biodiversity. The sites are declared where important biodiversity or ecosystem services have been identified.

Industry bodies, related memberships and organised business *continued*

SHARED PRIORITIES	OUR RESPONSE
Issues that affect the sustainability of our industry and initiatives that promote sustainability, awareness and understanding	**Global:** As a member of the Sustainable Apparel Coalition (SAC), we have contributed both data and resources to support the **Higg Index**, which measures sustainability performance and drives supply chain transparency and decision-making to improve efficiency and sustainability impact. Our Cloquet Mill in North America was assessed for environmental issues in FY2020 and Saiccor Mill in South Africa was assessed for social issues in FY2021. Both mills achieved good scores. **SEU:** We continued our active participation **in the 4Evergreen Alliance** which we joined last year. Membership is now at 80 organisations and includes a growing number of brand owners and FMCG companies. A strategy taskforce is working to shape the workplan for 2022 and beyond. The Circularity by Design Guidelines have been drafted and will likely be the first technical output from the Alliance to be published. The **Forests Dialogue (TFD)** leads multi-stakeholder dialogue processes among key stakeholders to overcome conflict and spur collaborative action on the highest priority issues facing the world's forests. TFD convened a series of dialogues on Climate Positive Forest Products during 2021. **SNA:** We host Supplier Sustainability Summits to discuss issues related to sustainability and we hold numerous one-on-one meetings with suppliers to discuss specific issues related to sustainability.
Regulatory issues	**Global:** There is interest to evolve how biogenic emissions are reported throughout the value chain. We are actively involved in one of the GHG protocol's working group to contribute to the formulation the GHG Protocol on Land Sector and Removals Guidance. **SEU:** The **EU Taxonomy** is a classification system providing definitions on which economic activities can be considered environmentally sustainable and which will shape Sustainable Finance in the future. A series of documents containing proposed criteria for different industrial activities were open for public consultation, including the draft forestry criteria as well as criteria for manufacturing of food products and beverages, including food packaging. Together with other industry members, we provided comment. We provided input during the formation of the of the EU Single Use Plastic Guidelines and continue to engage on the EU Forests strategy.

Industry bodies, related memberships and organised business *continued*

SHARED PRIORITIES	OUR RESPONSE
Regulatory issues *continued*	**SNA:** We continue to provide Lacey Act training for staff and have improved our documentation regarding fibre sourcing declarations. In the USA, **Extended producer Responsibility (EPR)** legislative activity focuses on packaging materials. The biggest impact of such legislation is likely to be increased costs to our customers and possible mandates for greater recycled content, which could disadvantage and add costs to Sappi products. As both our Somerset and Westbrook Mills are located in the State of Maine, we will continue to monitor the Maine regulatory development process and engage as draft proposals emerge, presently slated for late 2022. We are also actively participating with our trade association, AF&PA, in steering their positions to be one that seeks to participate in the regulatory development process. **SSA:** The SA Government launched its **Extended Producer Responsibility (EPR)** programme during 2021. It outlines a new approach to waste management for paper, packaging and some single use products, lighting and electrical and electronic equipment. The aim is to divert waste from landfills and increase recovery, recycling and reuse of materials. Sappi is a member of the Fibre Circle, the producer responsibility organisation created for the South Africa paper and paper packaging sector.

Industry bodies, related memberships and organised business *continued*

SHARED PRIORITIES	OUR RESPONSE
Enhanced forestry management	**SNA:** We continued our ongoing participation in **Emerald Ash Borer surveys** and other pest/pathogen/invasive species quarantines and studies. We continued to monitor the **FSC-US Forest Management Standard Revisions**. We have been engaging with land managers, industry associations, peer companies, customers and FSC to raise awareness and concern over these changes during the review and commenting periods in 2021. Sappi chaired the National Fibre Sourcing Standards Revision Taskgroup of the SFI. We continue to work closely with private land owners through our stumpage programme. **SSA:** A milestone was reached when we were awarded the first-ever **Programme for the Endorsement of Forest Certification (PEFC)** forest management certificate in the country. The certification will now enable Sappi to offer PEFC certified wood from its plantations in South Africa, giving further assurance to Sappi's local and global customers that the wood raw material originates from responsibly managed forests. This is in addition to the longstanding certification that Sappi holds for its 394,000 hectares with the Forest Stewardship Council™.

Industry bodies, related memberships and organised business *continued*

SHARED PRIORITIES	OUR RESPONSE
Enhanced forestry management *continued*	Sappi Forests is involved in an initiative to make **DNA fingerprinting technology** (developed through collaboration with the Forest Molecular Genetics programme) available to small growers and farmers. This will allow growers to determine clonal identity of their material obtained from Sappi nurseries. This will be provided through government funding and is an example of providing access to technology developed through Sappi input and funding together with other South African companies. In conjunction with the University of Pretoria, Sappi Forests conducted a pilot study to determine if **Near Infrared Reflection Analysis (NIRA)** could be used to classify susceptible eucalypt hybrids against the pathogen Chrysoporthe austroafricana, a fungal pathogen that causes the development of stem cankers on susceptible trees. The next step will be to verify the model independently and then deploy it operationally. It will be a useful tool to identify hybrids to maintain high purity in nurseries, rapidly and cost-effectively.
Combatting deforestation	We believe that creating value in standing forests is one of the best ways to combat deforestation in the long term. Engagement with participants along the supply chain from the forests to the customers is active, and Sappi advocates for the importance of sustainable forest management practices and forest certification as assurance of the supply chain integrity. We are an active member of **FSC International's Northern and Southern economic chambers** and we are a **PEFC International Stakeholder member**. We participate to promote and expand forest certification, and to ensure that the systems continuously develop themselves to sustain the integrity and robustness of certified supply chains. We support the recent initiatives of the European Union to propose new measures to minimise risks of products causing deforestation to enter the European market, and that such measures should focus on the real drivers of commodity-induced deforestation, namely conversion of forests to agricultural land.
Ensuring the integrity of natural resources like water	Sappi SA has partnered with **WWF South Africa to proactively manage water resources in the uMkhomazi catchment** in which our Saiccor Mill is situated. A key component of the partnership is multi stakeholder engagement in the catchment. The project has four focus areas, namely: • Improved water governance through multi-stakeholder engagement • Enhanced estuary management and downstream water-use efficiency • Alien invasive clearing and wetland rehabilitation • Capacity development of local communities in natural resource management.

Industry bodies, related memberships and organised business *continued*

Challenges for value creation

- High costs and human resource allocation of certain industry memberships.

Opportunities for value creation

- Address complex topics.
- Develop sustainable, transparent supply chains.
- Maintain and expand markets for our products.
- Enhance understanding of our social and environmental credentials.
- Influence policy and regulations.
- Promote dialogue.

Industry bodies, related memberships and organised business *continued*

OUR MEMBERSHIP OF INDUSTRY ASSOCIATIONS

Sappi Limited

- Business Leadership South Africa
- Cambridge Institute for Sustainability Leadership (CISL)
- CEO Initiative (South Africa)
- Circular Bio-economy Alliance
- Ethics Institute (South Africa)
- International Stakeholder member of the Programme for the Endorsement of Forest Certification (PEFC/01-44-43)
- TAPPI (Technical Association of the Pulp and Paper Industry)
- Paris Pledge for Action
- Sustainable Apparel Coalition
- Textile Exchange
- United Nations Global Compact
- WBCSD Forest Solutions Group's Forest sector net zero roadmap initiative (project member)

SEU

- Biobased Industries Consortium (BIC)
- BioChem Europe
- CELAB: Towards a Circular Economy for Labels
- CEFLEX: A circular economy for flexible packaging
- Ligninclub
- 4evergreen alliance
- Confederation of European Paper Industries (CEPI)
- Eurograph
- European Joint Undertaking on Biobased Industries
- Print Power
- The Alliance of Energy-Intensive Industries
- The Forests Dialogue

SNA

- Alliance for Pulp & Paper Technology Innovation (APPTI)
- American BioFuels Association (ABFA)
- American Forests and Paper Association (AF&PA)
- Dovetail Partners
- Forests in Focus
- Forest Products Working Group
- Forest Stewardship Council™ (FSC™ N003159)
- Paper and Paper Packaging Board
- Sustainable Packaging Coalition (SPC)
- Sustainable Forestry Initiative® (SFI®)
- University of Maine Paper Surface Science Consortia
- University of Minnesota Sustainable Forests Education Cooperative

Industry bodies, related memberships and organised business *continued*

OUR MEMBERSHIP OF INDUSTRY ASSOCIATIONS *continued*

SSA

- Birdlife SA
- Business Unity South Africa
- Fibre Processing and Manufacturing Skills Education and Training Authority (SETA)
- Forestry South Africa
- Forest Stewardship Council™ (FSC™ N003159)
- National Business Initiative (NBI)
- Manufacturing Circle
- Packaging SA
- Paper Manufacturers' Association of South Africa (PAMSA)
- Recycle Paper ZA
- Shared Value Initiative Africa
- SANBI (South African National Biodiversity Institute)
- Local chambers of commerce and industry
- WWF-SA.

Sappi Forests

- BiCEP (Biological Control of Eucalypt Pests)
- Biorenewable Deployment Consortium (BDC)
- CAMCORE
- Eucalypt Pest and Pathogen Working Group (EPPWG)
- Forestry and Agricultural Biotechnology Institute (FABI)
- Forest Molecular Genetic (FMG) Programme
- Institute for Commercial Forestry Research (ICFR)
- South African Institute of Forestry (SAIF)
- The Tree Protection Co-operative Programme (TPCP) – founding member

Shareholders, bondholders and banks

SELF-ASSESSMENT OF QUALITY OF RELATIONSHIP:

Good to excellent

Why we engage

Our aim is to provide investors (shareholders and bondholders), analysts and, financial institutions with transparent, timely, relevant communication that provides them with an understanding of our industry, sets out the manner in which we hope to achieve our growth ambitions and facilitates informed decisions.

SHARED PRIORITIES	OUR RESPONSE
Understanding Sappi's strategy – Return on investment – Transparent information about risks, opportunities and environmental, social and governance (ESG) performance, in particular the impact of climate change on strategic and financial decisions – Ability to generate sufficient cash flows to fund our business and service our debt	• Our investor relations (IR) department engages with shareholders and analysts on an ongoing basis. • Our Chairman and CEO engage with shareholders on relevant issues. We conduct ad hoc mill visits and road shows, and issue announcements through the Johannesburg Stock Exchange (JSE) – Stock Exchange News Services (SENS), in the press and on our website (see *www.sappi.com/SENS*). We publish our Annual Integrated Report (see *www.sappi.com/annual-reports*) and Sustainability reports (see *www.sappi.com/sustainability*) on the group website. Shareholders and analysts can attend and participate in the Annual General Meeting (AGM) as well as the four quarterly financial results briefings. • We engage with various ratings agencies, particularly in terms of ESG performance. Recognising the importance of climate change in a financial context, we are incorporating the recommendations of the TCFD into our decision-making processes (discussed further under *Responding to climate change*). • We participate in the CDP Climate and CDP Forests *(https://www.cdp.net/en)* projects every year, making our submissions publicly available. • Our Chief Financial Officer and Head of Treasury engage with bondholders, banks and rating agencies on the performance of the company. A key point of discussion was our strong recovery in FY2021 and our return to profitability. • Suspension of covenants and resumption. At the end of FY2020, in response to the impact of Covid-19, we agreed an extension of the covenant suspension period applicable to our debt facilities financial covenants until September 2021 with the first measurement due again at the end of December 2021.

Challenges for value creation

- Slow post-Covid economic recovery.
- Uncertainty about upcoming environmental legislation.

Opportunities for value creation

- Understanding of and commitment to our strategic direction.
- Enhanced reputation.
- Greater investment confidence.
- Broader licence to invest.

Government and regulatory bodies

SELF-ASSESSMENT OF QUALITY OF RELATIONSHIP:

Good

Why we engage

We engage with government departments and regulatory bodies to provide input into issues and regulations that affect our industry. We also engage with regional and local governments and local authorities to obtain support for our operations, show how our activities contribute to local economic and social development and identify issues where we can work together for our mutual benefit.

SHARED PRIORITIES

The social and economic benefits of our industry nationally as well as at a local level

–

Increased investment

–

Energy issues in general and in particular government moves on carbon taxation

–

The impact of increased regulations on business

–

Enhancing sustainable forest management and land use.

OUR RESPONSE

- In Europe, we are actively working in a number of forest-sector collaborations to ensure a thriving forest bio-economy remains an integral part of the EU Green Deal. Through sustainable forest management practices, responsible sourcing, efficient use of resources and manufacturing innovation, the sector provides fibre-based and low-carbon solutions and products and thus boosts the transition into a circular economy.
- In North America we engage in forest management planning processes as a stakeholder during public comment processes. In the Lake States we were involved in the Minnesota Forest Resources Council and various subcommittees.
- In South Africa, through Forestry SA, we participated in the Presidentially led Private Public Growth initiative (PPGI) in the compilation of the Forestry Sector Master Plan. This has been approved by Parliament and aims to drive sustainable forestry industry, updated regulation and improved collaboration in integrated risk management as well as R&D.

Challenges for value creation

- Policies which take neither our high use of biobased energy into account nor recognise the important carbon sequestration role played by the sustainably managed forests and plantations from which we source woodfibre.
- Uncertainty about regulatory developments, for example: carbon tax.
- Administrative delays.

Opportunities for value creation

- Promote understanding of issues and challenges as well as the strategic value of our industry.
- Help create a more receptive regulatory and policy environment.

Suppliers and contractors

SELF-ASSESSMENT OF QUALITY OF RELATIONSHIP:

Good

Why we engage

We aim to establish mutually respectful relationships with our suppliers and encourage them to share our approach to using woodfibre not only for business profit but also for generational prosperity; investing in and searching for innovative ways to leave the planet better than we found it and making a purpose-driven and meaningful contribution towards the wellbeing and development of employees and communities.

We want to build long-term value partnerships, based on the importance of suppliers to a sustainable supply chain.

SHARED PRIORITIES	OUR RESPONSE
Robust safety procedures and a strong culture of safety	Given our focus on zero harm in the workplace, we work with our contractors to ensure that they follow Sappi's safety systems and regard their safety as equally important as that of our own people. In South Africa, Sappi Forests continues to work closely with contractors and their workers to implement the innovative *Stop and Think Before You Act safety initiative.*
Transparency into the value chain	In 2021, we announced a collaboration with EcoVadis to assess the sustainability performance of our suppliers through proactive ratings and evaluations using EcoVadis' methodology. Under the EcoVadis banner, we have been submitting our own sustainability performance to our customers for many years now. Globally, our procurement team made progress in assessing suppliers against our Supplier Code of Conduct: **SEU:** 67% of total procurement spend covered; **SNA:** 53% and **SSA:** 44%. This averages out, on a global basis, to 59% of total procurement spend.
Security of fibre supply – Certification – Income generation and job creation	**SEU:** In Europe, we procure wood through wood procurement partners Metsä Forest in Finland, proNARO in Germany, Sapin in Belgium and Papierholz in Austria, all of which operate with an established pool of forest owners and wood suppliers. **SNA:** The Sappi Maine Forestry Program and the Sappi Lake States Private Forestry Program, staffed by SNA foresters, offer a wide range of services to landowners including contracting with experienced loggers and providing plans to enhance wildlife habitat and forest health. We work directly with landowners, loggers and suppliers to encourage sustainable forest management and provide markets for woodfibre material from harvesting and stand improvement activities. We continue to evaluate, promote and support smallholder certification options where feasible, thereby adding value to both the landowner and marketplace. Procurement practices extend far beyond avoiding controversial sources by requiring the promotion of biodiversity, logger training, forest research, landowner and community outreach, and implementation of best management practices for soil and water conservation, as evidenced by our conformance to the SFI Fibre Sourcing Standard. During the year we hosted a Supplier Sustainability Summit and held pulp supplier sustainability meetings.

Suppliers and contractors *continued*

SHARED PRIORITIES	OUR RESPONSE
Security of fibre supply – Certification – Income generation and job creation *continued*	**SSA:** Qualified extension officers provide growers in our Sappi Khulisa enterprise development scheme with ongoing growing advice and practical assistance. We have established a training centre, Khulisa Ulwazi, for Khulisa growers. The objective is to develop growers' and contractors' skills so that they can conduct silviculture operations economically and to a high standard. Training material has been developed in conjunction with the Institute of Natural Resources and covers areas such as entrepreneurship, fire management, harvesting planning, leadership and management development, as well as safety. The Sappi team is partnering with other institutions such as Cedara Agricultural College to provide the growers with the tools to expand their farming activities for additional sources of income. This is crucial for timber farmers who must wait years between timber harvests for a return on their investment. Sappi is involved in a number of land reform projects. Many of these properties previously belonged to commercial farmers who had supply agreements with Sappi. For many of the land claims in which we have been involved, and where there has been a change in ownership, we continue to buy the timber and help to manage those plantations. The high cost of certification has been an issue for small growers, which we have helped to overcome by offering a group certification scheme. In 2021 there were 42 members in the scheme with plantations totalling 41 ha. In addition, we actively contributed to the development of SAFAS (Sustainable African Forestry Assurance Scheme). The PEFC-endorsed SAFAS now offers affordable forest certification solutions and thus market access especially for the country's smallholders. In South Africa and in Africa altogether, the amount of certified forests is still very low (less than 2%), so this type of work is ground-breaking, and can make a difference in enhancing sustainable forest management in Africa, improving both the level of forestry and livelihoods.

Challenges for value creation

- Ensuring that SMMEs have the right social and environmental procedures in place.
- Security of fibre supply.

Opportunities for value creation

- Improved supplier relations.
- Better understanding of the requirements of the Sappi group.
- Expanded basket of certified fibre.
- Support for local economic development.
- Support for emerging supplier/contractor development.

Civil society and media

SELF-ASSESSMENT OF QUALITY OF RELATIONSHIP:

Good

Why we engage

We maintain an open relationship with the media, believing that an informed media is better able to serve public reporting and debate on any issue.

We engage with civil society organisations on issues of mutual interest and belong to key organisations relevant to our operations. We engage with various civil society groups on our societal and development impact.

Globally we interact and engage with a wide range of non-governmental organisations, especially through our participation with the forest certification systems (FSC®, PEFC). We leverage these platforms to actively contribute to the growth of forest certification world-wide and collaborate with diverse stakeholders.

SHARED PRIORITIES	OUR RESPONSE
Business developments – The future of our industry – Our impacts on our communities – Protecting the environment – Developing the bio-economy	• Join key credible organisations as members. • Develop personal relationships and engage continually. • Provide support to and sponsorship for key organisations on issues of mutual interest. **SEU:** We are actively involved in The Forests Dialogue (TFD) Steering Committee and provide annual sponsorship to the organisation, so that it can continue to convene diverse stakeholders for dialogue and build solutions to address challenges impacting forests globally. **SNA:** We support the Dovetail Partners which works to promote bat habitat conservation efforts in the state and the University of Minnesota Sustainable Forests Education Cooperative. We also participate in the Minnesota Forest Resources Council. **SSA:** In terms of civil society, our forestry operations belong to a number of fire associations, given that fire is a key risk on our plantations. We have established a project which coordinated efforts to re-establish the Warburgia salutaris (pepper-bark tree) in communities and the wild.

Challenges for value creation

- Misunderstanding of our environmental impacts.

Opportunities for value creation

- Inform and educate media.
- Encourage civil society to share our sustainability and Thrive25 vision through positive actions.

amplify

Maintaining **ethical behaviour and compliance**

WHY IT'S MATERIAL

Given that our reputation as an ethical company is key to our ability to unlock further growth opportunities, ethics constitutes the foundation of our business. Values and ethics are not only critical in maintaining a licence to operate but also for developing stakeholder trust and for driving performance. Recognising that our reputation is largely determined by the ethical behaviour of our employees and representatives, we place a high premium on adherence to ethical behaviour as encapsulated in our Code of Ethics. This is a practical tool to guide our directors, management, employees and other stakeholders as to what constitutes ethical behaviour whilst complying with the various laws, regulations and policies applicable to Sappi.

HOW THIS ISSUE LINKS TO OTHER ASPECTS OF OUR BUSINESS

Our global priority SDGs

8 DECENT WORK AND ECONOMIC GROWTH

17 PARTNERSHIPS FOR THE GOALS

Our top 10 risks

- **6** Cyber security
- **8** Uncertain and evolving regulatory landscape

Our strategic fundamentals

- Grow our business
- Sustain our financial health
- Drive operational excellence
- Enhance trust

THE GLOBAL FORCES SHAPING OUR Thrive25 strategy

- Continued erosion of trust in business, coupled with increasing social activism.

Maintaining **ethical behaviour and compliance** *continued*

KEY DEVELOPMENTS IN FY2021

In line with our emphasis on ethical behaviour, a comprehensive training programme in 2021 covered the following topics:

- Anti-fraud and corruption (relevant new employees in all regions).
- Code of Ethics online training refresher course (all regions).
- Competition Law (relevant new employees in all regions and a refresher course for South Africa, Europe and Sappi Trading).
- Environmental Law training (relevant new employees in all regions).
- Occupational health and safety compliance (relevant new employees in all regions).
- The Protection of Personal Information Act online training (South Africa).

These training initiatives – incorporating relevant and practical examples – have been implemented to inculcate the correct ethical behaviour and responses and to avoid a tick box approach to ethics.

Privacy-in-the-workplace training to employees was prioritised in the year under review due to the recent enactment of the Protection of Personal Information Act (POPIA) in South Africa. Privacy is a constitutionally protected right and accordingly, is an ethical imperative for Sappi. To this end, Sappi's POPIA Information Officers have been appointed, trained and registered with the applicable regulator and the required privacy policies and procedure are in place.

Sappi continues to provide avenues to employees to communicate breaches or apparent breaches of the Code either through the telephonic Ethics Hotline or via email to *Ethics@sappi.com*. All complaints are registered and investigated by Sappi's internal audit team and reported into Sappi's Audit Committee on a quarterly basis.

OUR APPROACH TO ETHICS MANAGEMENT

Maintaining a sound ethical culture forms the foundation of Sappi's long-term sustainability and creation of value for our stakeholders.

We recognise that building an accountable organisation enhances trust and underpins our ongoing viability as a thriving business.

Accordingly, the Social, Ethics, Transformation and Sustainability (SETS) Committee monitors our activities on matters such as social and economic development, including the United Nations Global Compact (UNGC) and the OECD Guidelines on Bribery and Corruption, with particular emphasis on section VII of the Organisation for Economic Cooperation and Development (OECD) guidelines for multinational enterprises dealing with combating bribery, bribe solicitation and extortion.

No issues have been raised for Sappi on compliance with the convention either externally or internally. We regularly review the Code of Ethics to ensure that it remains aligned to current governance and business trends.

Ethics management strengths include:

- The completion of mandatory online ethics management training for all employees.
- Sappi hotlines, operated by independent service providers, are available to all stakeholders.
- Retaliation against whistle-blowers is not tolerated.
- An anti-fraud policy provides guidance to Sappi management in identifying and managing fraud.
- Annual fraud and ethics risk assessments are conducted to identify potential weaknesses.

These assessments are integrated into Sappi's control framework that covers 100% of our operations:

- All our operating sites are covered by Sappi internal audit scheme.
- For forensic incidents, independent investigations are done that include due consideration for ethics management and forensic lessons learned.
- Employee Engagement Surveys, held every second year, provide insight into the application of ethics by employees and leadership.
- Senior management sign annual confirmations that all frauds and ethics incidents and related control breakdowns have been communicated for investigation and review.
- As part of the Group Legal Compliance Programme, designated employees confirm compliance with Sappi's governance, regulatory and ethics standards on a biannual basis.

Maintaining **ethical behaviour and compliance** *continued*

CONDUCTING FORENSIC INVESTIGATIONS

In the case of ethical breaches, the internal audit (IA) department is responsible for performing or assisting with forensic investigations. During forensic investigations, particular attention is paid to the circumstances contributing to the incident and management's tone in responding to these incidents. IA also reviews the ethics management arrangements and ethics controls for particular units and processes during certain audits. Audit steps include confirming the status of our Code of Ethics and hotline communication, completion of ethics training by employees and reviewing processes for employees to disclose potential conflicts of interest.

All forensic investigations are undertaken with oversight from the legal department, human resources (HR) and executive management. Detailed formal reports are prepared for each incident and distributed to line and HR management. The Audit and Risk Committee and supporting committees receive and review reporting on all forensic activity. In addition to the detailed scrutiny of all ethics incidents, various KPIs are used to monitor forensic and ethics management for **SSA**. The most important analyses relate to the numbers, classification and outcome of incidents and the timely resolution of hotline calls.

Maintaining **ethical behaviour and compliance** *continued*

MONITORING FUNDAMENTAL RIGHTS

UNGC **Principle 1:**
Business should support and respect the protection of internationally proclaimed human rights.

We benchmark our human rights performance against the World Justice Project Rule of Law Index® which measures rule-of-law adherence in 139 countries and jurisdictions world-wide based on eight factors: constraints on government powers, absence of corruption, open government, fundamental rights, order and security, regulatory enforcement, civil justice and criminal justice.

The fourth factor, fundamental rights, encompasses adherence to the following: effective enforcement of laws that ensure equal protection, the right to life and security of the person, due process of law and the rights of the accused, freedom of opinion and expression, freedom of belief and religion, the right to privacy, freedom of assembly and association, fundamental labour rights, including the right to collective bargaining, prohibition of forced and child labour, and elimination of discrimination.

Under this index, the countries in which we have manufacturing operations are classified as set out in the table below. This confirms our understanding that human rights violations in these countries are limited. Scores range from 0 to 1, with 1 indicating the strongest adherence to the rule of law.

We have identified no operations or significant suppliers where the right to exercise freedom of association and collective bargaining has been violated or is at significant risk, nor have we identified operations and significant suppliers as having any significant risk for incidents of child labour. Similarly, we have identified no operations and significant suppliers as having significant risk for incidents of forced or compulsory labour.

2021 global scores and rankings

Country	Overall index score	Global rankings (out of 139 countries)
Austria	**0.85**	5
Belgium	**0.84**	9
Canada	**0.82**	13
Finland	**0.90**	3
Germany	**0.85**	6
Hong Kong	**0.61**	54
Italy	**0.73**	28
Netherlands	**0.84**	8
South Africa	**0.64**	45
United Kingdom	**0.80**	14
United States of America	**0.66**	42

Maintaining **ethical behaviour and compliance** *continued*

Opportunities for value creation

Fraud awareness, including that of bribery and corruption, is critical at a time when organisations around the world lose an estimated 5%[1] of their annual revenues to fraud. By working together as OneSappi to combat fraud and ensure ethical outcomes, we can significantly enhance our ability to produce positive economic and social outcomes and our overall competitive advantage.

1 https://www.fraudweek.com/

Procuring **responsibly**

WHY IT'S MATERIAL

World-wide, we have over 16,000 suppliers and it's important that they understand – and abide by – our values and ethical standards. This is important from both a moral and reputational perspective, particularly given the intensified global focus on responsible supply chains.

HOW THIS ISSUE LINKS TO OTHER ASPECTS OF OUR BUSINESS

Our global priority SDGs

8 DECENT WORK AND ECONOMIC GROWTH

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Our top 10 risks

2 Evolving technologies and consumer preferences

3 Supply chain disruption

4 Sustainability expectations

Our strategic fundamentals

Grow our business

Drive operational excellence

Enhance trust

THE GLOBAL FORCES SHAPING OUR Thrive25 strategy

- Resource scarcity and growing concern for natural capital.
- Continued erosion of trust in business, coupled with increasing social activism.

Procuring **responsibly** *continued*

KEY DEVELOPMENTS IN FY2021

We continued the rollout of our Supplier Code of Conduct and made good progress against our Thrive25 target of 80% of procurement spend with declared compliance with our code of conduct by 2025. In **SEU**, 67% of total spend is covered by signed declarations or agreements into which the provisions of the code are embedded, 53% in **SNA** and 44% in **SSA**. On a global basis, this equates to 59%.

In terms of a partnership with Ecovadis, reached in FY2021, we are collaborating to assess the sustainability performance of our suppliers through proactive ratings and evaluations using the EcoVadis methodology. This collaboration is empowering us to gain a clearer view of our supply chain and help us to evaluate and promote responsible business practices. It also enhances our risk identification capabilities.

During 2021, we initiated our first campaign to onboard suppliers onto EcoVadis. Approximately 100 priority suppliers were contacted directly and invited to share an EcoVadis scorecard. By the end of FY2021, 90 suppliers were sharing their scorecards with us and another 19 were in progress to disclose on the platform. This equates to 33% of Sappi's global procurement spend.

Our suppliers' EcoVadis scorecards enable us to actively evaluate their performance and identify risk and priority areas where further improvements are needed.

The partnership reinforces the expectations we set out in our Supplier Code of Conduct, and provides a platform to build transparency.

The EcoVadis methodology focuses on 21 sustainability criteria that are grouped into four themes: Environment, Labour and Human Rights, Ethics and Sustainable Procurement. These criteria are aligned with international sustainability standards such as the Ten Principles of the UN Global Compact, the International Labour Organisation (ILO) conventions, the Global Reporting Initiative (GRI) standards and the ISO 26000 standard.

S Read about *Our approach to Modern Slavery*.

Down the road with EVs in Europe

The European Union has effectively mandated the use of electric-vehicle (EV) and hydrogen fuel-cell (FCEV) power starting in 2030. In 2021, our teams in Europe began looking proactively down the road, towards this zero-emissions future. The project was led by Sappi's Digital Transformation Team together with the research team of Asst. Prof. Athanasios Rentizelas of the Industrial Engineering Laboratory, National Technical University of Athens in collaboration with a Swiss-based supplier of coating fillers.

Together, they conducted a research project to evaluate the use of electric trucks and charging infrastructure between Gratkorn Mill in Austria and our supplier's locations. The study, conducted in 2021, revealed an optimal electric vehicle configuration of four EVs with one battery module each, and identified the optimal charging schedule. The move could reduce the mill's Scope 3 emissions by 177 tons of carbon per year. This assumes that the EVs replace the current fleet of diesel vehicles and the electricity in the charging stations comes from renewable sources.

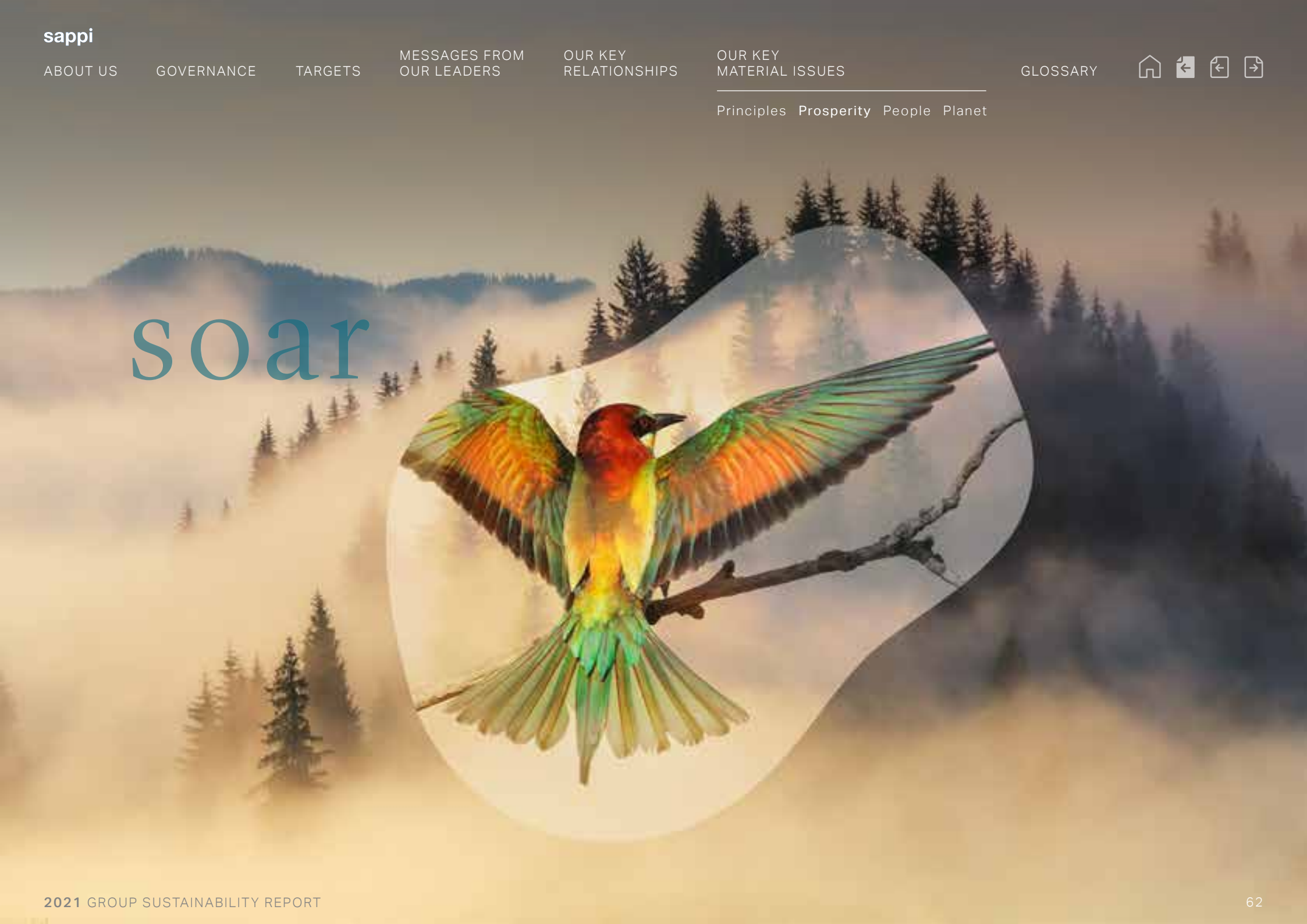
With this research, the team is now exploring next steps and ways to expand this research to evaluate the EV capacity and impact for Sappi's operations across Europe.

Procuring **responsibly** *continued*

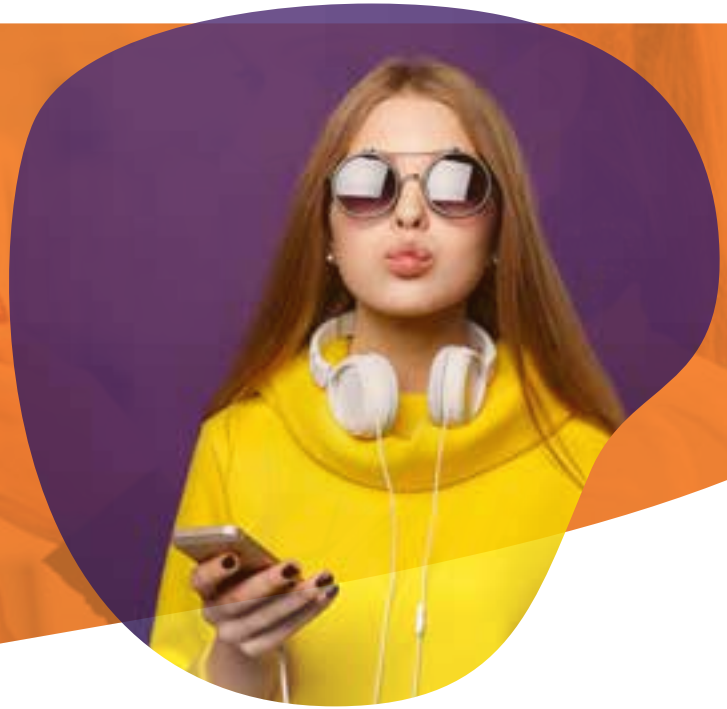
Opportunities for value creation

By working collaboratively with our suppliers to promote and maintain responsible ESG practices, we enhance their understanding of our requirements, thereby helping to realise our vision of a thriving world.

soar



prosperity



Promoting prosperity across the value chain

We work to build a thriving world by acting boldly to support People, Planet and Prosperity. Our drive to do so is predicated on our vision of being a sustainable business with an exciting future in woodfibre that provides relevant solutions, delivers enhanced value, and is a trusted partner to all our stakeholders.

To achieve this, among other things, we are investing in market segments with strong growth; strengthening our competitive position in mature markets; continuing our commitment to innovation; adapting to market supply and evaluating our product mix to align with evolving needs and demand. Our overarching aim is to take advantage of our existing strengths and grow in high-impact, high-value areas while unlocking value for people and creating solutions from sustainable woodfibre.

We take our responsibility as a global multinational enterprise with strong local roots very seriously; our commitment to our stakeholders – including our investors – is entrenched.

Our 2021 performance at a glance

Market demand across Sappi's major product segments improved steadily during the year as Covid-19 lockdowns eased and global economic activity resumed. Highlights for the year included the return to profitability in the pulp segment driven by buoyant demand and significantly better market prices, combined with an excellent performance of the North American region, which delivered its highest financial year EBITDA in over a decade. The investments of recent years into packaging and speciality papers reaped rewards as the segment achieved record profitability and sales volumes increased by 21%. However, profitability of the European region was hindered by spiralling costs, together with the impact of strict Covid-19 lockdowns, which suppressed economic recovery across the value chain.

In addition, global supply chain challenges, exacerbated by the impact from the South African civil unrest and a cyber-security breach at the Durban port in South Africa constrained sales and resulted in a backlog of 100,000 tons of dissolving pulp at year end which reduced EBITDA by approximately US$30 million.

EBITDA excluding special items:
US$532 million
(FY20 US$378 million)

Profit:
US$13 million
(FY20 loss of US$135 million)

Earnings per share (EPS) excluding special items:
15 US cents
(FY20 loss of 5 US cents)

Net debt
US$1,946 million
(FY20 US$1,957 million) – reduction due to cash generation

41% increase in EBITDA year-on-year

Sales:
US$5,265 million

Further information about our financial performance can be viewed under the investors tab at *www.sappi.com*

Contributing to society

Adding value to daily life

With a burgeoning and increasingly urbanised global population, and with climate change and resource scarcity top of mind for many consumers, the world's demand for sustainable products based on renewable resources like woodfibre is set to grow. Our focus is on creating responsibly sourced and sustainable solutions as viable alternatives to fossil-based products which add value to the everyday lives of people around the world. We play an important role in society, offering efficiently manufactured, recyclable products, made from renewable raw materials:

- Our Verve dissolving pulp is increasingly positioned as the Fibre of Choice and is used world-wide by converters to create viscose fibre for fashionable clothing and textiles, pharmaceutical products as well as a wide range of consumer and household products.
- Quality packaging and speciality papers are used in the manufacture of products such as soup sachets, luxury carry bags, cosmetic and confectionery packaging, boxes for agricultural products for export, tissue wadding for household tissue products, and casting and release papers used by suppliers to the fashion, textiles, automobile and household industries.
- Our market-leading range of graphic paper products are used by printers to produce books, brochures, magazines, catalogues, direct mail and many other print applications.
- Our bioproducts offer a viable alternative to fossil-fuel based products.

We contribute to society through payments to governments, suppliers and employees, as well as returns to shareholders.

VALUE ADDED OVER THE LAST THREE YEARS

2021

- To employees as salaries, wages and other benefits (64%)
- Reinvested to grow the business (23%)
- To lenders of capital as interest (9%)
- To governments as taxation (4%)
- To shareholders as dividends (0%)

2020

- To employees as salaries, wages and other benefits (67%)
- Reinvested to grow the business (22%)
- To lenders of capital as interest (7%)
- To governments as taxation (4%)
- To shareholders as dividends (0%)

2019

- To employees as salaries, wages and other benefits (57%)
- Reinvested to grow the business (25%)
- To lenders of capital as interest (5%)
- To governments as taxation (8%)
- To shareholders as dividends (5%)

Facilitating economic wellbeing

Direct impact

We facilitate social and economic wellbeing by using labour from local communities in every region across the world, as well as the services of small and medium enterprises in areas around our plantations in South Africa and the forests from which we source sustainable woodfibre in other regions, together with areas around our production facilities globally.

Indirect impact

The indirect economic benefits of our operations impact on sectors including technical, construction and engineering services that are outsourced to a variety of contractors. The chemicals industry, in particular, is one of our major suppliers. In addition, the provision of services including collection of waste paper for the industry and outsourcing non-core activities such as maintenance, medical services, transportation, cleaning and security creates opportunities for small, medium and micro enterprises.

In FY2021, we added value to the prosperity of the regions where we operate by:

- Providing work opportunities for the 9,250 people who are employed by contractors working for Sappi Forests in South Africa, in addition to our own employees.
- In FY2021, sales per region were:
  - **SEU:** €2,090 million
  - **SNA:** US$1,688 million
  - **SSA:** ZAR16,083 million
- Contributing to domestic growth and the balance of payments in each region where we operate by exporting products to over 150 countries around the world.

Playing a strategic role

The forestry industry is one of the strategic economic sectors in each region where we operate, and makes a significant contribution to economic growth and job creation, particularly in rural areas, where employment and income generation opportunities are more limited than in cities.

SEU

In 2020, the pulp and paper industry provided 180,000 direct jobs in Europe. Turnover was €83 billion euros and the industry added €18.5 billion to the region's GDP. It is strong in export markets, with an export rate of 23% of its paper and board production.[1]

SNA

The forest products industry in the USA is a major national employer and is among the top 10 manufacturing employers in 45 states. While employing nearly 950,000 in the industry, more than two million jobs are supported through the supply chain. The forest products industry is a major contributor to the national economy, representing approximately 4% of USA manufacturing GDP. More than 75% of all USA pulp and paper mills are located in counties that are more than 80% rural.

Canada's forest sector represents 2% of Canada's manufacturing GDP and employs 75,000 workers.[2]

SSA

The forest sector employs around 165,900 workers and provides about 62,700 direct jobs and 30,000 indirect jobs. Forestry provides livelihood support to 652,000 people of the country's rural population. The pulp and paper industry provides about 13,200 direct and 11,000 indirect employment opportunities.

Some 20,000 workers are employed in sawmilling, 6,000 in the timber board and 2,200 in the mining timber industries, while a further 11,000 workers are employed in miscellaneous jobs in forestry.

The forest products sector (forestry and forest products) contributes about 1% to national GDP. In terms of regional GDP per province, forestry in KwaZulu-Natal contributes 4,4%; in Mpumalanga 3,7%; in the Eastern Cape 0,6%; and in Limpopo about 0,6%.[3]

1 https://www.cepi.org/key-statistics-2020/
2 https://www.ncasi.org/pulp-paper-manufacturing/
3 https://www.gov.za/about-sa/forestry

Facilitating **economic wellbeing** *continued*

Promoting prosperity outside our own operations

In South Africa we promote prosperity through our **Sappi Khulisa** enterprise development programme that encompasses individual and community tree farming that, albeit in a different form (Project Grow), has been in operation since 1983. Whereas Project Grow focused solely on the growers, **Sappi Khulisa** focuses on the whole value chain including growers and the contractors who service them. The total area managed currently is 34,755 hectares. In 2021, under this programme, 225,509 tons of timber (2020: 284,038 tons) worth some ZAR207 million (2020: ZAR232 million) was delivered to our operations. Since 1995, a total volume of 4,731,488 tons to the value of ZAR2.9 billion has been purchased from small growers under this programme.

Currently, the programme involves over 3,644 growers and approximately 103 SMMEs who are involved in silviculture, harvesting, loading, short- and long-haul activities. We have established three training centres, Khulisa Ulwazi ('Growing knowledge'), for Khulisa growers. The objective is to develop growers' and contractors' skills so that they can conduct silviculture operations economically and to a good standard. Training material has been developed in conjunction with the Institute of Natural Resources and covers areas such as entrepreneurship, fire management, harvesting planning, leadership and management development, and safety.

Want to know more about Sappi Khulisa? Watch our award-winning video here:
https://www.youtube.com/watch?v=PcRwXfQlQqg&feature=youtu.be

Demonstrating agility

WHY IT'S MATERIAL

One of the key lessons of the Covid-19 pandemic has been the need for agility. In seeking to grow our business and sustain our financial health we have had to be agile in response to an operating environment which is constantly changing. Flexibility underpins our ability to achieve our vision of being a sustainable business with an exciting future in woodfibre that provides relevant solutions, delivers enhanced value and is a trusted partner to all our stakeholders.

HOW THIS ISSUE LINKS TO OTHER ASPECTS OF OUR BUSINESS

Our global priority SDGs

8 DECENT WORK AND ECONOMIC GROWTH

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Our top 10 risks

- 3 Supply chain disruption
- 7 Cyclical macro-economic factors
- 9 Liquidity

Our strategic fundamentals

- Grow our business
- Sustain our financial health
- Drive operational excellence

THE GLOBAL FORCES SHAPING OUR Thrive25 strategy

- Changing consumer and employee profiles.
- Growing populations with increasing rates of urbanisation.

Demonstrating **agility** *continued*

KEY DEVELOPMENTS IN FY2021

In **SEU** we have agreed to sell the southwestern part of our site at Maastricht Mill in the Netherlands. The sale has had no negative impact on employment at the mill. Given the decline in market demand for graphic paper, approximately three years ago the mill began to transition into the manufacturing of luxury packaging board. As this activity mainly takes place on the north side of the company site, the southwestern part is therefore less intensively used and was eligible for sale. We will relocate our activities currently taking place on the sold land to the remaining Sappi site – construction that is expected to take approximately two years. Proceeds of the sale will be used to improve internal logistics and additionally improve the sustainability of our production processes.

In **SNA** we are selling our hydroelectric assets on the Presumpscot River in Maine to Dichotomy Power LLC, pending satisfactory completion of regulatory and other approvals. The move will enhance our focus on our core competencies and is consistent with our permanent closure of PM9 and major components of the energy complex at our Westbrook Mill. The sale will allow us to redeploy resources to further develop our growing businesses. The deal is expected to close by the end of the calendar year 2021 subject to regulatory and other approvals.

In **SSA**, the delays in completion and commissioning of our Saiccor Mill expansion project highlight the need for agility. In 2020, we were forced to declare force majeure on the project which then ceased construction. In 2021, construction was further delayed by the social unrest halfway through the year, as well as ongoing Covid-19 travel restrictions which meant certain essential service providers could not enter the country. Commissioning of the plant began in Q4 FY2021 and will be completed in Q1 FY2022.

In this region, we are positioning Tugela Mill for further growth by increasing production of neutral sulphite semi chemical (NSSC) pulp by approximately 15,000 tons per annum in response to the anticipated increase in packaging demand. This will enable us to concomitantly increase production of Ultraflute Plus (fluting containerboard), used primarily for fruit exports. It will also partially fill the gap created by the closure of LignoTech South Africa at Saiccor Mill in 2020.

Opportunities
for value creation

In focusing on cost containment, we recognise that the graphic sector of the market is in decline. However, our graphics assets are cash generative. In recent years, rather than closing or disposing of these assets, our strategy has been to try and convert them into higher margin segments like packaging. We see the big push for paper-based solutions for packing purposes as a strong opportunity on which we will continue to capitalise.

Reinforcing Verve as the Fibre of Choice

WHY IT'S MATERIAL

Under our Thrive 25 strategy, one of Sappi's key drivers is to grow dissolving pulp (DP) capacity and develop our Verve brand as the industry standard. This is based on our belief that as global textile demand grows, driven by population growth, fashion and rising wealth in developing economies, the need to develop more climate-friendly solutions, derived from renewable materials that are not fossil-fuel based, will drive increasing market share for viscose, which is derived from DP. Hawkins Wright[1] reported a rebound in global DP shipments of 16% for the first six months of calendar 2021 and are expecting growth of 14% for the remainder of the year. Our growth ambitions are underpinned by our focus on sustainability (including the aspect of traceability) which, we believe, will become increasingly important as a key differentiator and determinate in defining value for our customers and for Sappi.

HOW THIS ISSUE LINKS TO OTHER ASPECTS OF OUR BUSINESS

Our global priority SDGs

7 Affordable and clean energy | 12 Responsible consumption and production | 13 Climate action | 15 Life on land

Our top 10 risks

- 4 Sustainability expectations
- 5 Climate change
- 9 Liquidity

Our strategic fundamentals

- Grow our business
- Sustain our financial health
- Drive operational excellence

THE GLOBAL FORCES SHAPING OUR Thrive25 strategy

- Changing consumer and employee profiles.
- Growing populations with increasing rates of urbanisation.

1 Hawkins Wright: The outlook for dissolving pulp: Demand, supply, costs and prices, September 2021

Reinforcing **Verve as the Fibre of Choice** *continued*

KEY DEVELOPMENTS IN FY2021

Partnering for a forest to garment traceability solution

While fashion brand owners want to understand their climate related sourcing risks and opportunities for wood-based fibres, it is estimated that only 5% of them are able to trace their raw materials to origin of feedstock through the entire value chain. In FY2021, Sappi Verve (dissolving pulp) partnered with Birla Cellulose, one of the leading viscose manufacturers in the textile value chain, to provide a forest-to-garment traceability solution for 22 global brand owners. Providing a brand-owner traceability solution has been made possible with the use of Birla's pioneering 'Green Track' blockchain technology, coupled with Sappi's comprehensive database on wood origin for its dissolving pulp operations in South Africa and the USA.

Traceable and transparent supply chains are key to providing brand owners and consumers with the assurance and confidence that their products originate from sustainable and renewable sources of wood, free from deforestation, where biodiversity is promoted and where customary, traditional and civil rights of people are upheld. Our collaboration with Birla enables sustainability focused consumers, brand owners and retailers to make more informed buying decisions.

The efforts were recognised by our inclusion in the Forbes Magazine 'Blockchain 50 List of 2021' which features companies that lead in employing distributed ledger technology and have revenue or a valuation of at least US$1 billion.

Partnering to deliver on the Textile Exchange Climate + strategy

The Textile Exchange (TE) launched their Climate+ Strategy in 2019, with a goal to reduce GHG emissions in the textile value chain by 45% by 2030, while addressing other climate related impact areas, like water, biodiversity and soil health.

To accelerate progress towards the Climate+ objective and to drive collective action, Sappi was one of 40 global brands that participated in a discussion with the Climate Board. The latter were appointed by the TE to uncover industry best practice in terms of reducing GHG emissions. Sappi is also a member of the TE man-made cellulosic fibre (MMCF) roundtable and climate subcommittee, working with other industry leaders to assess how forestry, pulp and fibre production can contribute to meeting the 2030 Climate+goal.

Sappi is an advisory partner in the development of the TE biodiversity module containing good practice standards and has participated in the pilot launch of the Biodiversity Benchmark and Index. The Biodiversity Benchmark will enable companies to understand their impacts and dependencies on nature in their materials sourcing strategies, chart a pathway to delivering positive biodiversity outcomes, and benchmark their progress. The tool is being developed alongside the Science Based Targets Network (SBTN) in order to reinforce consistency in language, frameworks and measurements. Additionally, use of this module and its future iterations will help companies prepare for stakeholders' – including investors' – questions pertaining to nature-related risk.

Partnering to measure the sustainability performance of our DP operations

The Higg Facility Environment Module (Higg FEM) and the Facility Labour and Social Module (FLSM) are part of the Higg Index suite of tools developed by the Sustainable Apparel Coalition (SAC) to enable the apparel industry to measure their sustainability performance and drive supply chain transparency and decision making. By standardising the process of measuring supply chain impacts in the textile industry, the index helps suppliers, manufacturers, brands, and retailers to evaluate materials, products, facilities, and processes based on environmental performance, social labour practices, and product design choices. It is utilised by over 250 brands and manufacturers.

The FEM and FSLM were used to measure environmental and social performance as well as to identify opportunities for improvement at Sappi Verve's operations in South Africa and North America. Cloquet Mill conducted a Higg FEM verification audit with an SAC-appointed auditor and received an excellent score. Furthermore, Saiccor Mill completed a Higg FSLM self-assessment which also resulted in a high score. We believe this to be significant, particularly because of the poor reputation of the textile value chain in certain parts of the world.

Reinforcing **Verve as the Fibre of Choice** *continued*

Opportunities
for value creation

- The European Union's Single-Use Plastics Directive (SUPD) aims to combat environmental problems caused by single-use plastic products. This presents an opportunity for viscose fibre (and hence DP), which is considered a natural polymer, to substitute part of the 500,000 tons of petroleum based fibres that are used globally each year to produce single-use wipes.
- One of our key Verve customers has requested a mill trial for dissolving pulp produced from recycled textiles. Against this backdrop and in line with our commitment to the circular economy, we are exploring opportunities for local and international partnerships in the textile recycling space. We have identified a high potential South African start-up company with whom to collaborate. Initial discussions have highlighted numerous opportunities for engagement, including the option to progress Sappi SA's social impact strategy as well as the potential for raw material security.

Enhancing efficiency **through machine learning and digitisation**

WHY IT'S MATERIAL

Data is an important asset to help optimise operations, create superior customer experiences and disruptive new business models. Advanced analytics provide deeper, more advanced insight into patterns, trends, and themes that may be hidden within data. This allows businesses to understand their customers on a deeper level, predict future outcomes, reduce risk and enhance competitive edge.

HOW THIS ISSUE LINKS TO OTHER ASPECTS OF OUR BUSINESS

Our global priority SDGs

8 DECENT WORK AND ECONOMIC GROWTH

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Our top 10 risks

2 Evolving technologies and consumer preferences

6 Cyber security

Our strategic fundamentals

- Grow our business
- Sustain our financial health
- Drive operational excellence

THE GLOBAL FORCES SHAPING OUR Thrive25 strategy

- Globalisation and high levels of connectivity.
- The rapid pace of technological innovation, including AI.

Enhancing efficiency **through machine learning and digitisation** *continued*

KEY DEVELOPMENTS IN FY2021

Our data driven culture and machine learning continued to be enabled by our Advanced Analytics team, who collaborate very closely with the business units. All Advanced Analytics projects and innovation initiatives are defined, prioritised and managed by the business units and are subsequently developed and supported by the Advanced Analytics team, with a strong focus on enablement.

Beginning in 2019, our digital transformation journey started on a small scale, with different geographies tackling digital transformation projects individually. Every plant team utilised their own set of data tools for analytics, tracking production, and other digitisation efforts. This experimentation process, together with insights from these individual projects set the roadmap for our Industry 4.0 journey. The aim was to identify/develop a data analytics platform that could hold all our data, enable the setting of enterprise-wide governance and standards and empower domain experts with data science tools. Drawing on the efforts of our different teams enabled us to build a comprehensive Proof of Concept (PoC) for an Industrial Internet of Things (IIoT) platform with cloud and edge solutions. We finalised this with the help of multiple vendors.

Key to our AI journey has been the development of digital twins – a virtual model of a process, semi-finished or finished product which transforms data from different production systems, formats, and time series into a usable database. While some plants had existing digital twins from previous projects, we set an ambitious goal to build approximately 165 digital twins across 18 mills by 2022. Accordingly, with the help of a vendor, we are now employing a templatised digital twin framework which makes it easier for us to capture and distil knowledge from internal teams. This framework makes it possible for Sappi to have greater autonomy as we grow, change and make new discoveries. It also makes it considerably easier to scale our solutions to other facilities.

While digital twins make it easy to update data and gain access to the right information, they do require resources or internal leaders to ensure data integrity, which is key to ensuring credibility and momentum when scaling a solution to other production lines, factories, or geographies. To meet this need, we have now created a new global department dedicated to the training, development and support of advanced analytics within Sappi to ensure our teams are enabled and invested. The combination of dedicated training and suitable software means that Sappi's data integrators now have the necessary skills to build and maintain any digital twin for their manufacturing processes which can then be leveraged by teams from all over the world.

Root cause analysis at Saiccor and Ngodwana Mills

Our use of root cause analysis (RCA) at **Saiccor Mill** highlights the effectiveness of the Advanced Analytics tools. One of the challenges we have faced at the mill is inconsistent cooking liquor quality. To overcome this issue, we've developed a predictive model for liquor quality (soft sensor) together with an automated RCA, whereby whenever our predictions move out of a certain band, we start running a short range (hours) and long range (three days) RCA automatically.

A report is generated and sent to the operators and production managers which recommends a target setting range and thus enables more proactive correction of the process. Processes are not static; they fluctuate and the operating windows can shift based on equipment conditions and efficiencies. The predictive modeling helps us to take these shifts into account, so we've become more dynamic.

RCA was also used to understand the key variables related to blotch related sheet breaks on the PM2 at **Ngodwana Mill**. There were two key findings: firstly, it was discovered that moisture mass/MD variation came up as a significant variable. This variation was caused by condensate going to the steam shower creating wet spots and causing breaks which had previously been defined as blotch breaks. Secondly, the root cause of blotch breaks was identified, operational changes were implemented and significant improvements were realised. Blotch breaks on 140 g/m^2 reduced from 30 blotch breaks over a two-week period to one blotch break over the ensuing two-week period after the changes were implemented.

Opportunities for value creation

Looking forward, advanced analytics will play a key role in delivering the digital strategy over the next five years. We have identified advanced analytics initiatives across different business functions, which have been included in the digital roadmap that will deliver value to Sappi and our stakeholders.

Increasing the sustainability of our products **through circular design and adjacent markets**

WHY IT'S MATERIAL

In line with our commitment to a thriving world, we believe it's our responsibility to obtain the maximum value from every tree used in our production process. Our clear advantages in diversification, global scale, and local expertise are helping us to achieve this.

HOW THIS ISSUE LINKS TO OTHER ASPECTS OF OUR BUSINESS

Our global priority SDGs

8 DECENT WORK AND ECONOMIC GROWTH

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

15 LIFE ON LAND

Our top 10 risks

- 2 Evolving technologies and consumer preferences
- 5 Climate change
- 9 Liquidity

Our strategic fundamentals

- Grow our business
- Sustain our financial health
- Drive operational excellence

THE GLOBAL FORCES SHAPING OUR Thrive25 strategy

- The move towards a circular economy.
- Climate change continuing to impact businesses and reshape societies.
- Resource scarcity and growing concern for natural capital.

Increasing the sustainability of our products **through circular design and adjacent markets** *continued*

KEY DEVELOPMENTS IN FY2021

Sappi Symbio is a natural fibre composite material combining high-quality cellulose from renewable, forestry certified woodpulp in a polymer matrix. Benefits include weight reduction in the application combined with a natural look; soft, warm touch; high rigidity and low density. Symbio aligns with our drive to make everyday materials more sustainable.

In FY2021, commercialisation of this product gained considerable traction with uptake by a major automotive manufacturer in the USA for use in centre consols, instrument and door panels, as well as cable trays, amongst others. In addition, various other brand owners have the product in their pre-commercial qualification phase. Symbio application in household and consumer goods is also under development.

Now that we have commercial uptake of Symbio, we are focusing on optimisation of the business model to grow offtake and unlock further capacity for scale-up, including:

- Increasing the percentage of cellulose to make the product even more sustainable.
- Simplifying manufacturing and lowering cost.
- Developing Symbio composites with renewable polymers such as polylactic acid (PLA) which could replace polypropylene to further improve the product's sustainability value proposition.

Collaborating to realise practical, innovative sustainable solutions

A collaborative effort between Sappi, MaBe and Kegelmann Technik GmbH from Rodgau-Jügesheim has culminated in the development of a biobased alternative for an injection moulding birdfeed-adapter.

By unlocking the power of renewable resources and using eco-effective ingenuity, the partnership reflects one example of how it is possible to create and cultivate relationships with partners who want to enact meaningful change.

This development used the expertise of all partners. MaBe, a German based company focused on upcycling and sustainability, sells lanterns made from recycled soda bottles. With recent innovation and adapters, these lanterns can now be used for bird-feeding devices. Partnering with Kegelmann Technik GmbH from Rodgau-Jügesheim, experts in the field of material composite formulations, these adapters were produced efficiently from more sustainable material. Instead of regular plastic, a natural fibre composite material was proposed. Sappi Symbio provided that alternative in the form of a highly resistant, biocomposite cellulose fibre derived from responsibly managed renewable forests.

This partnership has reflected the need for developing mutually beneficial, value adding products that could be recycled. This places a shared responsibility to move toward a sustainable future and recognise it is work that cannot be done alone.

Increasing the sustainability of our products **through circular design and adjacent markets** *continued*

KEY DEVELOPMENTS IN FY2021

In terms of our **Valida fibrillated cellulose**, our Valida pilot plant is running at capacity with repeat orders in diverse application fields such as concrete, cosmetics, personal care, paint and coatings, where it is valued as a dispersant, suspension stabiliser and rheology modifier. In addition, Valida is commercialised in wound care applications, with one of the advantages cited being reduced frequency of dressing changes.

We are moving ahead with our **furfural** pilot plant at Saiccor Mill. The plant, which uses the co-product of the dissolving pulp process – xylan hemicellulose sugars – to create furfural, is scheduled for commissioning in the first half of calendar 2022. Established and future market uses for furfural include resins, solvents and as a sustainable platform chemical for the production of a variety of derivatives to replace oil-based chemicals. Pending successful results from the pilot plant and a viable business case, the intention is to build a commercial furfural plant at the mill.

In the **xylose** field we continue to monitor and assess market opportunities.

Our **lignin** business continued with its expansion trajectory in FY2021 and for the third year in a row, growth exceeded 30%. We have made considerable progress in moving beyond traditional commodity markets such as dust suppression and concrete admixtures to higher value markets. We have, for example, entered the oil well drilling, ceramics, carbon black and agrochemical markets. Our lignin products are used in resin applications for the production of particleboard, in particular Oriented Strand Board (OSB) to improve the product's safety features and reduce use of isocyanate and potentially also other oil-based chemicals such as phenol. In addition, together with a technology partner, we are working to test lignin-based intermediates as a substitute for oil-based alternatives in foams in a wide variety of applications where thermal performance, moisture resistance, fire retardancy and structural strength are key performance criteria.

As part of Sappi Biotech's ongoing strategy to enter adjacent markets, the development of our lignin product for the animal feed industry culminated in the launch of our Sappi Pelletin product in this market with first sales reported in 2020. Pelletin is a natural glue which binds the feed ingredients and additives together to produce cost-effective compound feed pellets with enhanced durability and strength.

The anti-caking and dispersing properties of lignin promote mixing uniformity and homogenous blending, whilst reduced friction offers lower equipment wear and energy costs.

The next generation of animal feed products focus on value beyond pellet binding into functionalities that will aid the drive to find alternatives to antibiotic growth promoters with natural prebiotic and probiotic additives, together with mycotoxin binders. Specialist studies in partnership with industry specialists have been initiated to determine whether our natural lignin-based products offer improved animal gut health and performance.

Opportunities
for value creation

Frost can have a catastrophic impact on many agricultural crops around the world. To date, farmers have used wind machines and/or heaters to mitigate this risk. In conjunction with a leading university, we have successfully demonstrated that Valida can effectively protect susceptible plant buds from frost damage. In addition, we have also obtained a grant from P3Nano, a public-private partnership aimed at the rapid commercialisation of cellulosic nanomaterials, to further develop this avenue of usage.

Developing and commercialising **innovations in addition to adjacent businesses**

WHY IT'S MATERIAL

In a highly competitive industry and world, without critical thinking, new products and improved processes, we cannot succeed. Accordingly, innovation is embedded in our DNA and in our Thrive25 strategy which reinforces a culture whereby our people challenge conventional thinking with new ideas and solutions which contribute to a more sustainable world and add practical value to Sappi, our customers and society. We make ongoing investments into R&D (US$43 million in FY2021) and promote a culture of innovation through the annual Technical Innovation Awards. The combined five-year net present value for the eight finalists in the most recent TIA awards is approximately US$60 million with an estimated annual EBITDA of US$9 million.

HOW THIS ISSUE LINKS TO OTHER ASPECTS OF OUR BUSINESS

Our global priority SDGs

Our top 10 risks

- **2** Evolving technologies and consumer preferences
- **4** Sustainability expectations
- **5** Climate change

Our strategic fundamentals

- Grow our business
- Sustain our financial health
- Drive operational excellence
- Enhance trust

THE GLOBAL FORCES SHAPING OUR Thrive25 strategy

- The move towards a circular economy.
- Climate change continuing to impact businesses and reshape societies.
- Resource scarcity and growing concern for natural capital.

Developing and commercialising **innovations in addition to adjacent businesses** *continued*

KEY DEVELOPMENTS IN FY2021

Sustainable food packaging solutions

Flexible packaging is essential to protect foods from air and moisture during transportation and storage. Traditionally, heat-sealing laminates comprising of paper and a polyethylene (PE) sealing layer have been the standard materials to keep food unspoiled and fresh. However, this kind of flexible packaging requires the additional converting step of applying a PE layer to the paper. Generally, these synthetic polymer coated paper products are neither recyclable nor compostable.

To address our clients' needs for sustainable alternatives, we developed **Sappi Seal**. While not new, this product is included here as it was the overall winner of the most recent Sappi Technical Innovation Awards (TIA). Sappi Seal is a paper-based packaging solution with an integrated sealable layer. The integrated barrier eliminates the need to apply any other PE extrusion coatings. Designed to be heat sealable and moisture resistant, Sappi Seal is the first paper-based solution with dispersion technology competing with extrusion/lamination in the market.

Sappi Guard Gloss Nature 4-OHG is another paper product offering a safe, sustainable alternative to laminate constructions in food packaging. It's a one-side coated glossy paper with functional high barrier coating and heat sealability that is suitable for both food and non-food applications.

The product incorporates a new base paper architecture, modified coating recipes and a unique drying process. We have filed a patent application for the latter. The packaging can be heat sealed without the need for additional sealants because of its unique barrier coating. The product is safe to use for direct food contact and protects the contents from oxygen, water vapour, grease and mineral oil. Its integrated barrier ensures a long shelf life of the end product, an essential food packaging requirement. Furthermore, Guard Gloss fulfils the high market demands for excellent printability and good converting performance.

Introducing new dye sublimation papers

In FY2021 we introduced **Transjet Tacky Industrial**, a coated dye sublimation paper for digital transfer printing, specially developed for high-speed inkjet printing on highly elastic textiles. The paper is first printed with the desired image or pattern which is then transferred to the elastic polyester fabric by means of heat and pressure. Transjet Tacky Industrial has a high ink load capacity so the print can be better accentuated due to strong colour saturation. The design remains clearly visible when the fabric is stretched to its maximum, which is particularly beneficial for sportswear.

We also added **Basejet** uncoated dye sublimation paper to our portfolio, thereby providing an additional solution for the digital printing of fashion and home textiles in consistent print quality.

Both Transjet Tacky Industrial and Basejet are FSC certified.

Expanding our portfolio of label paper solutions

We expanded our portfolio of label paper solutions with the **Parade Label Pro** non-wet-strength wet-glue label paper, targeted at the beverage, food and consumer goods sectors. The paper is suitable for a wide range of applications, such as labels for disposable bottles, food and non-food containers, as well as wrappers for a wide variety of products. It is distinguished by a glossy, single-side double-coated quality with a very smooth surface and a high degree of whiteness – ideally suited for outstanding printing and finishing results.

Meeting the need for packaging with a natural look and feel

Driven in part by the booming e-commerce business, demand for corrugated board packaging has been increasing rapidly. In response, we launched **Fusion Nature Plus**, a complement to our well-established Fusion Topliner. The former is an uncoated, fully bleached recyclable virgin fibre liner with excellent printability in flexographic, digital and offset printing. The product's high whiteness, brilliant colour reproduction and consistently high quality make it a good choice for corrugated or solid board packaging where a bright white appearance is required for topliner, inner liner and fluting – and for ensuring an exceptional unpacking experience for the customer. It can be used in a wide number of applications, from pharmaceutical to food packaging. Moreover, given its strength properties, as well as an appealing look and feel, the new virgin fibre liner is also ideally suited for producing paper carrier bags.

Developing and commercialising **innovations in addition to adjacent businesses** *continued*

Ultracast Viva's® green credentials recognised

In April 2021, our Ultracast Viva release paper won the Green Product Award 2021 jury prize in the fashion category. The award programme recognises companies and start-ups that have distinguished themselves by their sustainable practices and product results. Over a thousand applicants from 51 countries were screened for this year's nomination.

An industry breakthrough, Viva is the first premium high-fidelity casting paper compatible with solvent-free systems. This textured release paper is now the new standard for high-fidelity polyvinyl chloride (PVC), polyurethane (PU), semi-PU and solvent-free casting systems for high quality coated fabrics and textured materials.

There is a global movement to limit or eliminate solvent-based casting systems to reduce chemical waste and pollution. Ultracast Viva is the answer for customers dedicated to using sustainable alternatives.

Developing and commercialising **innovations in addition to adjacent businesses** *continued*

Using Sappi Guard for sealable, paper-based, stand-up pouches

Acting sustainably and conscientiously in all areas of production is intrinsic to the Bauckhof brand's DNA. Founded in 1969, Bauck GmbH is a state-of-the-art grain processing company with its headquarters in Germany's Lower Saxony region. In addition to flours and flakes, Bauck produces mueslis and baking mixes. Every day, some 139,000 packages of the best organic flours, flakes and baking mixes come off the company's production line. Whereas product protection and safety were initially the primary focus when packaging sensitive foodstuffs, Bauck was faced with ever-increasing customer demand for sustainable packaging materials:

"It is important for us to develop and market more sustainable packaging solutions. Our customers are very vigilant on the issue of sustainability and have repeatedly made their preferences clear",

explains Hannes Öhler, Head of Marketing & Communication at Bauck GmbH.

After several test runs with various paper qualities and surface weights, Sappi Guard Nature1-MS in a 95 g/m² grammage was determined to be an ideal substrate for Bauckhof products. The paper-based packaging solution exhibits an ideal blend of 'shapeability' and strength in forming the paper pouches from the flat web, in the folding and wrapping process, all the way through to the final compact, block-bottom pouch. This type of packaging had not been previously used by Bauck. It features an integrated mineral oil barrier (MOSH/MOAH) and high heat-sealability.

Opportunities for value creation

In 2022, we will be introducing new functional paper barrier coating technology at our speciality mill in Alfeld, Germany.

Expanding the use of our proprietary barrier coating technology underpins our drive to maintain our leading position in barrier coated paper as well the commitment we have with our customers in developing innovative future-focused packaging solutions which contribute toward a sustainable future.

The demand for paper and paperboard packaging continues to rise as consumers become increasingly mindful of the impact their buying choices have on the environment. We are committed to supporting our customers in going beyond traditional film and foil-based material solutions and growing our product ranges to meet the demands of our ever-changing world. Working directly with brand owners we aim to create future-oriented circular solutions in line with growing collective global responsibilities.

Our 2017 acquisition of Rockwell Solutions has deepened our barrier paper manufacturing knowledge. Adding barrier coater capacity at Alfeld Mill further upscales our capabilities, bringing the combination of paper, dispersion and coating technology to more customers. Through this initiative we will continue to challenge the conventional packaging industry with new ideas and solutions to make it easier for the world and the planet to follow a circular-economy strategy.

We expect to begin commissioning new products at the Alfeld Mill from mid-2022.

nurture

people

Taking Sappi into the future – together

As OneSappi, united in purpose, we are unlocking value for our colleagues and our communities, meeting the needs of a growing, evolving society and using our expertise to create a sustainable future.

While engaging effectively with our people has always been a priority, its importance has been highlighted by Covid-19. The way our people work has been redefined. The pandemic might be temporary, but the changes we are seeing are not likely to be: now more than ever, hearing what our employees have to say and taking appropriate action is critical as together, we navigate the realities of the 'new normal' in our quest to build a thriving world and take Sappi into the future – together.

United Nations Global Compact (UNGC)
Principle 1:
Business should support and respect the protection of internationally proclaimed human rights.

UNGC **Principle 2:**
Make sure their own corporations are not complicit in human rights abuses.

UNGC **Principle 3:**
Businesses should uphold freedom of association and the effective recognition of the right to collective bargaining.

UNGC **Principle 4:**
The elimination of all forms of forced and compulsory labour.

UNGC **Principle 5:**
The effective abolition of child labour.

UNGC **Principle 6:**
The elimination of discrimination in respect of employment and occupation.

Our 2021 performance at a glance

OUR PEOPLE[1]

Per region:

SEU: 6,310

SNA: 2,174

SSA: 5,290

Approximately 9,250 people are employed by Sappi Forests' contractors.

PER GENDER:

Women: 2,687 Men: 11,084

PER AGE (Sappi Ltd):

16.1% below 30, 48.13% are between 30 and 50, while 35.77% are above 50.

48.29 hours of training per employee (global average, of which 74.4% allocated to skills training and 25.6% allocated to compliance training.[2]

SEU US$473, SNA US$238, SSA US$671, Sappi Trading US$504 training spend per employee.

We promote social impact, spending US$3,49 million on shared value and corporate social investment programmes in FY2021.

1 Note:
- *A total of three employees in SNA identify as non-gender specific.*
- *The people numbers given here differ from those supplied in the annual integrated report as the numbers in the latter are supplied by Finance which calculates numbers differently from Human Resources (HR). Those given here are supplied by HR.*

2 Compliance training is defined as mandatory training such as Code of Ethics, Anti-Trust, Intellectual Property, or Anti-Bribery training. Compliance covers regulatory and legal matters that employees need to be aware of, but that will not necessarily make them more effective at their work. Skills improvement is training that is designed to improve employee effectiveness.

Our management approach to People

PROMOTING DIVERSITY AND INCLUSION

A diverse workplace benefits different skill sets and backgrounds, as well as unique ways of doing things and divergent ways of thinking innovatively. These in turn enhance our ability to service diverse, rapidly evolving global markets. We celebrate our differences and strive to create a workplace free from discrimination and harassment; acknowledging and accepting differences among our people in age, nationality, class, ethnicity, gender, physical ability, race, sexual orientation and spiritual practice. We view diversity as a key driver that enhances our competitiveness and viability as a business and contributes to a thriving world. Accordingly, we have established a 2025 target to promote gender diversity at a senior level. In addition, under our **SSA** 2025 targets we are striving to enhance our BBBEE-related performance, which includes goals for racial diversity.

Percentage gender diversity at senior level in 2021

	Female	Male
SEU	15.29%	84.71%
SNA	21.97%	78.03%
SSA	22.61%	77.39%
Sappi group	19.96%	80.04%

UNLOCKING VALUE FOR OTHERS

We work to unlock value not only for our own people, but also for our neighbouring communities through targeted social investment, social impact and shared value programmes. **Read more:** *Creating a positive social impact in our communities.* We further unlock value for our customers by offering a wide range of products based on natural, renewable resources.

MONITORING TURNOVER AND NEW HIRES

Staff turnover is the result of retirements, resignations or changed business requirements. This brings new people with new skills into the business to drive innovation and a fresh approach while maintaining a certain level of continuity. However, there are costs to constant turnover, and employees who grow with Sappi add value based on their institutional knowledge and their understanding of our culture, customers and products. Accordingly, we monitor turnover very carefully. Our global voluntary and involuntary (total) turnover rate for 2021 was 8.3% (2020: 6.62%).

Our management approach to People *continued*

RECOMPENSING FAIRLY

Our labour standards ensure that our remuneration practices are fair, with compensation levels set to reflect competitive market practices and internal equity as well as company and individual performance. In all three regions, labour is sourced on the open market. In rural areas, forest products companies like ours are often the only, or major, employers that create local population dependency on the company, and that could, in turn, lead to exploitative behaviour and an indirect form of forced labour. Recognising this, we ensure we pay market-related wages in line with or above local legislation.

Income differentials between genders 2021

	Female comparative ratio	Male comparative ratio
SEU	93%	95%
SNA	100%	101%
SSA	105%	106%
Sappi group	102%	104%

The data used in the comparison is the comparative ratio against the midpoint of the person's salary scale. This is only measured for permanent employees as fixed term contractors are generally not linked to specific grade-based salary scales. Employees who are not graded, or not linked to salary scales, are not included.

Please refer to Our 2020 People indicators on *www.sappi.com/2021GSDR-People-indicators* for tables detailing:

- Total workforce by level and gender
- Gender split per region
- Workforce profile by gender and nature of employment
- Workforce by minority group (numbers)
- Gender and age split at executive level
- New hires (internal and external) by age group, gender and region
- New external hires: gender percentages
- All exits: voluntary and involuntary
- Voluntary exits as a percentage of permanent employees (voluntary turnover)
- Voluntary exits only (resignations)
- Absenteeism rate by gender and overall
- Total turnover rate (voluntary and involuntary)
- Voluntary turnover by gender – voluntary exits as a percentage of the number of employees per gender, and
- Voluntary and involuntary exits by gender, and age category and region.

Ensuring the safety of our employees and contractors

WHY IT'S MATERIAL

Safety is not only a moral imperative, it's also an issue that affects productivity and hence, value add to all our stakeholders. Our approach to safety, a core value, is based on the principles of Project Zero – zero fatalities and zero injuries. In addition to addressing hazards in the workplace by means of the OHSAS 18001 and ISO 45001 related systems in place at all our pulp and paper mills, we also address 'at risk behaviour' of our employees through a behaviour based safety (BBS) system.

HOW THIS ISSUE LINKS TO OTHER ASPECTS OF OUR BUSINESS

Our global priority SDGs

8 DECENT WORK AND ECONOMIC GROWTH

Our top 10 risks

1 Safety

10 Employee relations

Our strategic fundamentals

- Grow our business
- Drive operational excellence
- Enhance trust

THE GLOBAL FORCES SHAPING OUR Thrive25 strategy

- Continued erosion of trust in business, coupled with increasing social activism.

OUR 2025 TARGET

8 DECENT WORK AND ECONOMIC GROWTH

Achieve **zero** injuries

We aim to provide a safe working environment in which our employees can reach their full potential.

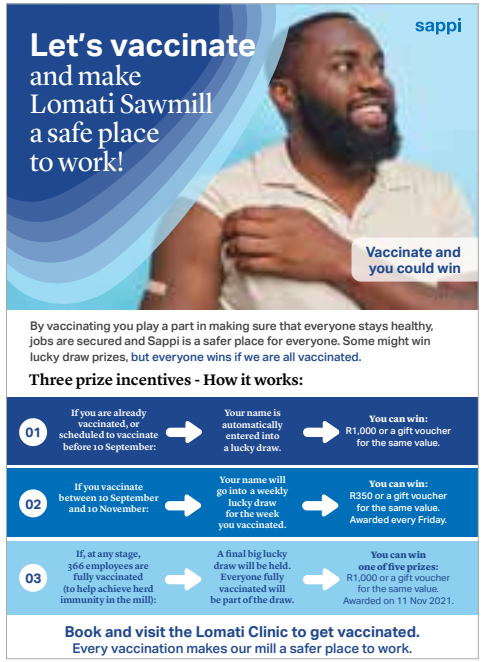
Ensuring the safety of our employees and contractors *continued*

KEY DEVELOPMENTS IN FY2021

Covid-19

The year was dominated by the Covid-19 pandemic with all operations and sites continuing with the required sanitising and hygiene protocols, social distancing, self-declaration health check requirements with ongoing engagement and communications for the necessity of self-awareness at work and at home. While the pandemic appears to have heightened safety awareness and reinforced safe attitudes and behaviours, complacency remains a risk. We have made a concerted effort to encourage our people to vaccinate through ongoing communication campaigns and, in South Africa, we have set up vaccinations stations at our operational sites to enable access to our people, their families and our contractors.

Communication campaigns to encourage employees to vaccinate in SSA



Ensuring the safety of our employees and contractors *continued*

KEY DEVELOPMENTS IN FY2021
continued

Occupational safety

In 2021 we were delighted to achieve our primary goal of zero fatalities. This can be attributed to consistent messaging around Project Zero and the 'I Value Life' safety campaign, including the maturing Stop, Think before you Act journey in Sappi Forests. Our continuous sharing of incidents, near misses and best practices across the group has also played a key role, as has the on-line Sappi Learning annual performance enablement (PE) objective setting. This included a required statement of each person's commitment together with 'walk the talk' leadership behaviour demonstration examples. In FY2021, the LTI definition was revised to exclude light duty/restricted work cases and this should be considered when reviewing our safety performance for the year.

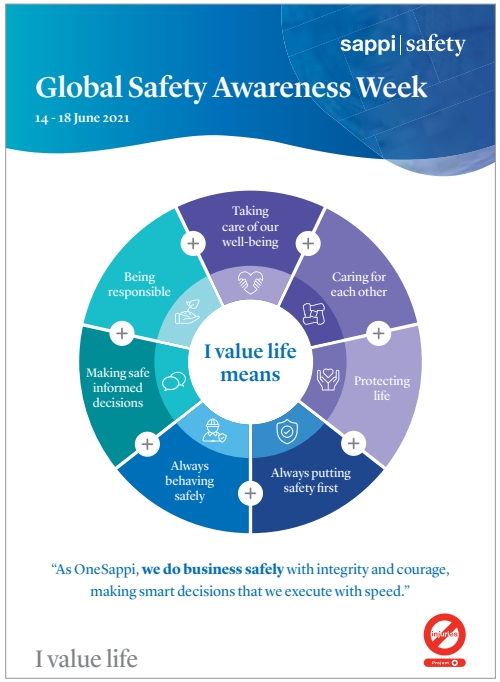
In terms of **group** safety performance, the LTIFR has increased, indicating declining performance since FY2020, but has improved steadily over the past six years. On a positive note, Injury Indices (II) for both own employee and contractors showed an improvement over the past year and the five preceding years.

Sappi Europe had a disappointing year with a LTIFR of 0.78 which was a deterioration from the previous year 0.59. More positively, contractor LTIFR showed continued improvement from previous years. A safety communication campaign is underway to bring more attention to frequent injuries and reinforce the fact that nothing is so important than it cannot be done safely.

Sappi North America completed FY2021 with a LTIFR for own employees of 0.33 compared with best ever of 0.20 in FY20. As in the previous year, there were no contractor LTIs – an excellent achievement.

Safety performance in **Sappi Southern Africa** was highly satisfactory, with the best ever LTIFR for own employees at 0.29. The previous best ever achieved was 0.41 in 2020.

Looking forward, regions will continue to encourage the reporting of near misses and NLTIs (non-lost time injuries) and ongoing improvements in safety suggestion schemes. We remain committed to reducing the impact of injuries on our workforce. By involving all personnel, sharing information, and managing risk in accordance with accepted best practice, we will aim to reduce the occurrence and severity of accidents and NLTIs.



Comment: The theme for Global Safety Awareness Week continued with 'I Value Life' – aligned with personal commitment to your own and your colleague's life.

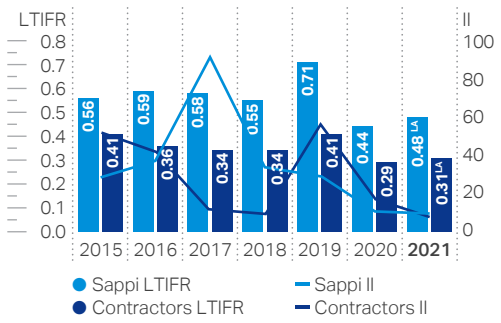
Definitions

LTI	a lost-time injury now excludes light duty/restricted work cases.
NLTI	is a non-lost-time injury.
LTIFR	is the lost-time injury frequency rate, and is calculated by dividing the product of lost-time injuries and a group-wide standard for man hours by the unit's man hours, ie LTIFR = **LTI** * 200,000/unit's actual man hours.
LTISR	is the lost-time injury severity rating and in a similar manner to the frequency rate, is calculated by dividing the product of the number of days lost to the injury and the group-wide standard hours by the unit's man hours, ie LTISR = **Number of days lost** * 200,000/actual man hours.
II	the Injury Index is a product of the LTIFR and the LTISR and provides an overall sense of safety within the measured unit, ie II = LTIFR * LTISR.
AIFR	is the All Injury Frequency Rate which is calculated by adding (LTI + NLTI) * 200,000/actual man hours.
OIR	OSHA Incidence Rate is applicable only to **SNA** and is arrived at by taking the number of recordable incidents * 200,000/man hours. A recordable incident is any report to a medical practitioner.

Ensuring the safety of our employees and contractors *continued*

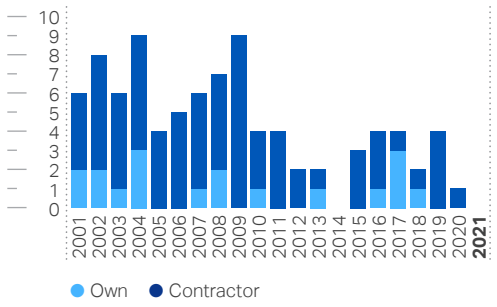
KEY DEVELOPMENTS IN FY2021
continued

Sappi group – lost time injury frequency rate

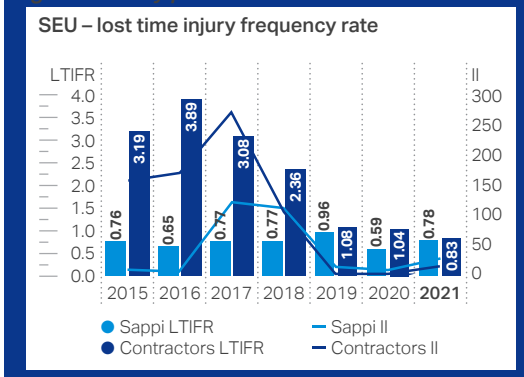


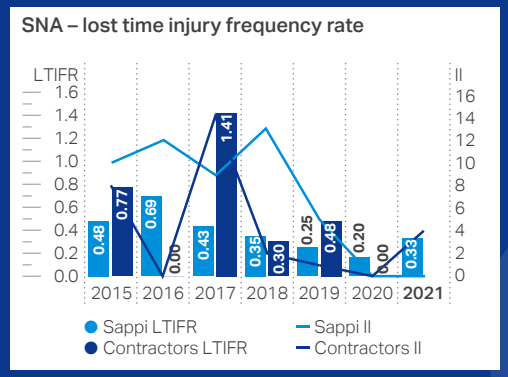
*We calculate LTIFR by dividing the product of lost-time injuries and a group-wide standard for man hours by the unit's man hours, ie LTIFR = LTI * 200 000/unit's actual man hours. As from this year, we have excluded LTIs that result in light duty from the calculations.*

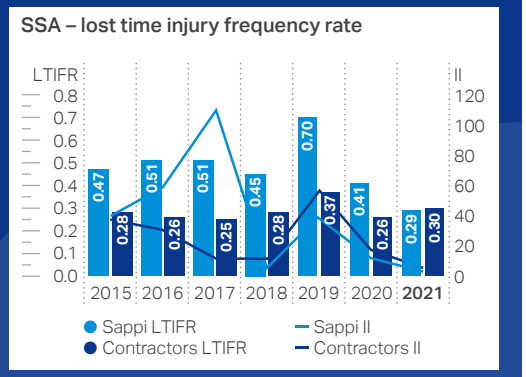
Sappi group – combined fatalities



Regional safety performance







***SEU** had a disappointing year with combined total of 42 LTIs – a deterioration from the previous year. The LTIs at Gratkorn (17), Lanaken (8) and Kirkniemi (5) Mills exceeded expectations. On a positive note contractor LTIFR showed continued improvement from previous years. Covid-19 impacted by reducing personal interactions, alignment and engagement with Workforce Councils.*

*After a poor start in Q1 at Cloquet Mill, the following three quarters showed continued improvement. **Sappi North America** completed FY2021 with a LTIFR for own employees of 0.33 compared with best ever of 0.20 in FY2020. There was a total of eight own lost time injuries with six at Cloquet Mill, and one each at Somerset and Westbrook Mills. There was no contractor lost times as per the previous year – an excellent achievement.*

***SSA** had a very good year with no fatalities in the region. Employees achieved an LTIFR of 0.29 which is the best ever and is a 29% improvement on the previous 'best ever' of 0.41, achieved in 2020. There were a total of 69 lost time injuries for the year for employees and contractors combined. Saiccor Mill expansion project achieved 5 million LTI-free hours and two units achieved more than 4 million. The focus going forward remains on progress towards an interdependent safety culture where we can truly say that 'I value life'.*

Ensuring the safety of our employees and contractors *continued*

DRIVING OUR SAFETY-FIRST CULTURE

SEU

We addressed the safety challenges experienced in FY2021 by:

- Embarking on an extensive communication campaign which included statements from mill directors – *nothing is so important that it cannot be done safely* – and a safety handbook covering all aspects including values, management, behaviour and tools. (shown alongside).
- Establishing a standardised audit system based on the handbook, completing audits at Gratkorn and Alfeld Mills – a process which will be rolled out in the other operations going forward.
- Ensuring reporting of near misses and dangerous situations is more representative. This enables us to receive notifications faster before something serious happens.
- Instituting ongoing LMRA (Last Minute Risk Assessment) protocols.
- Implementing a safety instruction tool (SIT) for contractors and visitors at Maastricht Mill which will be adopted across all sites in the next financial year.
- Continuing the roll out of the Bradley Curve principles, appealing to both hearts and minds.
- Increasing the number of BBS audits and involving more people acting as auditors, conducting 25% more audits than the previous year and increasing the number of active auditors by 25%. The average number of actions established in relation to observations increased by more than 10%.
- Using incidents like hand injuries to focus on trends – 'It's in your hands'.
- Embedding the principles of the Performance Engine & I, which is based on continuous improvement.

About the Bradley Curve

The basic concept comes from the DuPont™ Bradley Curve™ that essentially correlates cultural maturity and number of injuries or accidents. According to the model, cultural maturity is split in four stages: reactive, dependent, independent and interdependent. The interdependent stage, which is the goal in most contexts, is really about collective responsibility, with widespread involvement, communication and accountability for each other.

Ensuring the safety of our employees and contractors *continued*

DRIVING OUR SAFETY-FIRST CULTURE
continued

SNA

Good safety performance was achieved by:

- Safety leadership training.
- Safety dashboards using statistical trends in new ways.
- Probing cultural factors as part of our incident investigations.
- Enhancing formalised safety platforms and improving connections across manufacturing sites with project focus.
- Engaging regularly with employees, labour unions, contractors and communities and joint Safety Leadership Councils.
- Continued focus on Serious Injuries and Fatalities (SIF).
- Continuing with 'Fit for Work' Ergonomics and Wellness and outreach programmes.
- Continued use of Safe Start and Safety Circle initiatives.
- Recognition via the Sustainability Ambassador Programme.

SSA

In this region, our actions plans included:

- Continuing with the Du Pont safety principles implemented in 2018 which include programmes such as 'We need each other'.
- Lean and Me and ongoing risk evaluation.
- Focusing on our Sappi Forests – Stop, Think before you Act programme with visible felt leadership modules included.
- Reviewing contractor mill site requirements and implementing a new contractor audit assessment template.
- Reviewing risk assessments on mobile equipment.
- Implementing a new incident investigation approach.
- Re-energising the 'Safety Representative' Forum.
- Introducing a new recognition initiative – 'Safety Star of the Week'.
- Sharing of Lesson Learnt High (Potential Near Misses) Near misses are logged and captured on the deviation system.
- Training and coaching shift superintendents.

A good spot by Safety Star of the Week

The Safety Star of the Week initiative has been enthusiastically embraced by our people.

One of our Safety Stars of the week at Ngodwana Mill spotted and reported that the door of the engineering shift workshop was too high, and that this posed a potential tripping hazard for employees walking into the workshop and, as the workshop is mostly used by artisans, an even greater risk when exiting or entering with tools.

Ensuring the safety of our employees and contractors *continued*

REGIONAL MILESTONES

SSA

- Zero-fatality year for the second time in Sappi's history.
- Best ever LTIFR for own employees of 0.29. Previous best ever achieved in 2020 was 0.41.
- LTISR for **own employees** was 10.37 against a target of 20.
- LTISR for **contractors** was 18.36 against a target of 20.

Ongoing into FY22

- **KZN Zululand Coastal** achieved 4.3 million injury free hours.
- **KZN South Richmond** achieved 2.2 million injury free hours.
- **KZN Midlands** achieved 1.1 million injury free hours.
- **Stanger Mill** achieved 1 million injury free hours for own employees and is currently on 2 million (last best 1.73 million).

Reset post achievement during the year

- **Saiccor Mill** achieved 2.1 million man-hours for own employees before the last LTI.
- **Ngodwana Mill** achieved 1.84 million man-hours without an own LTI to break their previous best performance for own employees.
- **Stanger Mill** achieved seven years without a contractor LTI.
- **Tugela Mill** achieved 1.8 million man-hours without an LTI.
- **Lomati Sawmill** achieved one year without an LTI.
- **Saiccor Mill expansion project** 5 million man-hours.

SNA

- Best ever performance on LTIFR for four of the five sites was achieved during the year.
- **Somerset** and **Westbrook Mills** achieved 1 million hours without an LTI.
- **Matane** has remained LTI free under Sappi ownership/1.2 million hours.
- **Allentown** achieved five years without an LTI.
- At **Cloquet Mill**, there is improved participation in area physical hazard audits and corrective actions.

SEU

1 million hours LTI free at **Maastricht, Alfeld** and **Ehingen Mills**.

Ensuring the safety of our employees and contractors *continued*

Enhancing health and safety at Condino Mill

In 2021, our Condino Mill in Italy installed a new state-of-the-art coating kitchen that enhances the safety and eco-effectiveness of operations. The project significantly extended production possibilities and flexibility by replacing manual coating material transport, mix and dosing activities with a fully automated new coating kitchen process. In addition to enhancing health and safety for workers and minimising environmental risks, the new kitchen enables customers to explore exciting new coating formulations with less environmental impact.

Opportunities for value creation

- Currently, safety of own employees is included in our management incentive schemes. In FY2022, this will be expanded to include contractors, highlighting our view that contractor safety is as important as that of our own employees.

Promoting wellness and wellbeing

We educate and empower our people to take ownership of their wellbeing and we provide support wherever necessary.

SEU

- Each mill, together with the mill lead teams, decides on their priorities for the year.
- Programmes include preventative medical healthcare check-ups, flu vaccinations and immunisations.
- Support for employee sports and social activities, among others.

SNA

- All salaried and hourly employees (and their spouses) who participate in one of Sappi's medical plans are encouraged to complete a health risk assessment questionnaire.
- Wellness events, including healthy cooking demonstrations and wellness webinars, at all sites.
- On-site flu vaccinations, employee assistance programmes in support of mental health, gym and other exercise subsidies.

SSA

Each operating unit has an elected Employee Wellbeing (EWB) committee that represents staff working in the field of employee wellbeing; health workers; line management responsible for health; human resources staff; trade unions and peer educators. The committees assist in rolling out EWB programmes. These include awareness and education for substance abuse (alcohol and drugs); basic counselling for referrals to external providers; financial wellness; trauma counselling; change management issues and other EWB and relationship issues to name a few.

Our operations also focus on primary healthcare and given South Africa's high prevalence of primary health care illnesses, at some of our mills we have partnered with the provincial health services to provide chronic medication to the clinics servicing both employees and contractors at our operations.

HIV/AIDs in SSA

We established our HIV/AIDS programme in 1992 in South Africa to measure, monitor and manage the disease to mitigate the risks posed to our employees, our organisation and the communities in which we operate. In 2000, the guidelines established in the early 1990s were formalised by publishing an HIV/AIDS policy, which was subsequently revised in 2009. From August 2002, medical care for employees included the provision of Nevirapine treatment to prevent mother-to-child transmission. Anti-retroviral treatment was offered to HIV-infected employees from the beginning of 2003. Medical protocols have been established to ensure that HIV/AIDS can be managed like any other chronic disease.

Engaging more closely with our employees

WHY IT'S MATERIAL

When employees are engaged, their discretionary effort goes up. When leaders and managers channel that energy and effort in the right direction, business and personal outcomes are positively impacted. Recognising that our people are our greatest lever for achieving our Thrive25 purpose, we conduct employee engagement surveys every second year. Input in previous surveys has shaped programmes and initiatives that have significantly improved the way we work.

HOW THIS ISSUE LINKS TO OTHER ASPECTS OF OUR BUSINESS

Our global priority SDGs

8 DECENT WORK AND ECONOMIC GROWTH

Our top 10 risks

1 Safety

4 Sustainability expectations

10 Employee relations

Our strategic fundamentals

Drive operational excellence

Enhance trust

THE GLOBAL FORCES SHAPING OUR Thrive25 strategy

- Continued erosion of trust in business, coupled with increasing social activism.
- Changing consumer and employee profiles.
- Globalisation and high levels of connectivity.

OUR 2025 TARGET

8 DECENT WORK AND ECONOMIC GROWTH

Participate in employee engagement survey

>85%

Percentage of staff fully engaged our business

>75%

As a responsible business operating in many locations around the world, this goal aligns with our focus on being a responsible corporate citizen and providing a safe working environment in which our employees can reach their full potential.

Engaging more closely with our employees *continued*

KEY DEVELOPMENTS IN FY2021

We appointed a new service provider to conduct our most recent employee engagement survey. Permanent Employees in all regions were given the opportunity to participate in the survey which was made available in Dutch, English, Finnish, French (Quebec), German, isiZulu and Italian. The key issues covered were:

- Manager and senior manager relationships
- Inter-departmental relationships
- Company potential and strategy
- Ethics, and
- Safety.

In the new survey, the following definitions were used for engagement levels:

- **Engaged:** Employees consistently exceed expectations. They are energised and passionate about their work, leading them to exert discretionary effort to drive organisational performance.
- **Almost Engaged:** Employees who sometimes exceed expectations and are generally passionate about their work. At times they exert discretionary effort to help achieve organisational goals.
- **Indifferent:** Employees who are satisfied and comfortable are generally able to meet minimum expectations. They see their work as "just a job," prioritising their needs before organisational goals.
- **Disengaged:** Employees who usually fail to meet minimum expectations, putting in time rather than effort. They have little interest in their jobs and often display negative attitudes.

Globally, participation in the 2021 survey was 84%, with the following regional levels: 81% (**SEU**), 66% (**SNA**), 96% (**SSA**) and 100% (**Sappi Trading**).

The survey tool provides a priority matrix that overlays the Sappi results with the factors that have the highest impact on engagement levels. Using the matrix, we have established areas of improvement for each region. On a global level these include senior manager relationships, department relationships and manager relationships, together with learning and development.

To enable high quality action planning, nearly 100 human resources (HR) practitioners across the world were trained on the new survey methodology as well as the most appropriate way to facilitate feedback. Each employee, down to the lowest level, participates in a feedback and action planning session with their manager, facilitated by HR.

Opportunities for value creation

A central action tracker has been developed which enables our HR colleagues to update the status of action items for their internal clients on a monthly basis. Comprehensive business unit-level reporting takes place quarterly and a summary of the themes and progress will be provided to the senior leadership team twice annually. In addition, the close-out of engagement action items has now been included in the performance objectives of each line manager and supervisor across the business.

In addition, through the new service provider, we are able to run interim pulse surveys in targeted areas. Once interventions are complete, these interim surveys will be used to measure the impact and capacitate local HR teams to react faster to support the business through required improvements.

These actions not only affirm that the voices of our people are important, but also helps give us greater clarity as we work to demonstrate added value in line with Thrive25.

Supporting **sound labour relations**

WHY IT'S MATERIAL

Sound labour relations are important for business continuity. We are committed to fostering positive stakeholder relationships and believe that effective communication is essential to sound labour relations, enhanced employee engagement and ultimately, overall business success. We continue to endorse the principles of fair labour practice as entrenched in the United Nations Global Compact (UNGC) and the Universal Declaration of Human Rights. At a minimum, we conform to and often exceed, the labour legislation requirements in countries in which we operate. Sappi promotes freedom of association and engages extensively with representative trade unions. Globally, 56.43% of our workforce was unionised, with 71.53% belonging to a bargaining unit.

HOW THIS ISSUE LINKS TO OTHER ASPECTS OF OUR BUSINESS

Our global priority SDGs

8 DECENT WORK AND ECONOMIC GROWTH

17 PARTNERSHIPS FOR THE GOALS

Our top 10 risks

- **1** Safety
- **7** Cyclical macro-economic factors
- **10** Employee relations

Our strategic fundamentals

- Grow our business
- Drive operational excellence
- Enhance trust

THE GLOBAL FORCES SHAPING OUR Thrive25 strategy

- Continued erosion of trust in business, coupled with increasing social activism.
- Changing consumer and employee profiles.

Supporting **sound labour relations** *continued*

KEY DEVELOPMENTS IN FY2021

We continued to enjoy relatively positive industrial relations with trade unions at all manufacturing sites and forest plantations across the group.

Overall, FY2021 was again characterised by very tough collective bargaining processes given the continued impact of Covid-19 and global economic conditions. Community engagement continued to be another key focus area, especially in South Africa as the country experienced an unprecedented wave of community unrest largely in the Gauteng and KwaZulu-Natal provinces.

The overall industrial relations climate in **Sappi Europe** was good, without any major issues.

Approximately 62% of **SEU** employees are members of a union and approximately 87% of employees fall within a bargaining unit. We engage with various unions in each country where we operate and Collective Labour Agreements (CLAs) are in place at all mills with the exception of Carmignano and Condini Mills in Italy and Lanaken Mill in Belgium. We expect the CLA to be ratified shortly after year end. In Belgium, every two years the government, various employer associations and unions jointly set a wage norm which serves as an indicative framework in an attempt to keep labour costs competitive in relation to neighbouring countries. Sector negotiations started in September 2021 and will be followed by local negotiations.

The overall industrial relations climate in **Sappi North America** was generally satisfactory although we are currently engaged in dynamic contract negotiations at Somerset and Matane Mills. Approximately 65.2% of **SNA**'s employees are members of a union, with 64.9% belonging to a bargaining unit. **SNA** has 12 collective bargaining agreements with its hourly employees across various categories of work.

SNA settled the labour agreements with the USW (United Steelworkers) at Westbrook Mill and with the USW and the NCF&O (National Association of Firemen and Oilers) at Cloquet Mill. The USW at Cloquet Mill initially rejected the contract on the first vote in February due to the proposed design changes in the medical plan, which contemplated modest cost increases for employees through the introduction of co-insurance. The union voted again in March and ratified the contract. On the same day of the USW ratification, the Cloquet NCF&O also ratified their contract.

The Somerset USW negotiations relative to a contract that expired in August are ongoing.

UNIFOR is Canada's largest private sector union, with more than 315,000 members across the country, working in every major sector of the Canadian economy. The contract with UNIFOR at Matane Mill expired a year ago and has been operating under an extension. Negotiations were significantly delayed as a result of the pandemic and a cultural practice of union employees meeting in person as a group to provide their leadership with a mandate.

Union representation in **SSA** declined slightly to 50%. The region continues to recognise two trade unions, namely, the Chemical Energy, Pulp, Printing, Wood and Allied Workers Union (CEPPWAWU) – the majority union across all mills and forestry – and the United Association of South Africa (UASA). However, we also continue to engage with other trade unions that are substantively represented in some of our operations, but not currently fully recognised. These are the Association of Mining and Construction Union (AMCU) organising at Lomati Sawmill in Barberton as well as the National Union of Metal Workers of South Africa (NUMSA), organising at our Ngodwana and Tugela Mills.

Approximately 59% employees in **SSA** fall within the scope of the bargaining unit. Collective bargaining in Sappi SA was concluded well ahead of the deadline for implementation, in both the pulp and paper and forestry sectors.

In the Pulp and Paper Industry Chamber, a decentralised bargaining process was adopted for the 2021 bargaining season. **SSA** reached an average wage increase settlement of 4.5% in the bargaining unit. In the forestry sector, company negotiations were also concluded in time for implementation in July 2021 with an increase of 10.89% for the national minimum wage population and a further 1% increase with effect from 1 January 2022. The semi-skilled and skilled workforce received an average wage increase of 4.75%. The last sector to settle was sawmilling which concluded with an industry settlement of 4.4%.

Supporting **sound labour relations** *continued*

ENSURING DISCIPLINARY PROCEDURES ENHANCES TRUST

Disciplined behaviour is essential not only for individual wellbeing, but also to ensure our group goals and objectives. In each region, disciplinary codes ensure disciplinary procedures, while grievance policies entrench the rights of employees, including the right to raise a grievance without fear of victimisation, the right to seek guidance and assistance from a member of the Human Resources department, or their representative, at any time and the right to appeal to a higher body, without prejudice.

We have identified no operations or significant suppliers where the right to exercise freedom of association and collective bargaining has been violated or is at significant risk. We have identified no operations and significant suppliers as having significant risk for incidents of child labour. Similarly, we have identified no operations and significant suppliers as having significant risk for incidents of forced or compulsory labour.

Read more:

S *Group Human Resources Policy*
S *Group Human Rights Policy*

Supporting **sound labour relations** *continued*

COMMUNICATING OPERATIONAL CHANGES

As one of our strategic fundamentals is to enhance trust, we believe it's important for all our people to understand and trust our processes for communicating operational changes. These are key concerns to all employees, particularly those represented by trade unions or bargaining units.

In terms of career endings, access to retirement planning services is provided on a regional basis and, in some instances, this is supported by financial wellbeing programmes. To the extent that there are employee lay-offs, we provide severance pay to all employees and, in some cases, outplacement assistance. Overall, we aim to communicate any changes to our people timeously and transparently.

Across all countries, information about significant operational changes should be provided at a time when planned changes are concrete enough to inform about reasons for changes, planned measures with impact on employees, number of affected employees and timing, but early enough to still enable proper consultation. In **SEU**, information about significant operational changes is only communicated when these are concrete enough to enable proper consultation where the process followed is according to a set timeline.

In **SNA**, the notice period in terms of federal law is 60 days. Details on operational changes are not specified in collective bargaining agreements.

In **SSA** (including Sappi Limited), the implementation of significant operational changes is governed in terms of section 197 and section 189 of the Labour Relations Act, 66 of 1995. The act does not prescribe a specific notice period. However, the standard practice is a minimum of 30 days, and a maximum of 60 days' notice for consultation of a largescale restructuring process. The recognition agreement concluded with the majority union, Chemical, Energy, Paper, Printing, Wood and Allied Workers Union (CEPPWAWU) recognises the provision of the act in this regard.

SSA is party to the bargaining council for the wood and paper sector as well as forestry in South Africa. In the case of sawmilling and pulp and paper, collective bargaining is conducted at industry level under the auspices of the bargaining council. The constitution specifies when parties should submit issues of bargaining for the particular year and when the negotiations must commence.

Forestry conditions of employment are implemented on 01 April every year and regulated by ministerial sectoral determination. The normal notice period applies.

Most of the countries in which **Sappi Trading** is based are not covered by collective agreements except for Austria, Brazil and South Africa. In Austria, the notice period follows labour law and individual employment agreements. In the case of senior and general staff, notice periods of four and three months respectively are required. Based on local legislation, these notice periods increase according to years of service. A notice period is not set up in collective labour agreements. In Brazil, a minimum notice period on operational changes is required for large companies, but there is no particular need to communicate to unions in advance.

Supporting **sound labour relations** *continued*

Opportunities
for value creation

To improve labour/management relationships across all operations, **Sappi SA** has developed and adopted a roadmap facilitated by an independent Senior Commissioner. The key elements of the roadmap include a specific review of the National Partnership Forum (including senior members of management and senior union leaders who hold regular meeting where business, safety and union challenges are discussed), business unit engagement structures, communication with employees and capacity building for union officials. Work is underway in various task teams consisting of management and labour representatives to develop and implement action plans.

Attracting, developing and retaining key skills

WHY IT'S MATERIAL

Our employee value proposition whereby we seek to add value to our people and our business is based on making a purpose-driven and meaningful contribution towards the wellbeing and development of our employees and our communities. This in turn is based on sourcing talent strategically and retaining it, accelerating development, providing performance feedback and creating development opportunities. Skills are the backbone of our success.

HOW THIS ISSUE LINKS TO OTHER ASPECTS OF OUR BUSINESS

Our global priority SDGs

8 DECENT WORK AND ECONOMIC GROWTH

Our additional SSA priority SDGs

4 QUALITY EDUCATION

Our top 10 risks

10 Employee relations

Our strategic fundamentals

Drive operational excellence

Enhance trust

THE GLOBAL FORCES SHAPING OUR Thrive25 strategy

- Continued erosion of trust in business, coupled with increasing social activism.
- Globalisation and high levels of connectivity.
- Changing consumer and employee profiles.

Attracting, developing and retaining key skills *continued*

KEY DEVELOPMENTS IN FY2021

We are committed to implementing a consistent approach to learning that is linked to talent management, succession and the improvement of skills and productivity across our business. Our primary aim is to increase and improve our employees' productive output and shorten the time to competence. As can be seen from the table detailing training hours, our training focus is on the lower levels of the organisation.

Globally, all employees undergo Code of Ethics and safety training. However, each region has targeted learning and development programmes focused on meeting its own particular needs. Some of the regional initiatives are set out alongside.

In **SEU**, we continued with implementation of the Cornerstone learning, talent and performance management systems, which automates and improves processes around performance reviews, goal management, competency management and development planning. The Dynamo leadership development programme (*https://www.dynamo.be/en/*) was successfully launched for first level line managers in five languages. The region continued with the 3-4-year apprentice vocational training programme implemented initially at our four German-speaking mills, now also in operation in Finland and Belgium. This involves approximately 240 apprentices and is helping to build a technical skills pool that will be used to replace staff going on retirement over the next three to four years.

In **SNA**, the internship programmes at Sappi's three US mills are helping to create a pipeline for entry level talent, specifically engineers and some functional positions, to offset the losses associated with the ongoing wave of retirements. Targeted salesforce training for the graphics and packaging and specialty groups was also implemented. We also expanded our curriculum based training system using the Convergence platform – workforce training and compliance management software that offers a single platform from which to deliver training programmes – at Somerset Mill for both hourly employees and entry level engineers. In addition, we expanded Cloquet Mill's supervisor training module, provided introductory production training at the same mill and introduced new supervisor training at Somerset Mill. Westbrook Mill continued with multi-craft training to move to a single craft shop. The region continued to conduct Lean Six Sigma training, with an emphasis on virtual Rapid Lean Six Sigma and quarterly refresher training for all green belts and black belts.

In **SSA** there was a concerted effort for mill foremen and superintendents to complete the safety and performance improvement programme called Lean & Me. A total of 403 employees across the mills are currently enrolled in the programme and are completing a combined average of 1,500 online courses, classrooms and practical assignments on a monthly basis. The region refreshed the content of the Manager in Training and LeadX – a leadership development programme targeting future heads of department – programmes with the new leadership culture requirements from Thrive25 and deployed this content to new groups of participants. We also continued to utilise online Pulp and Paper training from Convergence to improve awareness of key processes and competence in the mills.

Training in **Sappi Trading** was varied, ranging from leadership training for senior managers in Hong Kong, to Portuguese language courses in Mexico.

Attracting, developing and retaining key skills *continued*

Training hours per region in 2021: All employees

	No grade	Unskilled	Semi-skilled	Skilled technical and junior management	Professional and middle management	Senior management	Top management	Total
SEU	25.19	–	5.03	7.28	15.17	14.07	8.86	22.74
SNA	117.63	–	19.17	29.78	33.86	18.25	9.33	85.10
SSA	320.86	28.96	40.75	37.59	26.50	10.88	3.36	63.65
Sappi group	65.35	28.96	39.41	31.68	23.33	14.07	6.61	48.29

Percentage employees with individual development plans: 2021

	2017	2018	2019	2020	2021
SEU	42%	46%	46%	48%	42%
SNA	51% (of salaried employees)	70% (of salaried employees)	65% (of salaried employees)	62% (of salaried employees)	58% (of salaried employees)
SSA	36%	51%	67%	61%	63%
Sappi Trading	53%	41%	40%	64%	42%

Please refer to ***Our 2021 People indicators*** on *www.sappi.com/2021GSDR-People-indicators* for tables showing:

- Performance appraisals for all eligible employees by gender.

Attracting, developing and retaining key skills *continued*

Bringing the forests to the classroom in Maine

Teachers in Maine can become a window into the world of forestry, inspiring the next generation to explore purposeful careers in the forest products industry. That's why in 2021 we enthusiastically supported the Maine Teachers' Tour which for over 20 years has enabled educators of all kinds to learn about Maine's forests from professionals working in the woods.

Sappi sponsored two teachers' participation in the 2021 tour where they learned about the growth, harvesting and processing of wood products. The experience inspired the teachers to explore creative ideas to bring the forest to the classroom and the classroom to the forest.

The tour is one of the signature activities of Maine Timber Research and Environmental Education (Maine TREE). Founded in 1989, the organisation educates and advocates for the sustainable use of the forest and the ecological, economic and social health of Maine's forest community.

One of our Maine Forestry Programme Managers sits on the board of Maine TREE, thereby extending their role at Sappi which involves working with landowners throughout the region to achieve their sustainable forest management objectives.

Opportunities
for value creation

South Africa has a critical need for technical and artisan skills. We continued to focus on technical development through a combination of technical online training and specialised classrooms – our partnership with the Southern African Institute of Welding (SAIW) for accredited welding training at Saiccor Mill is an example.

Another milestone was the attainment of full apprentice and trade test accreditation at the Skills Centre at Ngodwana. The first phase training for apprentices from Stanger and Saiccor Mills was completed at the Ngodwana Skills Centre, with further benefit gained from local Sappi-owned accommodation adjacent to the centre.

By contributing to technical competency levels in South Africa, we are ensuring a pipeline of skills which meets our needs while creating positive social impact and contributing to the wellbeing of our communities.

Creating a positive social impact in our communities

WHY IT'S MATERIAL

In line with our Thrive25 commitment to being a trusted partner, we work to promote shared value and create positive social impact beyond the fence lines of our mills and plantations. Our aim is to create positive, meaningful and sustainable change for the benefit of our communities, particularly for those at disadvantage as a result of complex, long-term systemic issues. In doing so, we foster positive community relationships, enhance our reputation, become a more attractive employer and secure our licence to operate – and thrive.

HOW THIS ISSUE LINKS TO OTHER ASPECTS OF OUR BUSINESS

Our global priority SDGs

Our additional SSA priority SDGs

Our top 10 risks

- **4** Sustainability expectations
- **7** Cyclical macro-economic factors

Our strategic fundamentals

Enhance trust

THE GLOBAL FORCES SHAPING OUR Thrive25 strategy

- Rising social inequality.
- Continued erosion of trust in business, coupled with increasing social activism.

Creating a positive social impact in our communities *continued*

KEY DEVELOPMENTS IN FY2021

Our corporate citizenship initiatives and programmes are in line with and supportive of, our business strategy and are developed with input from key stakeholder groups. They are also being matched against our UN Sustainable Development Goal (UN SDG) commitments. Our support is focused on our employees, our customers and the communities close to our areas of operation. We have prioritised community support projects with a particular focus on education, environment, health and welfare. Our preference is for multi-year programmes which create sustained impact in our communities. The majority of spend is allocated to South Africa, given the development needs of the country. Each region has its own programmes which are detailed extensively in this group sustainability report.

The Covid-19 global pandemic continued to dominate the business and social landscapes. We adjusted our regular corporate citizenship programmes to meet community needs. We responded swiftly to protect the safety of our employees and communities as well as to address the negative economic and social consequences, including the provision of PPE, sanitiser, food parcels and other localised support.

During the year Sappi joined the Circular Bioeconomy Alliance (CBA), a voluntary organisation working to accelerate the transition to a circular bioeconomy through tangible local activities, such as Sappi's own Project Khulisa tree grower scheme.

In **Europe** the previously established Covid Hardship Fund continued to receive contributions from staff and made donations to the WHO Covid-19 Solidarity Response Fund.

In **North America** the Ideas that Matter grant programme, which was suspended for 2020 due to the focus on our Covid-19 response, was revised and relaunched. As from 2021 designers from around the world will be able to submit ideas that include paper packaging projects in addition to print and digital communication projects, aligned with at least one of the 17 UN Sustainable Development Goals. Submissions should show how print design can improve the lives of others. An amount of US$250,000 has been made available for ITM grants.

In **South Africa** a review of support programmes led to the adoption of a new Social Impact Strategy for SSA which will inform planning for the corporate citizenship programme from FY2022 onwards. The strategy will ensure that disparate current initiatives are reworked into a single coherent framework, enhancing our strategic approach to local communities and national and local government.

SSA partnered with the National Business Initiative (NBI) to establish a small business development hub within the Ilembe District in KwaZulu-Natal, where Sappi's Tugela and Stanger Mills are located.

During FY2021 SSA formally joined the Shared Value Africa Initiative. The move aligns with our corporate purpose and our new approach to social impact. The membership enables us to collaborate and partner on mutually beneficial business relationships with likeminded organisations, sharing values and principles that focus on creating economic value and value for society – Profit with Purpose.

Creating a positive social impact in our communities *continued*

OUR APPROACH

The concept of Shared Value is simply the idea of creating competitive advantage and economic success for a business by having a positive impact on society through environmental, social, and other related activities.

Creating Shared Value is a strategic business framework that was developed by Professors Michael Porter and Mark Kramer a decade ago. The concept, which argues that companies actually can improve their financial performance by having a positive social impact, seems to be borne out in practice, both in developed nations and in emerging economies like Africa.

Professor Kramer elaborated:

"Traditionally, companies thought that social issues were irrelevant to their business, that they were externalities. Instead, we found that when companies begin to focus on the wellbeing of their stakeholders, when they begin to adopt a social purpose or embrace social impact as part of their core strategy – not as something peripheral through philanthropy or CSR, they actually become more profitable and more successful."

On the subject of purpose-driven leadership, Professor Kramer stressed the importance of having purpose at the core of the company, not on the periphery:

"Typically we think about purpose as being important because it motivates employees if they have a sense of purpose. And that is absolutely true. We see that time and again. If employees believe that their work is contributing to a better world, they are much more motivated than if it's just for the paycheck."

But, as he points out, the importance of having a social purpose as part of the strategy goes well beyond motivating employees. Specifically, when companies are driven by a social purpose, it leads to thinking beyond the narrow boundaries of their industry to address many other needs of their customer populations and communities:

"We see again and again that when companies adopt a sense of social purpose, it can actually redefine the industry in which they play. They do this by expanding the boundaries and taking into account other dimensions that can enable them to grow their business and gain competitive advantage."

Creating a positive social impact in our communities *continued*

SPEND IN 2021

Sappi Europe	€100,000
Sappi North America	US$145,100
South Africa	ZAR48 million

*Note: The figure for **SNA** is much lower than in previous years because we suspended our long-standing Ideas that Matter programme (spend: US$250,000) for FY2021 while we reassess the structure of the initiative.*

Making ideas matter in SNA

For over 20 years, Sappi's Ideas that Matter programme has provided funding to support brilliant designs that make a difference – changing lives, communities, and ultimately, the world.

In 2020, the programme was temporarily suspended as we responded to need necessitated by Covid-19 and restrategised.

In 2021, we evolved the programme to instill the UN Sustainable Development Goals (SDGs) as an integral part of ITM grants. All applicants align their projects with at least one of the 17 goals. The programme also now welcomes submissions globally, opening up new opportunities for changemakers of all kinds to partner with Sappi on Ideas that Matter.

Inspired by the success of Sappi's Ideas that Matter programme, we launched a similar programme in 2016 called **Employee Ideas that Matter**. The semi-annual programme commits Sappi North America to donate to causes that are important to employees.

In 2021, our Strategic Partnerships Sales Manager and Sustainability Ambassador in the New York area facilitated a grant for Brighter Magazine, a lifestyle publication for women affected by cancer. The grant has enabled Brighter Magazine to become the only glossy, full colour lifestyle magazine for women on their cancer journey.

Creating a positive social impact in our communities *continued*

Empowering youth in South Africa

Youth unemployment in South Africa is high. Our alien invasive plant management programme has aimed to address this gap by generating true community empowerment. Youth from local communities were trained and mentored by the Wildlife and Environment Society South Africa (WESSA) on the management of alien and invasive plant species.

This ESD programme culminated in the formation of five legal business entities who are now service providers to our four mills. Beginning in 2019, five-year service contracts were entered into with these SMMEs. Apart from rendering an important environmental management service, in addition to the 32 youths employed, the programme has created and sustained a total of 47 jobs in local communities. ZAR5.8 million was spent with SMEs for services rendered in FY2021 with a total of ZAR8.5 million from FY2019 to the end of FY2021. Some of the SMEs have reached a satisfactory level of maturity, graduated from the programme, expanded their footprint beyond Sappi and are now servicing various state operations.

Opportunities for value creation

In South Africa we have appointed a third-party service provider to draw up a societal impact strategy. This work aims to restructure disparate current initiatives into a single coherent framework which can be holistically understood and communicated; link our social strategy to our core business strategy and enhance our strategic approach to local communities and national and local government. This framework will inform our planning and programmes in the financial year ahead and we anticipate rolling it out to other regions thereafter. We anticipate that the strategy will leverage our financial commitment, enhance the efficacy of our programmes and promote greater levels of collaboration.

flow

planet

Providing solutions from **sustainable woodfibre**

We are bold in our role as a natural resource company, providing solutions from sustainable woodfibre. Among the global forces influencing our long-standing approach to treading more lightly on the Planet are the following:

- The move towards a circular economy.
- Climate change continuing to impact businesses and reshape societies.
- Resource scarcity and growing concern for natural capital.

We are responding by pursuing circular ecosystems and economies – including utilising 100% of each tree harvested; creating responsibly sourced and sustainable solutions as viable alternatives to fossil-based products, and promoting the responsible management of natural resources and leading by example.

In **South Africa**, we own and lease 394,000 hectares of plantations, all of which are both FSC- and PEFC-certified.

United Nations Global Compact (UNGC) **Principle 7**:
Businesses should support a precautionary approach to environmental challenges.

UNGC **Principle 8**:
Businesses should undertake initiatives to promote greater environmental responsibility.

UNGC **Principle 9:**
Businesses should encourage the development and diffusion of environmentally friendly technologies.

Our 2021 performance at a glance

Our products are:

Recyclable

Some of our products are:

Compostable

Biodegradable

GLOBALLY[1]:

Over five years:

Specific landfilled solid waste has decreased by **33.0%**

The use of solid waste for beneficial purposes has increased by **16.7%**

Specific Scope 2 emissions are down by **32.7%**

Specific Scope 1 and 2 emissions have declined by **8.3%**

Year on year:

Specific chemical oxygen demand in effluent improved by **6.6%**

Specific process water extracted has decreased by **6.0%**

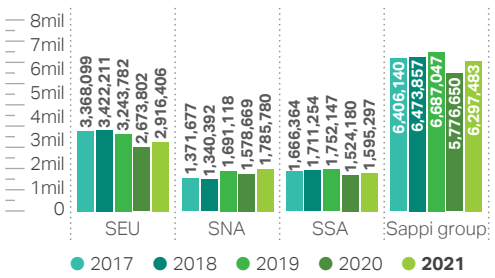
Specific particulate matter emissions have declined by **49.5%**

Specific NOx emissions have reduced by **7.9%**

1 'Globally' in this context means within the Sappi group.

Our management approach to Planet

Saleable production (adt/annum)



As stated in our *Group Sustainability Charter* and *Group Environmental Policy*, we acknowledge that we do have an environmental footprint, but are committed to managing and mitigating the environmental, climate and biodiversity impacts of our operations. The precautionary approach places the onus on Sappi to anticipate harm before it occurs and to take active steps to prevent any harm from occurring. We achieve this by:

- Minimising the environmental impact of our operations in terms of raw materials and energy use.
- Developing new production methods and products, and finding innovative ways of beneficiating waste.
- Saving water and energy at every step in production processes.
- Ongoing investment in research and development.
- Ensuring legal compliance at each mill, by constantly assessing our performance in terms of energy dashboards, integrated water and waste management plans, air emissions and effluent.
- Placing environmental targets in each region. Progress towards targets is reported to management teams in each region regularly, quarterly to the Global Sustainability Development Council (GSDC) and to the Social, Ethics, Transformation and Sustainability (SETS) Committee three times a year.
- Implementing transparent practices by using internationally recognised, independently verified certification systems including the Forest Stewardship Council (FSC), the Programme for the Endorsement of Forest Certification (PEFC) and the Sustainable Forestry Initiative® (SFI®), as well as ISO 9001, ISO 14001, OHSAS 18001 and, in Europe the Eco Management and Audit System (EMAS) and ISO 50001 in Europe and South Africa.

ADOPTING ENVIRONMENTALLY FRIENDLY TECHNOLOGIES

We view conducting our business in an environmentally sustainable manner as integral to our licence to operate on an individual, community, country and global level. It also makes sound business sense, given that we depend on natural resources such as water and woodfibre for our ongoing viability as a business and it is in our interest to use these resources as responsibly as possible. We invest in new technology and upgrading mill processes as these become feasible or pre-empting changes in manufacturing regulations.

UNLOCKING THE POWER OF RENEWABLE RESOURCES

At the heart of our business is a renewable, recyclable natural resource – woodfibre. We use this to create pulp, paper and dissolving pulp solutions that enhance the lives of consumers around the world. We take a holistic approach to protecting the environment, beginning with the responsible procurement of sustainably grown and harvested wood, sourced from well-managed forests and plantations.

TRACKING KEY METRICS

We track key metrics for fibre, emissions, energy use and the impact of our operations on air, water and solid waste. We use this data when setting improvement goals for either our operations or interactions with our key stakeholder groups – employees, customers and our local communities. In 2020, in line with our Thrive25 strategy, we established Thrive25 global goals in addition to regional goals to deal with specific issues. We began tracking and reporting on progress against *these goals* in FY2021.

PROMOTING ENVIRONMENTAL RESPONSIBILITY

Land, air and water are shared resources. By motivating and encouraging people – particularly those close to our operations – to share our commitment to a thriving world by treading more lightly on the planet, our aim is to enhance the sustainability of the natural resources and ecosystems on which our business depends

Sourcing sustainable woodfibre

WHY IT'S MATERIAL

Healthy, resilient forests are the foundation of our business. Sustainable forest management can maintain or enhance forest carbon stocks and sinks, while wood products store carbon and act as substitutes for emissions-intensive materials. Responsibly managed forests play an important role in mitigating climate change, and we are determined to be part of the solution to this challenge by acting as a custodian of land and forests. We believe that robust, internationally recognised, and third-party verified forest certification systems are effective tools for promoting sustainable consumption and production, as well as combatting deforestation and illegal logging through proof of legality and responsible practices.

Accordingly, we strive to increase the amount of certified fibre supplied to our mills and prioritise responsible management on our plantations in South Africa. As sustainably managed forests are more productive, in doing so we ensure a sustainable supply of woodfibre.

HOW THIS ISSUE LINKS TO OTHER ASPECTS OF OUR BUSINESS

Our global priority SDGs

7 AFFORDABLE AND CLEAN ENERGY | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | 13 CLIMATE ACTION | 15 LIFE ON LAND

Our top 10 risks

2 Evolving technologies and consumer preferences

3 Supply chain disruption

4 Sustainability expectations

5 Climate change

Our strategic fundamentals

Grow our business

Drive operational excellence

Enhance trust

THE GLOBAL FORCES SHAPING OUR Thrive25 strategy

- Climate change continuing to impact businesses and reshape societies.
- Resource scarcity and growing concern for natural capital.

OUR 2025 TARGET

15 LIFE ON LAND

Share of certified fibre

>75%

With Sappi's excellence in sustainable forest management and commitment to stewardship, we aim to continue to increase our positive contribution to healthy landscapes. We practise sustainable forestry because it provides clean air and water, protects biodiversity and defends against climate change, among many other critical benefits. Forest certification validates our forest management practices and those of our suppliers in the well-managed forests and plantations from which we source woodfibre. We strive to increase the share of certified woodfibre supplied to our mills.

Sourcing sustainable woodfibre *continued*

KEY DEVELOPMENTS IN FY2021

Working to promote responsible forestry

All Sappi's mills in Europe, the USA, and Canada are both PEFC and FSC, and in the USA also SFI Chain of Custody (CoC) certified. Sappi's own tree plantations in South Africa are both FSC and PEFC certified. The mills in South Africa are FSC CoC certified and will achieve PEFC CoC certification soon. This approach enables us to offer a wide product portfolio of certified products, and gives us full traceability of purchased wood-based raw material. In so doing, we hope to drive responsible production and consumption patterns and demand for wood-based products originating from certified forests.

In 2021, 77% (2020: 73%) of all the wood-based raw material supplied to Sappi's mills originated from FSC or PEFC (incl. SFI) certified forests. In **Europe**, **North America** and **South Africa**, the share of certified woodfibre supplied in 2021 was respectively: 87% (2020: 80%), 57% (2020: 55%), and 85% (2020: 83%). Much of the woodfibre we use is dual certified. In 2020 and 2021, the CoC processes were extended to new products such as Valida fibrillated cellulose, as well as Symbio composite materials combining cellulose from wood and thermoplastics. We engage with wood and pulp suppliers to promote and increase the share of certified forests and wood, and actively participate in the development of FSC, PEFC, and SFI systems. In South Africa, we operate a FSC Group Scheme, which offers FSC certification for 42 private members with 41,000 ha of land as at the end of FY2021. We offer growers in this scheme a premium for certified timber, thereby encouraging them to invest in sustainable management practices.

In the United States, the Sappi Maine Forestry Programme and the Sappi Lake State Private Forest Programme assist forest landowners to meet their objectives for managing their woodland. Sappi's trained foresters are able to develop a forest management plan geared to the interests of the landowner including wildlife management and aesthetics, marketing of timber to generate maximum return and providing an extensive network of environmental and marketing resources. In South Africa, qualified extension officers provide growers in our Sappi Khulisa enterprise development scheme with ongoing growing advice and practical assistance.

Sappi and the first ever PEFC Forest Management certificate in South Africa

In early 2021, Sappi was awarded the first ever Programme for the Endorsement of Forest Certification (PEFC) forest management certificate in South Africa. This achievement validates that Sappi's forest management practices in South Africa meet the requirements for sustainable forest management set out in the PEFC-endorsed standard for the region – SAFAS (Sustainable African Forestry Assurance Scheme).

The certification will enable Sappi to offer PEFC-certified wood from our plantations in South Africa, giving further assurance to Sappi's local and global customers that the wood raw material originates from responsibly managed forests. This is in addition to the longstanding FSC certification that we hold for all our plantations in South Africa. The potential of SAFAS in South Africa lies therein that it incorporates cutting-edge, innovative and effective approaches to also make forest certification more accessible to South Africa's small landowners. Sappi sees that this has great promise for ensuring certification not only delivers social and environmental values, but also supports socio-economic and development priorities.

"What makes PEFC-endorsed national forest certification systems, such as the SAFAS, so relevant is that they are locally developed and owned, and that they respect the country's operational and cultural conditions. This is important because it ensures that the advantages of certification are accessible to all forest owners, with a particular emphasis on smallholders."

Ben Gunneberg PEFC International, CEO & Secretary General

Sourcing sustainable woodfibre *continued*

Keeping fresh and recycled fibre in the loop

Our customers often wonder why we still use fresh fibre to make paper given that paper is so widely recycled. The answer is a bit counter-intuitive. It's because fresh fibre is a necessary ingredient to keep recycled paper in the loop.

The benefits of recycling paper in a circular economy include conserving natural resources, saving energy, reducing greenhouse gas emissions and keeping material out of landfills. At the same time, using recycled or 'recovered' fibre in higher-quality products requires more processing, increasing both fibre loss and use of energy, water and chemicals.

For all these reasons and more, choosing when to use fresh or recycled material for products requires careful consideration to ensure a positive environmental outcome. With limited recycled fibre available on the market, it's important to use it where it actually delivers optimum environmental impact and where its quality matches the application's requirements.

We rely on fresh fibres because we make high-quality paper and board products. Our diverse product portfolio offers high performance with respect to print surface, brightness, and durability. Our paperboard grades benefit from the strength and bulk that only fresh fibres provide. Relying on fresh fibres also supports product safety and compliments our ability to provide products suitable for food contact. Recycled content is better used for grades such as corrugated, where there are no brightness level requirements and contaminants in the recycled content can be better tolerated. It's also better used in applications that cannot be recovered.

The fresh fibre we source comes from certified forests that are subject to third party audits to control sustainable forest management practices.

In summary ...

Closing the loop requires both: fresh and recycled fibres work together to keep paper flowing in a circular loop.

The paper application matters: optimising the life of recovered fibres requires use in the right applications.

Downcycling is decisive: the input of fresh fibre into the paper loop should be with high-quality applications, that can be subsequently down-cycled into other applications. The reverse is not possible.

Sourcing sustainable woodfibre *continued*

Ensuring security of fibre supply

Sappi Forests enhances our fibre base in South Africa through leading-edge tree improvement programmes which aim to produce high-quality wood with the required pulping characteristics, increase yield per hectare and mitigate against pests and diseases.

In South Africa, 56% of our plantations can be classified as having high site sensitivity. Sappi has developed a site sensitivity risk map that includes various site risks (slope, erodibility, soil depth, soil organic carbon content, soil texture, etc). Specific management operational guidelines have been or are being developed based on the different site sensitivity classes. Silvicultural practices on these sites are reviewed and changed to use practices like mulching to mitigate site impacts.

Our commitment to zero deforestation means knowing the source of woodfibre; ensuring that suppliers implement practices to promptly regenerate forests post-harvest, which is required under the global forest certification standards that we are committed to upholding. It also means implementing our Supplier Code of Conduct to assess supply-chain, ethical and legal risk continually; and not sourcing from suppliers associated with deforestation.

Opportunities
for value creation

Traditional tree breeding is a relatively slow process. Our adaptation strategy to mitigate the impacts of environmental change, is to select and produce the most optimally suited hybrid varieties for each climatic zone through our Sappi Forests' tree breeding programme. Our tree breeding division has a target of developing a hybrid varietal solution for all our sites by 2025. We are also making use of genetic tools, like DNA fingerprinting, to enhance and accelerate our breeding and selection process. In addition, as pine and eucalypt hybrids are more successfully propagated through rooted cuttings rather than seed, a strategy is being rolled out to meet future requirements. In addition to the recent construction of Clan Nursery and the rebuild of the Ngodwana Nursery, we plan to upgrade Richmond Nursery in 2023 to enable the production of additional hybrid cuttings in addition to seedlings

Prioritising **renewable and clean energy**

WHY IT'S MATERIAL

This issue is inextricably linked to mitigating greenhouse gas emissions to address climate change. Decarbonisation strategies involve the replacement of fossil-based fuels with either renewable or clean energy sources. Evolving legislation supporting ambitious decarbonisation targets within the regions in which we operate and sell our products, together with increasing consumer awareness of the need for low carbon products are informing our decarbonisation strategy. So too, is our responsibility to contribute to a thriving world.

HOW THIS ISSUE LINKS TO OTHER ASPECTS OF OUR BUSINESS

Our global priority SDGs

7 AFFORDABLE AND CLEAN ENERGY
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION

Our top 10 risks

2 Evolving technologies and consumer preferences

4 Sustainability expectations

5 Climate change

Our strategic fundamentals

Grow our business

Drive operational excellence

Enhance trust

THE GLOBAL FORCES SHAPING OUR Thrive25 strategy

- Climate change continuing to impact businesses and reshape societies.

OUR 2025 TARGET

7 AFFORDABLE AND CLEAN ENERGY

Increase share of renewable and clean energy

8% pts

Decrease specific total energy

5%

Prioritising **renewable and clean energy** *continued*

KEY DEVELOPMENTS IN FY2021

Of the energy we used in FY2021, 52.4% was renewable, mostly from our own black liquor.

The global drive for decarbonisation is manifested in each region where we operate. It includes developments such as the European Green Deal, the American Energy Innovation Act and in South Africa, the Renewable Energy Independent Power Producer (REIPP) programme and the carbon tax implemented in 2019. We have increased our focus on energy efficiency measures and low-carbon initiatives.

Ngodwana Energy, our biomass based project at Ngodwana Mill in which we have a 30% stake has now been commissioned. In addition, construction of our fuel rod project which uses biomass, lignosulphonate and coal slurry to manufacture fuel rods to replace coal and anthracite, is complete. Burning these fuel rods has a far lower environmental impact than coal or anthracite.

Setting emission reduction targets

Recognising the role that industry needs to fulfil to be part of the solution in responding to climate change, Sappi has been placing increased strategic focus on decarbonisation. Each region has established decarbonisation plans and our mills are heavily invested in implementing projects like Saiccor Mill expansion project, as well as analysing and preparing projects, plans and pathways to further reduce emissions. We initiated our SBTi target validation process in June 2021 and we expect validation to be complete in FY2022.

Related to climate action, in FY2020, we made a global commitment to an 18% reduction in specific GHG emissions (Scope 1 & 2 combined) by 2025 – aligned with a well below 2 °C pathway. This is the first time that we have established a group wide GHG emissions reduction target.

Carbon pricing

Carbon pricing influences business decisions and company strategy and is used in our capital project assessments and expenditure at all our operations, and in our energy budget processes. We use differentiated shadow pricing where the internal price on carbon varies per region because there are different requirements and objectives in different regions. Decisions on capital projects now take the carbon impact into account.

In alignment with our global SBTi decarbonisation target, in 2022 we will set up a task team to establish a global carbon pricing standard/metric to ensure that decarbonisation capital is optimised on a global basis. Whilst meeting regional legislative decarbonisation targets is our first priority in order to maintain our licences to operate, we recognise that a more holistic approach is required to ensure the greatest returns on our decarbonisation capital expenditure as we strive to reduce our global carbon footprint.

Using a high level of renewable energy

In some instances, Somerset (North America), Alfeld, Ehingen, Stockstadt, Gratkorn and Maastricht Mills (Europe) and Ngodwana Mill (South Africa), excess energy is generated and sold back into the power grid.

Emissions are avoided by using renewable fuel energy sources instead of fossil fuel sources. In addition, emissions are avoided by power self-sufficiency instead of purchased power from an external power supplier with higher emissions than self-produced power.

Prioritising **renewable and clean energy** *continued*

Fossil fuels | Renewable energy

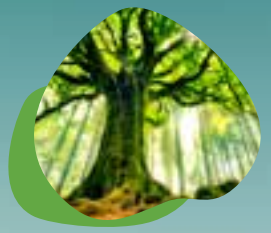
CO_2 is a greenhouse gas which traps heat in Earth's atmosphere

Coal, crude oil and natural gas are all fossil fuels – so called because they were formed over millions of years from the remains of dead organisms:
coal from dead trees and other plant material; crude oil and gas from dead marine organisms. In the process carbon is 'locked up'.

→

When fossil fuels are combusted – to heat our homes, propel our cars and power factories, the CO_2 that was previously locked up is released.
In other words, 'new' fossil CO_2 is emitted into the atmosphere.

→



Trees absorb CO_2, sunlight and water to produce the carbohydrate energy that is needed for growth and
give off oxygen as a by-product during the process of photosynthesis.

→

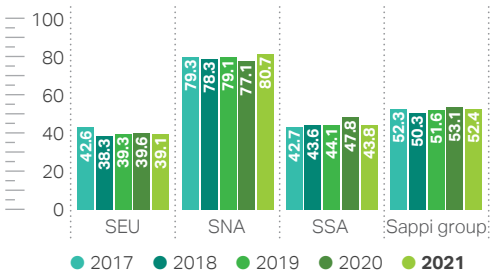
When wood or wood-derived biofuels like black liquor are burned, the CO_2 captured during photosynthesis is released –
in this way CO_2 is released into the atmosphere.

→

In the sustainably managed forests and plantations from which we secure woodfibre,
harvesting is balanced with regeneration and replanting and the process of carbon capture begins again.

Prioritising **renewable and clean energy** *continued*

Renewable and clean energy (%)



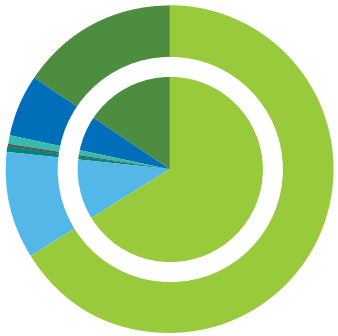
Note: *Includes renewable and nuclear energy, Renewable Energy Certificates have been deducted.*

Globally*, there was a slight decrease. In* ***SEU****, the decrease was the result of the lower pulp integration rate at Gratkorn Mill which resulted in a decrease in available renewable energy. The decrease was somewhat offset by increased pulp integration at Stockstadt and Ehingen Mills. The slight increase in* ***SNA*** *was due to the end of coal, biomass, construction demolition and oil burning at Westbrook Mill and the replacement of the large steam plant with two, small low pressure natural gas boilers. This was helped by increased reduced usage of natural gas and increased use of biomass, together with Emissions Free Energy Credit (EFEC) purchases at Somerset Mill. The decrease in* ***SSA*** *was due mainly to low avalibility of the magnesium oxide boilers 1 and 2 at Saiccor Mill during the year. Several start-up challanges and equipment failures on the boilers impacted the mill's ability to generate own renewable fuel.*

Fuel sources (%)

- Purchased coal (18.94%)
- Purchased natural gas (13.96%)
- Non-renewable energy in purchased power (10.71%)
- Other fossil fuel (2.24%)
- Own black liquor (35.93%)
- Own biomass (mostly bark) (5.67%)
- Purchased biomass (3.28%)
- Renewable and nuclear energy in purchased power (8.37%)
- Other renewable fuel (0.91%)

Renewable and clean energy breakdown (%)



- Own black liquor (66.35%)
- Own biomass (mostly bark) (10.46%)
- Own biogas (0.55%)
- Own generated hydro electricity (0.32%)
- Combusted sludges (0.8%)
- Purchased biomass (6.06%)
- Renewable and nuclear energy in purchased power (15.45%)
- Own liquid biofuel (0,01%)

Prioritising **renewable and clean energy** *continued*

SEU's decarbonisation roadmap

The European Union (EU) Green Deal aims to lead the world in achieving climate neutrality. With the adoption of the European Climate Law, together with the tabling of a suite of legislative proposals within the Fit for 55 legislative package, 2021 was an unprecedented year for policy reform. The EU transition towards a climate neutral economy is ambitious and the forest sector is well positioned to play a leading role. For SEU, this legislation has affirmed our decarbonisation investments and accelerated our progress in 2021 and beyond.

Sappi's decarbonisation plan in Europe

Our European 2021-2025 decarbonisation plan includes over 80 proposed projects for implementation that should contribute to our regional 2025 target to reduce specific greenhouse gas emissions by 25%.
The plan's main priorities include:

- Exiting coal and increasing the share of renewable energy, and
- Sourcing green electricity, and
- Increasing eco-effectiveness to reduce energy consumption.

Latest investment decisions

Major investments were approved for three of the four key projects outlined in our decarbonisation plan. One of these projects at Kirkniemi Mill in Lohja, Finland enables a switch in energy sourcing to renewable bioenergy. With this investment the mill's direct fossil greenhouse gas emissions will reduce by approximately 90%, which is equivalent to 230,000 tons of carbon dioxide annually.

The project, set for completion in early 2023, will contribute significantly to **SEU's** decarbonisation roadmap by exiting coal at one of our last facilities partially using this fuel type. Biomass will then be used in Kirkniemi's multi-fuel boiler, built in 2015. The investment will establish the equipment needed to receive, store and handle woody biomass like the bark, sawdust and woodchips used for energy production. By using these biomass types for energy production, we derive further value from this forest resource.

Project advancements at Gratkorn Mill

The first major project initiated within our decarbonisation plan was the complete modernisation of boiler 11 at Gratkorn Mill. Approved in 2020, the investment into state-of-the-art technology makes the shift to a multi-fuel boiler in two phases, with the end goal of only using sustainable and renewable fuels. This project was initiated in mid-2021 and in early August the last coal was fired onsite.

Running from August 2021 until early 2022, the project envisages full refurbishment of the boiler, as well as equipping it with modern technologies, systems and installations to handle new fuel types and meet progressive environmental standards. The rebuild will enable the mill to eventually reduce carbon emissions by 30%. In addition, the chosen technology for the project will additionally allow us to sharply reduce dust and nitrous oxide (NOx) emissions, further improving our impact on air quality.

Scope 2 reductions in Germany

In addition to our focus on Scope 1 emission reductions, in 2021, 50% of the electricity purchased at our three mills in Germany was green. This decision helped to contribute to the specific carbon emission reductions we realised in 2021.

Prioritising **renewable and clean energy** *continued*

Water savings and energy efficiency at Cloquet Mill

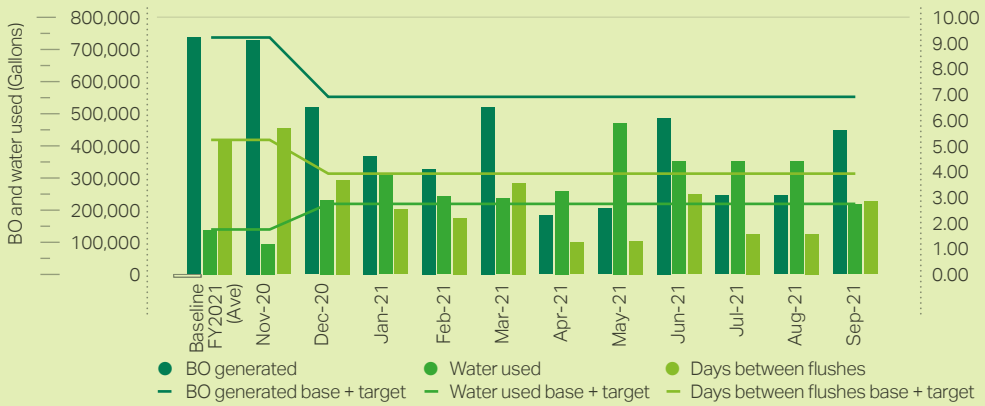
Energy reductions can be achieved a number of ways, including capital investment, operational efficiency improvements and targeted continuous improvement projects including Lean Six Sigma (LSS). The Cloquet Mill had limited capital funding available in FY2021 for energy projects, which necessitated a strong focus on LSS projects to deliver the savings. One such successful project was an evaporator super-concentrator (Tubel) flush reduction Rapid LSS project.

The goal of the Tubel flushing project was to reduce the flush water volume by 25%, ultimately reducing the amount of energy needed to reprocess the flush water by this amount.

The team re-evaluated the current flushing techniques, triggers, duration and source of water as in-scope parameters for the project. New flushing operational parameters and appropriate best practices for flushing duration were established. Ultimately, this provided more than double the initially planned savings.

The project has resulted in the savings of over 7.6 million litres of water, 1.5 million kilograms of steam and supported increased production via increased black liquor firing – all of which were key contributors to the mill exceeding the 1% annual energy savings commitment. The figure below illustrates the water reduction related to improved energy efficiency.

Flush metrics



Opportunities for value creation

In 2020 we established the 1.5 Future Energy Technologies & Decarbonisation cluster, tasked with exploring and developing novel technologies for fuel shift and deep decarbonisation in terms of Scope 1 & 2 emissions. This aligns with our commitment to decarbonising our operations in the decades ahead to 2050 – with specific targets defined in our science-based targets. The initial part of our decarbonisation journey will largely involve the deployment of known technology such as biomass boilers – but we cannot achieve net zero with today's technology.

The cluster's role is to identify, assess and champion new and emerging technologies which will be fundamental to meeting our net zero aspirations.

The cluster has a particular focus on scanning or developing the future and new technologies required to dramatically reduce energy requirements in pulp and papermaking processes and energy supplies.

Responding to **climate change**

WHY IT'S MATERIAL

The IPCC's Sixth Assessment Report (AR6)[1] concludes that "human-induced climate change is already affecting many weather and climate extremes in every region across the globe. Evidence of observed changes in extremes such as heatwaves, heavy precipitation, droughts, and tropical cyclones, and, in particular, their attribution to human influence, has strengthened since AR5.1"

Accordingly, we have identified climate change as a top ten risk that underpins all four key fundamentals of our business strategy. Responding to climate change in a meaningful manner is not only key to our business success, it's also important for the greater good of our communities, stakeholders and our customers. There is clear alignment between our response to climate change and how it directly links with five of the seven UN SDGs that we have prioritised at a global level.

1 https://www.ipcc.ch/report/ar6/wg1/

HOW THIS ISSUE LINKS TO OTHER ASPECTS OF OUR BUSINESS

Our global priority SDGs

Our top 10 risks

- **2** Evolving technologies and consumer preferences
- **4** Sustainability expectations
- **5** Climate change

Our strategic fundamentals

- Grow our business
- Sustain our financial health
- Drive operational excellence
- Enhance trust

THE GLOBAL FORCES SHAPING OUR Thrive25 strategy

- Climate change continuing to impact businesses and reshape societies.

OUR 2025 TARGET

13 CLIMATE ACTION

Decrease specific GHG (Scope 1+2) emissions

18%

Taking urgent and appropriate actions to combat climate change impacts is a shared responsibility. We are focused on the continued reduction of Sappi's greenhouse gas emissions.

Responding to **climate change** *continued*

KEY DEVELOPMENTS IN FY2021

We continue to develop our climate strategy and have made significant progress in developing our near-term plans to mitigate our greenhouse gas emissions with the identification of key projects that will decarbonise our operational impact over the next five years.

We also made significant progress in assessing our resiliency to the physical risk and transitional risks and opportunities of climate change as framed by the Task Force on Climate-related Financial Disclosures (TCFD).

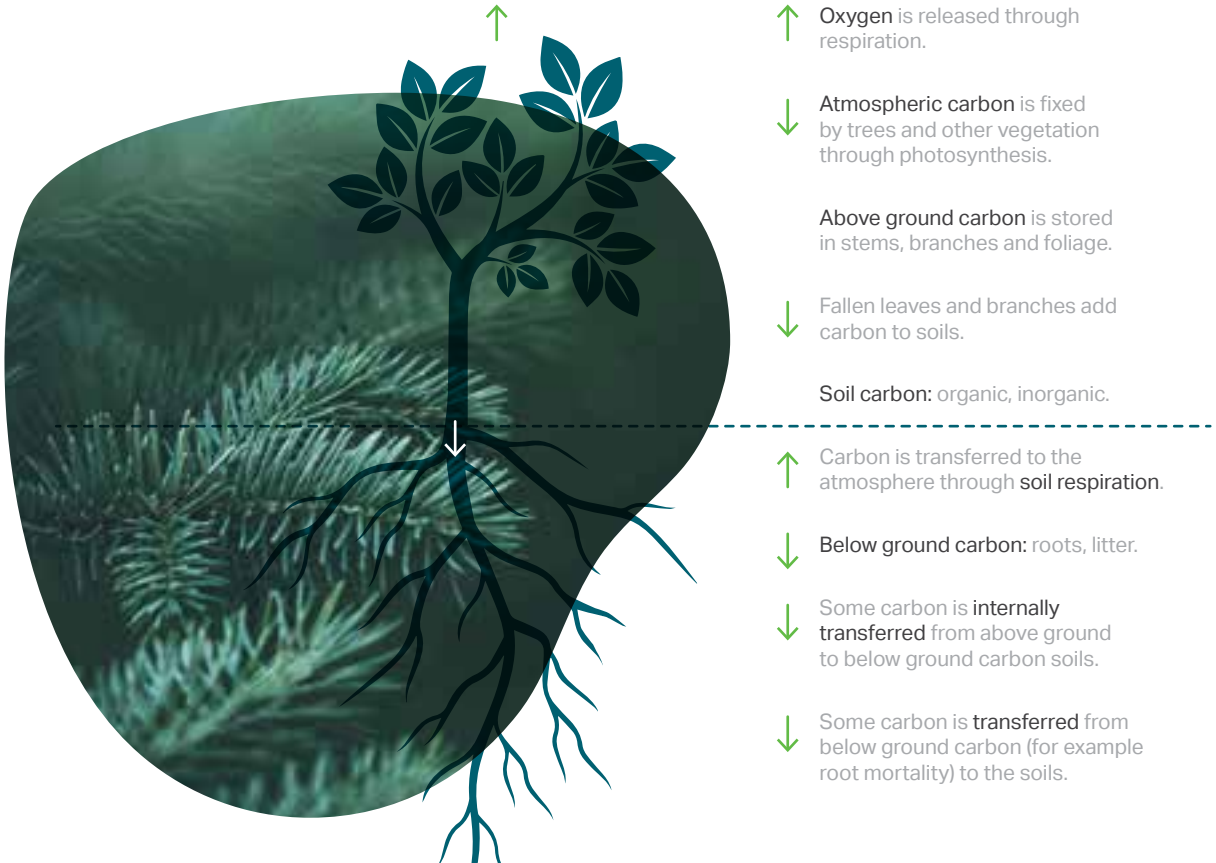
Within the context of the TCFD, we focused on our primary assets. This included 18 of our mills covering all three regions, as well as all our plantations in South Africa.

Leveraging the operational risk teams from each region, they documented past climatic events, costs and mitigation strategies to understand the physical and transitional risk more fully. We made very good progress in assessing how we can embed the consideration of climate change in our current risk register methods, thereby improving our overall approach to risk. Over 60 employees participated in this initiative.

We worked with outside consultancy, S&P Global and the Global Change Institute (GCI) at the University of Witwatersrand (WITS), primarily for South Africa, to help us establish long term climate change trends and implications to 2050. Due to the nature of our operations – capital intensive assets that are not easily relocated – we adopted a conservative view on physical climate projections, aligning with RCP (Representative Concentration Pathway) 8.5.

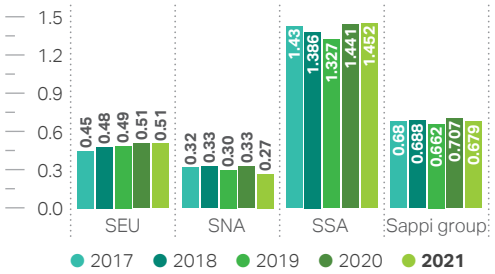
Carbon sinks

The forests and plantations from which we source woodfibre help mitigate global warming by acting as carbon sinks.



Responding to **climate change** *continued*

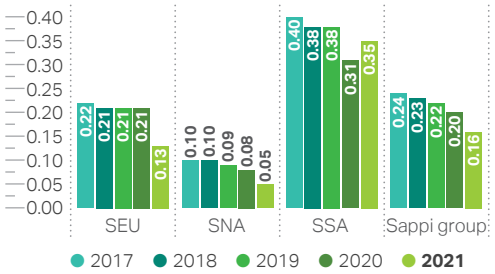
Direct GHG emissions (Scope 1) (t CO_2e/adt)



Note: *Scope 1 emission calculations are based on the GHG Protocol, using IPCC emission factors (Chapter 2, Table 2.2, 2006) and 5th Assessment GWP factors.*

Globally*, there was a slight decrease. In* ***SEU*** *and* ***SSA****, emissions were stable. In* ***SNA****, there was an overall decrease. This was due to production at Cloquet Mill return to pre-Covid levels, increased biomass utilisation at Somerset Mill and the closure of the energy complext at Westbrook Mill.*

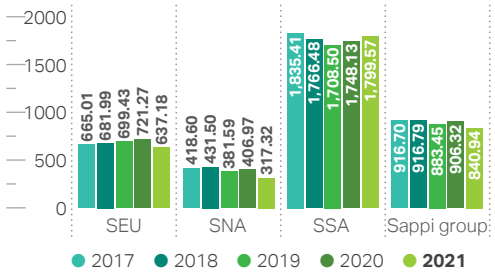
Indirect GHG emissions (Scope 2) (t CO_2e/adt)



Note: *Scope 2 emissions are calculated based on the market-based method as defined by the GHG Protocol.*

Globally*, there was a decrease. The decrease in* ***SEU*** *was the result of Alfeld, Ehingen and Stockstadt Mills purchasing Guarantees of Origin (GoO). In* ***SNA****, there was a decrease. The increase at Westbrook Mill following the closure of the energy complex was offset by improvements at other mills. Cloquet Mill purchased significantly less power than the previous year and the purchased power emission factor was much lower in FY2021. In addition, Somerset Mill purchased less power and also improved purchased power emission factor via Emissions Free Energy Credit (EFEC) purchases. In* ***SSA*** *there was an increase. Scope 2 emissions at Saiccor Mill increased significantly as the overall electrical consumption increased due to the failure of turbine generator 4 failure. Tugela Mill increased power consumption as a result of mill instability (commercial downtime, industrial action and riots), necessitating the need to increase water abstraction which in turn increased river pump house operations.*

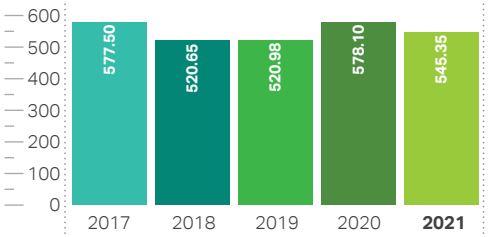
Specific GHG (Scope 1 + 2) emissions (kg CO_2e/adt)



Comment: *Globally, specific Scope 1 and 2 emissions have declined by 8.3% over five years.*

Globally*, there was a decrease. In* ***SEU****, there was a signficant decrease in Scope 2 emissions from GoO certificates. In* ***SNA****, there were significant decreases in both Scope 1 and 2 emissions, while in* ***SSA****, Scope 2 emissions increased and Scope 1 emissions were stable.*

Specific GHG (Scope 1 + 2) emissions per revenue (kg CO_2e/US$ million)

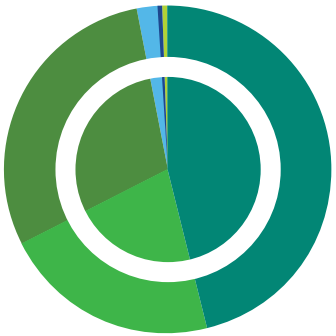


Please refer to ***Our 2021 Planet indicators*** on *https://www.sappi.com/2021GSDR-Planet-indicators* for these and other graphs detailing:

- Specific NO_x emissions
- Specific SO_x emissions
- Specific particulate matter emissions, and
- Specific particulate.

Responding to **climate change** *continued*

Scope 3 GHG emissions (t CO_2e)



- 1. Purchased goods (46.25%)
- 3. Fuel and energy related activities (21.52%)
- 4. Upstream transport (29.44%)
- 5. Waste (2.18%)
- 6. Business travel (0.27%)
- 7. Employee commuting (0.33%)

Scope 3 emissions are defined as indirect emissions not included in Scope 2, occurring from sources that we do not own or control and covering emissions along the value chain.

Our Scope 3 carbon footprinting is based on guidelines provided by the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (also referred to as the Scope 3 Standard). Sappi is committed to acting responsibly throughout its entire value chain. Calculating Scope 3 emissions allows us to make decisions based on both price and the environmental performance of suppliers and service providers. Integrated and non-integrated mills are more comparable when the total Scope 1 + 2 + 3 emissions are considered.

The GHG Protocol divides Scope 3 emissions into 15 categories. Sappi reports upstream emissions (Categories 1 - 7 comprising emissions from purchased goods and services, capital goods, fuel and energy related activities, upstream transportation and distribution, waste generated, business travel and employee commuting). Downstream emissions in Categories 8, 9 and 11 are not applicable to Sappi.

We do not include Categories 10 and 12 downstream emissions as we are unable to reasonably estimate emissions associated with the various end uses of our products. We do not have line of sight to what the end product and end of life of our products will be.

Responding to **climate change** *continued*

Mitigating chronic physical risks

Our most vulnerable assets to physical climate change are our plantations in South Africa. Our scientists have developed a high level of expertise in assessing physical climate change impacts. Their knowledge is supplemented by our strong partnership with the WITS GCI. A preliminary climate change investigation conducted by Sappi Forests' scientists indicated that chronic physical risks are our key risk mitigation focus.

One of the ways in which we mitigate physical risks is through continuous assessment of the health of our growing stock. This is measured through evaluation of trees with emphasis on growth rate, age and utilisation efficiency. Annual measurement programmes using a pre-harvest measurement of 20,000 hectares per annum (8%), as well as an airborne laser scan of all the plantations conducted every second year together with analysis of growth trends and drivers from, for example, permanent sample plot programmes (PSP). Actual versus planned yields per compartment are used to continuously adjust the annual cut and detect emerging problems.

Climate modelling in South Africa

We continued our work on a project with other industry members and the WITS GCI in South Africa. Phase 1, which began in 2020, involved the generation of raster climate surfaces for the entire forestry domain of South Africa, at 8 km resolution, with monthly time resolution, for the years 2020, 2030 and 2040 to 2100. Global Climate Models (GCM) were regionally downscaled using a conformal-cubic atmospheric model (CCAM). Raster climate surface data for the entire forestry domain of South Africa, at 9 x 11 km resolution, with monthly and daily time steps from 1961 to 2100 was supplied. Each dataset contained 17 climatic variables as set out below.

Summarised data was shared with S&P Global Trucost and used in quantifying our global climate risks for TCFD reporting.

The 17 climatic variables regionally downscaled by WITS GCI

	DESCRIPTION
1	24-hr accumulated rainfall [mm]
2	maximum temperature
3	minimum temperature
4	average temperature
5	maximum relative humidity [%]
6	minimum relative humidity [%]
7	wind speed at 10 m [m/s]
8	number of very hot days per year
9	number of extreme rainfall days per year
10	number of low fire-danger days per year
11	number of medium fire-danger days per year
12	number of high fire-danger days per year
13	number of very high fire-danger days per year
14	number of extreme fire-danger days per year
15	KB drought index
16	number of heat-wave days per year
17	number of very cold days per year

In terms of Phase 2, a proposal has been made for further support to the WITS GCI to continue climate modelling activities and develop downscaled products (possibly using two or more future scenarios such as RCP 4.5 and RCP 8.5) while simultaneously maintaining underlying climate projections; to enhance knowledge and insight on impacts of climate change specific to forestry; and to develop human capacity for the generation and interpretation of regional downscaled climate surfaces.

Responding to **climate change** *continued*

Becoming more energy efficient across Europe

As biobased fuel, black liquor is a unique byproduct from pulp production with planet+ impact. **Alfeld Mill** in Germany engineered a solution involving the evaporation of spent black liquor that makes better use of this side stream for the mill's power production. The move increased pulp production by 6,000 tons in 2021, which also translates to less transport emissions from pulp purchased on the market.

With a digester cooling project in 2021, engineers at **Ehingen Mill** in Germany are implementing a solution to recover heat during the cooling of the digesters to be reused in the pulping process. The energy the mill gains from cooling will be used to pre-heat the acid used in this operation, leading to energy savings of 16,000 MWh per year. Other eco-effective benefits are achieved by reducing the use of sulphur dioxide (SO_2) and hydrogen peroxide (H_2O_2), reducing chemicals entering the wastewater treatment system.

Powering **Stockstadt Mill** in Germany with 'clean' steam requires fresh energy input to heat the water from the river nearby. With a custom heat exchanger installed in 2021, the mill now recovers heat from other processes to warm the fresh water entering the system. This amounts to 14,000 MWh of recovered clean steam for use in their operations. In another eco-effective win, the temperature of the waste water is also reduced which supports it's re-entry into the river Main.

The Austrian city of Graz nearby **Gratkorn Mill** is warming up with planet+ heat from Sappi. Instead of going to waste, we're supplying excess heat from our mill to the city via nine kilometres of underground pipes. During 2021 an expansion of heat delivery was agreed, and state-of-the-art heat pump technology was installed that enables a higher proportion of low- temperature heat sources. Together with our project partner, this impact is made possible thanks to €30 million in investments concluded in 2021. Today, the mill supplies 15% of Graz's heat demand with the potential to grow to 25%

Carmignano Mill in Italy began upgrading its cogeneration plant in 2021 with eco-effective technology that ambitiously strives to cover the mill's total energy needs. The technology remarkably extracts more energy from the same amount of fuel as the previous plant, reducing the mill's carbon emissions footprint by 1,000 tons while creating additional opportunities for eco-efficiency. Now equipped with the capacity to utilise the residual energy contained in the low

temperature water, the mill can contribute to district heating of the Carmignano di Brenta municipality in the future and dry its sludge waste. The advanced equipment could also eventually support fuels of the future including hydrogen and bio-methane. Known as Project Apollo, the upgrade is a partnership with a supplier and involves a total investment of more than €15 million. The technology should be fully installed in 2022.

Burning cleaner at Stanger Mill

As coal is a fossil fuel, reducing its usage is important in responding to climate change. To reduce energy consumption, air heaters were installed on all four boilers at Stanger Mill in South Africa. This means that less coal is now utilised in the process of steam generation. An estimated 100° C increase in combustion air temperature was noted, with related coal savings 260 kg per hour.

Particulate matter abatement equipment on all four boilers will be accomplished in the 2022 financial year to reduce particulate matter, thereby further reducing our impact on the atmosphere.

Responding to **climate change** *continued*

Opportunities
for value creation

Sappi's tree breeding programme has seen an important shift from planting pure species to more productive, better adapted, and more pest and disease resistant hybrids of both hardwood and softwood trees grown in our plantations in South Africa. This change in strategy is driven by the need to respond more rapidly to the combined challenges of increased globalisation and changing weather patterns (driven by climate change) that are resulting in significant increases in pest and diseases in the tree crop. Sappi Forests' tree breeding programme is producing and selecting optimally suited hybrid varieties for each climatic zone, with a target of developing a hybrid varietal solution for all Sappi sites by 2025. The benefit of developing new hybrids is that breeders can additively combine the benefits from two or more species and develop varieties that have improved fibre yield and wood quality as well as better disease/pest tolerance. Tree improvement is aimed at increasing pulp yield per hectare by testing various species and hybrids across Sappi's diverse landholdings. As well as growth improvements, trees are bred for superior wood properties and resistance to biotic and abiotic threats including frost, drought, pests and diseases.

Focusing on water stewardship

WHY IT'S MATERIAL

Water is essential for the health of the forests and plantations from which we source woodfibre. In addition, pulp and paper operations are highly dependent on the use and responsible management of water resources. Water is used in all major process stages, including raw materials preparation (woodchip washing), pulp cooking, washing and screening, and paper machines (pulp slurry dilution and fabric showers). Water is also used for process cooling, materials transport, equipment cleaning, general facilities operations, and to generate steam for use in processes and on-site power generation and various other purposes. Against this backdrop, responsible water stewardship is essential for Sappi and for a thriving world.

HOW THIS ISSUE LINKS TO OTHER ASPECTS OF OUR BUSINESS

Our global priority SDGs

Our additional SSA priority SDGs

Our top 10 risks

- **2** Evolving technologies and consumer preferences
- **4** Sustainability expectations
- **5** Climate change

Our strategic fundamentals

- Grow our business
- Drive operational excellence
- Enhance trust

THE GLOBAL FORCES SHAPING OUR Thrive25 strategy

- Climate change continuing to impact businesses and reshape societies.
- Resource scarcity and growing concern for natural capital.

OUR 2025 TARGET

Reduce specific water use in water-stressed locations

23%

Water is vital to all life, and especially to our business. Water not only nourishes trees but is used to make pulp and paper, generate steam power and more in our mills. That's why we take our role as responsible water stewards in the regions where we live and work so seriously. Our water reduction target focuses especially on our mills in South Africa where we have some of our largest dissolving pulp operations.

Focusing on **water stewardship** *continued*

KEY DEVELOPMENTS IN FY2021

Collaborating for water stewardship

We have finalised a Water Stewardship agreement with the World Wide Fund for Nature South Africa (WWF-SA), aimed at improving water security in the uMkhomazi catchment area. With our significant manufacturing and forestry footprint in this catchment area, which forms part of the Southern Drakensberg Strategic Water Source Area in KwaZulu-Natal, it makes sense for us to focus our collaborative efforts here, where our Saiccor Mill and 42,000 ha of forestry land are situated.

The catchment also serves commercial farmers, subsistence farmers and domestic users in dispersed settlements across the area. To meet the future needs of all users, sufficient water at an acceptable level of assurance and quality must be secured. We believe that this can only be achieved through multi-stakeholder collaboration across the landscape. To help coordinate and facilitate the approach, we have launched a two-year project with WWF-SA to engage local communities, civil organisations, leadership and regulatory authorities in dialogue and cooperation focused on water stewardship. This collaborative approach is an extension of an innovative structure, known as the Integrated Community Forum (ICF), which we pioneered and through which we engage with local adjacent communities.

The multi-stakeholder engagement will provide a platform for open dialogue regarding water resources in the catchment and will concentrate on four main focus areas to improve water security in the uMkhomazi, namely:

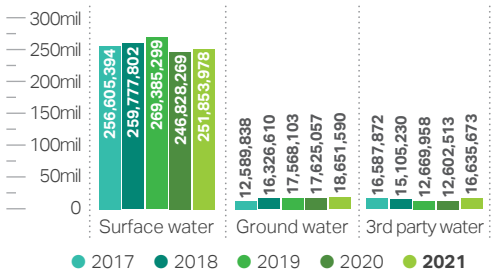
- Improved water governance through multi-stakeholder engagement
- Water-use efficiency
- Removal of alien invasive plants and wetland rehabilitation, and
- Capacity development of local communities in natural resource management.

Thrive25 water targets in SSA

The World Resources Institute (WRI) has categorised South Africa as being characterised by medium/high water stress[1]. Water stress is defined as freshwater withdrawn as a proportion of available freshwater resources. Use of the WRI's Aqueduct tool[2] which goes into a level of granular detail, indicates that two of our mills are in areas of low/medium risk, two in an area classified as medium/high risk and one in an area of high risk. Our decision to establish water-related Thrive25 targets in South Africa was based on stakeholders' general perception that the country is facing high levels of water stress. This is based on devastating droughts in recent years and on the fact that South Africa's rainfall, at 490 mm per year, is half the world average.

Read more *about this target here*.

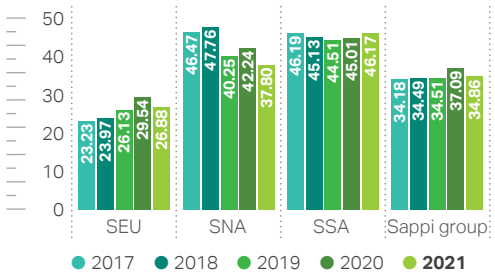
Total water withdrawal by source (m³/annum)



Note: *Total water withdrawal includes water drawn for all purposes: water to process, water to communities, cooling water and third parties etc.*

Total water withdrawal
Although process water was used more efficiently, total water withdrawal showed a slight increase globally, mainly due to increased production.

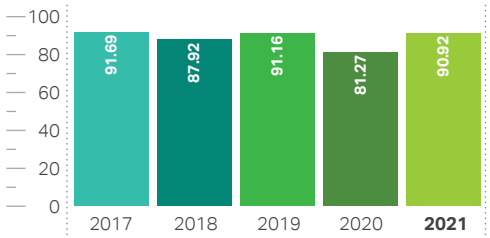
Specific process water extracted (m³/adt)



Note: *Process water extracted excludes non-contact cooling water for **SEU** and **SNA**.*

Process water consumption (m³/adt)
***Globally**, there was a decrease. In **SEU**, process water consumption at most mills decreased to FY2019 levels, except at Stockstadt Mill where it increased due to its lower paper production and the closure of PM2. The decrease in **SNA** was driven by a return to normal product levels at Cloquet Mill post Covid-19 and the closure of the energy complex at Westbrook Mill. In **SSA**, there was a slight increase at Saiccor Mill due Saiccor Mill expansion project cold commissioning activities as well as lyocell campaigns throughout the year where, to maintain quality, water demand increased.*

Total water withdrawal in water-stressed locations (million m³/annum)



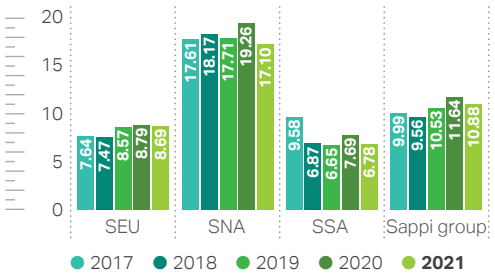
Note: *Total water withdrawal includes water from river, own storage dams, ground water from boreholes and potable water.*

1 https://www.wri.org/insights/17-countries-home-one-quarter-worlds-population-face-extremely-high-water-stress

2 https://www.wri.org/aqueduct

Focusing on **water stewardship** *continued*

Chemical oxygen demand (kg/adt)

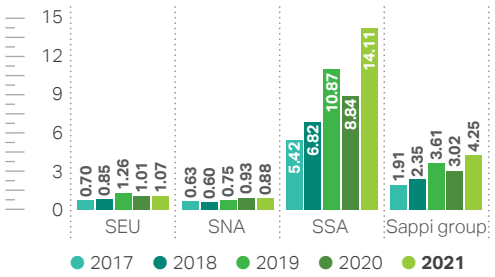


Specific chemical oxygen demand (COD) (kg/adt)
***Globally**, there was a decrease. In **SEU**, the slight decrease was due to increased paper production. At Stockstadt Mill, COD increased due to reduced paper production compared to pulp production and the closure of PM2. Looking forward, **SEU** aims to increase pulp integration, which will lead to increased specific COD load. Gratkorn Mill is having to reduce the non-biodegradable COD emission from the bleaching plant waste water. According to the BAT (best available technique) requirements a switch to closed circle magnesium oxide based pre-bleaching and a capacity increase of the sludge handling equipment with screw presses will be implemented in January 2022.*

*In **SNA** the decrease was due to normal post-Covid production levels at Cloquet Mill. At Somerset Mill, absolute COD increased due to brownstock washing issues. However, the specific COD is lower due to favourable paper mill production. Matane Mill's absolute COD was flat versus last year, but the specific metric shows a small improvement to an increase in production. In **SSA**, the decrease can be attributed to performance at Tugela Mill being in line with FY2019 performance as no abnormal cleaning activities took place during FY2021 (emergency dams and liquor tanks cleaned in FY2020).*

Saiccor Mill has been excluded from this graph as it is the only mill in the group to use the sulphite pulping process in the production of DP. (Both Ngodwana and Cloquet Mills use the prehydrolysis kraft pulping process).

Total suspended solids (kg/adt)



Total suspended solids (TSS) (kg/adt)
***Globally**, there was an increase. In **SEU** the increase was due to a delay in the implementation of the new sludge presses at Gratkorn Mill, while the increase at Stockstadt Mill was the result of reduced paper production in relation to pulp production. However, both Maastricht and Lanaken Mills improved waste water treatment, resulting in decreased TSS. In **SNA**, there was a slight decrease following a return to normal operations at Cloquet Mill from the clarifier failure in FY2020 and the closure of the energy complex at Westbrook Mill. In **SSA**, the increase was due to instability at Saiccor Mill which led to pulp spills and increased effluent volumes.*

Building more water resilience into Ehingen Mill

Water is vital to the operation of our mills. It is used not only to produce pulp and paper, but also to generate steam, to supply our mills with green energy and much more. Unusually long periods of dry weather caused low water in the Schmiech River from which Ehingen Mill in Germany draws water, prompting the mill to take action.

The river's record low water level threatened the mill's productivity and required an adaptive solution that would improve the mill's operational efficiency, especially considering that drought and water shortages will become more common due to climate change.

In 2021, Sappi engineers responded by installing a water buffer tank. The tank can store 6,000 m³ of water, which is enough to meet process-related peaks in water demand, and supply the mill with water for about five hours in the event of a complete water supply failure.

Focusing on **water stewardship** *continued*

Increasing water circularity at Gratkorn Mill

A major project underway at Gratkorn Mill in Austria is modifying the pulp bleaching technology used on site. The modified environmentally compatible process will enable more water and waste circularity, reducing water consumption in a partially closed circuit. It will also decrease the effluent load from the oxygen bleaching, reducing organic matter in the wastewater. The modified bleaching technology uses magnesium oxide in the delignification process.

Following the conversion, the mill's characteristic magnefite pulping process will remain 'Total Chlorine Free' and continue to deliver high-yield and high-quality pulp. Planning and construction phases took place during 2021 with start-up planned for November 2021.

Opportunities for value creation

The interconnected nature of the UN SDGs is clearly highlighted by the impact of climate change on water. The Water Stewardship project with WWF-SA will not only impact on SDG6: Clean Water and Sanitation, but also on SDG1: No Poverty, which is one of Sappi SA's additional priority targets. The opportunity for green jobs through the partnership's focus on alien invasive plant clearing is also fully aligned with Sappi's commitment to Enterprise and Supplier Development (ESD) that promotes sustainable livelihoods through capacity building SMMEs.

Accelerating circular business models

WHY IT'S MATERIAL

Circular thinking, as practised by Sappi, goes beyond mere waste beneficiation. We approach our environmental impact from a holistic perspective grounded in life-cycle thinking, from procurement of raw materials and energy through to manufacturing, design and the next life of our products. The benefits of this approach align with our purpose of contributing to a thriving world, one with less waste, lower costs and reduced environmental impact.

HOW THIS ISSUE LINKS TO OTHER ASPECTS OF OUR BUSINESS

Our global priority SDGs

6 CLEAN WATER AND SANITATION | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | 13 CLIMATE ACTION | 15 LIFE ON LAND | 17 PARTNERSHIPS FOR THE GOALS

Our top 10 risks

- 2 Evolving technologies and consumer preferences
- 4 Sustainability expectations
- 5 Climate change

Our strategic fundamentals

- Grow our business
- Drive operational excellence
- Enhance trust

THE GLOBAL FORCES SHAPING OUR Thrive25 strategy

- The move towards a circular economy.
- Climate change continuing to impact businesses and reshape societies.
- Resource scarcity and growing concern for natural capital.

OUR 2025 TARGET

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Launch products with defined sustainability benefits

25 products

Reduce specific landfilled solid waste

15%

Manufacturing products from renewable resources is the core of Sappi's business and central to our commitment to the circular economy. Through R&D, practical innovation and new product development, we create new products, solutions and value from natural resources.

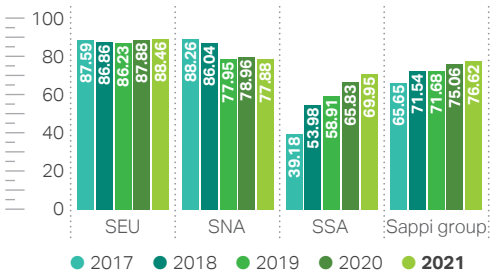
Accelerating **circular business models** *continued*

KEY DEVELOPMENTS IN FY2021

In keeping with our focus on circular economy principles, we are working to increase our use of renewable energy and eliminate waste through superior product and process design. As an example, we increased the percentage of solid waste beneficiated from 65.65% in 2017 to 76.62% – an increase of 16.7% over five years.

Other developments, including our ongoing progress in adjacent markets and collaboration in a textile recycling project, together with new products, are detailed on *pages 79* and *72* respectively of this report.

Beneficial use of solid waste (%)

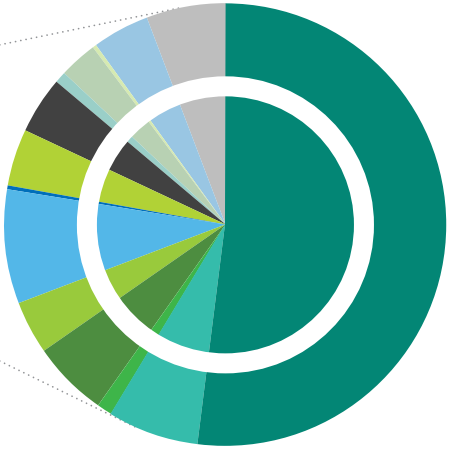


***Globally**, there was a slight increase. In **SEU**, the situation was stable due to reduced coal firing at Gratkorn Mill which led to reduced ash filling. There was a slight decrease in **SNA**, while in **SSA**, the increase was attributable to increased ash and biomass beneficiation at Saiccor and Tugela Mills.*

Global breakdown of solid waste types in Sappi (%)

- Bark (from own operations) (34.03%)
- Other (21.04%)
- Sludge (from pulp and paper mill and biological treatment) (25.88%)
- Boiler ashes (19.05%)

Global breakdown of 'other' solid waste types in Sappi (%)



- Wood waste (knots, sawdust, slivers, fines oversize, pallets, other wood) (10.93%)
- Paper- and packaging waste (1.41%)
- Other combustible waste (0.27%)
- Green liquor dregs/sodium sulphate rejects (1.17%)
- Slaker rejects (0.81%)
- Lime mud (1.75%)
- Wires and felts (0.07%)
- Domestic waste (0.88%)
- Plastics, polystyrene, plastic packaging (0.88%)
- Hazardous waste (0.15%)
- Other/scrap metals, iron, empty cans (0.56%)
- Used oil (0.03%)
- Oil contaminated waste (0.03%)
- Other waste (rolls, small chemicals, grinding roll waste etc) (0.9%)
- Other waste (1.2%)

Please refer to ***Our 2021 Planet indicators*** on *www.sappi.com/2021GSDR-Planet-indicators* for these and other graphs detailing:

- Total weight of waste by type and disposal method, and
- Specific landfilled waste.

Accelerating **circular business models** *continued*

Recognition for our circular project in North America

In December 2020, SNA was named a recipient of the Leadership in Sustainability – Water Award from the American Forest & Paper Association (AF&PA) as part of its *Better Practices, Better Planet 2020* Sustainability Awards programme. We were recognised for our 'Caustic Reclaim and Reuse' project at Somerset Mill.

The project reduces the volume of purchased chemicals required to meet the mill's boiler flue-gas desulphurisation (FGD) environmental goals, as well as offset the acid usage in its onsite waste treatment plant. Somerset Mill operates a large steam plant and utilises demineralised water as a main makeup water source for its recovery boiler and two multi-fuel power boilers. This project repurposes a large source of spent caustic from the demineraliser regeneration operation to meet flue-gas desulphurisation goals, as well as offsets purchased acid usage in our onsite waste water treatment plant as a consequence of the spent caustic utilisation.

The project will significantly reduce overall caustic purchases as well as acid usage for effluent treatment. The reclaimed caustic concentration to the wet industrial scrubber is significantly lower than the concentration of fresh caustic. Accordingly, not only is the spent caustic reclaimed from the sewer, but so is the water that dilutes it to the lower concentration. This added reclaimed water in turn reduces the fresh water demand to meet the FGD scrubber evaporation requirements by 45,425 litres per day. The process can be replicated at other mills which can reduce chemical demand by reusing demineralised regeneration caustic, thereby improving both environmental footprint and the bottom line.

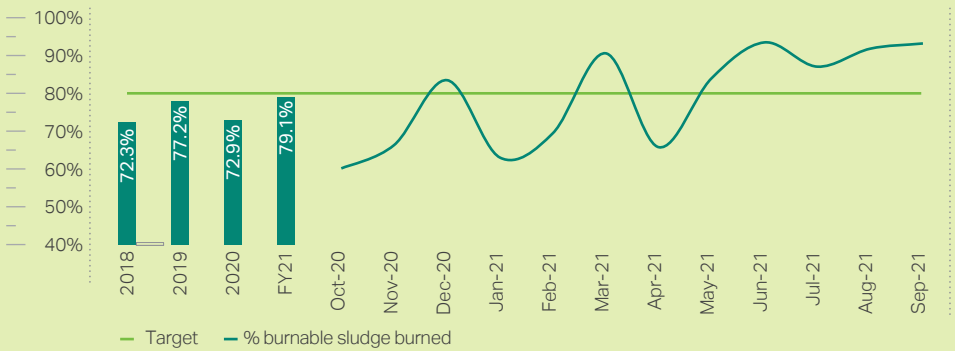
Reducing waste at Somerset Mill

Wastewater treatment sludge is a major contributor to specific landfilled solid waste at Somerset Mill in the USA. Typically, it's combusted as fuel, but when the mill is not running at optimal capacity, it is sent to landfill. A Lean Six Sigma (LSS) project team at the mill was tasked with minimising sludge sent to landfill and maximising sludge fuel value.

By reviewing how the sludge moves through the mill systems, the team was able to identify periods in which the feed of sludge was disrupted or fully stopped. Utilising LSS Define, Measure, Analyse, Improve and Control (DMAIC) techniques, the team were able to isolate the factors contributing to the stoppage and improve the uptime of our sludge feed from a baseline of 90% to over 98%.

The changes have also allowed the mill to achieve significant improvements in boiler stability and emissions control. In addition, the team partnered with suppliers and developed operator training to improve the solids content of the sludge to improve burn efficiency. Together these efforts have resulted in increased sludge burn rate and lower sludge volumes going to landfill.

% of burnable sludge burned



Improved burn rate (%) of wastewater sludge

Accelerating **circular business models** *continued*

Reducing liquid oxygen usage at Stanger Mill

In South Africa, demand for oxygen during the Covid-19 pandemic led to a national liquid oxygen (LOX) shortage. Previously, Stanger Mill in South Africa had used LOX to help aerate the effluent lagoon. However, in response to the shortage, the mill successfully trialled additional tritons in the lagoon which are used to aide in the aeration of waste water. The mill has now successfully purchased and installed the additional equipment. The result – reduced LOX usage and odour from the lagoon.

Opportunities for value creation

We joined the Circular Bioeconomy Alliance which was established by His Royal Highness, the Prince of Wales, under his Sustainable Markets Initiative in 2020. The Alliance aims to accelerate the transition to a circular bioeconomy that is climate neutral, inclusive and prospers in harmony with nature, by providing knowledge-informed support and a learning and networking platform. It connects the dots between investors, companies, local communities, governmental and non-governmental organisations to advance the circular bioeconomy – while also restoring biodiversity. Current activities include forest landscape restoration and agroforestry projects in Africa, South America and Asia.

While our membership is still in its early days, we believe that collaboration with the alliance and leveraging our agroforestry knowledge gained through our Sappi Khulisa programme will present significant opportunities going forward.

Safeguarding and restoring **biodiversity**

WHY IT'S MATERIAL

Experts concur that connected, diverse and extensive ecosystems can help stabilise the climate and will have a better chance of thriving in a world permanently altered by rising emissions. Stable, resilient ecosystems are important to Sappi given that our primary input – woodfibre– is a renewable natural resource and depends on ecosystem services such as healthy soils, clean water, pollination and a stable climate. Safeguarding and restoring biodiversity is important for our business, our stakeholders and the Planet.

HOW THIS ISSUE LINKS TO OTHER ASPECTS OF OUR BUSINESS

Our global priority SDGs

6 CLEAN WATER AND SANITATION | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | 13 CLIMATE ACTION | 15 LIFE ON LAND | 17 PARTNERSHIPS FOR THE GOALS

Our top 10 risks

- 4 Sustainability expectations
- 5 Climate change

Our strategic fundamentals

- Grow our business
- Drive operational excellence

THE GLOBAL FORCES SHAPING OUR Thrive25 strategy

- The move towards a circular economy.
- Climate change continuing to impact businesses and reshape societies.
- Resource scarcity and growing concern for natural capital.

OUR 2025 TARGET

15 LIFE ON LAND

Enhance biodiversity in conservation areas

10%

improvement

Biodiversity is the foundation of our business and we work to enhance it on our lands and promote awareness of the importance of this issue among our stakeholders.

Safeguarding and restoring **biodiversity** *continued*

KEY DEVELOPMENTS IN FY2021

Implementing a Biodiversity Strategy and Action Plan

The development of a Biodiversity Strategy and Action Plan (BSAP) for Sappi Forests was initiated in November 2020. The BSAP refers to the UN SDGs, the South African National Biodiversity Strategy and Action Plan (NBSAP), and the South African National Biodiversity Institute (SANBI) biodiversity targets. The seven steps which form the framework for the development of the strategy are aligned with the stakeholder requirements of the Textile Exchange Biodiversity Module. Guidance from the Science Based Targets Network has also been used as reference. The latter aims to transform economic systems and protect the global commons – air, water, land, biodiversity and oceans.

A key component of the strategy is to undertake a biodiversity risk assessment. There are two components to the risk assessment: a spatial assessment and an issues-based risk assessment. The spatial component of this assessment involves identifying high conservation values on our plantations. This is a certification requirement and, drawing on past knowledge and more recent methodologies, assessments of critical biodiversity areas and vegetation types present on Sappi land have been completed for both provinces.

The issues-based risk assessment complements draft targets that have already been identified. In general, four hazards were identified as high risks:

- Soil erosion and sedimentation
- Stream flow reduction
- Ecosystem modification (caused by the spread of plantation species off our land), and
- Invasion by alien species such as wattle, lantana and bugweed which we do not grow.

Mapping vegetation

One of the pillars of Sappi's Thrive25 strategy is that we will act as a custodian of land and forests. In alignment with this, we identify, monitor and manage Important Conservation Areas (ICAs) on our landholdings in South Africa. In FY2020, we reported that we had made progress in terms our Thrive25 biodiversity target by addressing our first biodiversity objective underpinning this task. This involved understanding what types of vegetation are present on our plantations, as well as their conservation value, thereby enabling the compilation of appropriate management plans for implementation.

Assessing Important Conservation Areas

In FY2021, we completed the assessment of Important Conservation Areas (ICAs) for all our plantations in Mpumalanga. ICAs are areas that are important at the local level and are classified using a systematic conservation planning approach. Criteria used include the presence of both plant and animal red data species, the threat status of the ecosystem, the size, connectedness, condition and aesthetic and recreational value of the area. The ICA assessment is currently in progress for our plantations in KwaZulu-Natal.

Approximately 160 sites on Sappi owned land are currently classified as ICAs, adding up to about 39,500 ha of a diverse range of habitats including grasslands, wetlands and riverine areas and natural forest patches.

Plantations are now required to identify three projects from the list of ICAs that can be actioned over the next few years to improve scores from the baseline condition assessment. To assist in moving towards achieving the 10% biodiversity improvement envisaged by Thrive25, Sappi Forests has developed an ICA projects template to ensure that the progress of the projects can be measured in a standardised manner. Based on the findings of the initial assessment of each area, suggestions for improvement can range from increased weed control to attain a maintenance status, improvements in sub-standard crossings to improve stream flow and reduce sedimentation, and the prevention of overgrazing and frequent burning of important grasslands.

In North America, the SFI Standards address biodiversity values via requirements to identify and protect forests with exceptional conservation value (FECV). The SFI Fiber Sourcing Standard also includes proactive measures to promote and conserve biodiversity at landscape-scale via requirements for smallholder (landowner) outreach, use of trained loggers and resource professionals, investment in forest research and adherence to best management practices (BMPs) during harvesting operations.

Safeguarding and restoring **biodiversity** *continued*

Helping to protect the Makhonjwa Mountain World Heritage Site

This area is of

"... natural significance which is so exceptional as to transcend national boundaries and to be of common importance for present and future generations of all humanity. As such, the permanent protection of this heritage is of the highest importance to the international community as a whole."

1 https://whc.unesco.org/en/list/1575/

Section 49 of the UNESCO World Heritage Council Guidelines[1]

This is the description of South Africa's tenth and newest World Heritage Site which was inscribed by UNESCO in July 2018. The new site covers an area of 113,137 ha and is located in the south-eastern corner of Mpumalanga province. It contains the oldest and best preserved sequence of volcanic and sedimentary rocks on earth, comprising a unique record of the early formation of the planet and a host of endemic and exceptionally rich diversity of plant species, all set in spectacular scenery. Scientific research from these rocks has provided the earliest records of how the earth's crust was formed. It is redefining the date for the first occurrence of life on earth, by an astonishing one billion years earlier than previously estimated. Here evidence has been found of the first massive meteorite impacts possibly related to the formation of our moon. Tidal traces, billions of years old, are so precisely recorded they allow for calculation of changes in the distance between the earth and the moon over time.

As owners of part of the land across which this site falls, Sappi have agreed to participate in a forum responsible for managing the site.

About our nature reserves in South Africa

Our business is dependent on woodfibre and biodiversity and our responsible land management practices aim to enhance biodiversity. Accordingly, we have seven declared nature reserves on our landholdings in Mpumalanga and KwaZulu-Natal provinces in South Africa. These proclaimed nature reserves are part of South Africa's Biodiversity Stewardship Programme managed by the South African National Biodiversity Institute (SANBI) and are based on partnerships between landowners, provincial conservation authorities and NGOs, to secure biodiversity. The sites are declared where important biodiversity or ecosystem services have been identified.

All proclaimed nature reserves have five- year management plans, required by law. These plans set out actions to be taken by managers over the five-year period. An annual plan of operations is developed each year and internal monitoring of its implementation is undertaken as part of ensuring that the nature reserve's ecological integrity is protected and maintained.

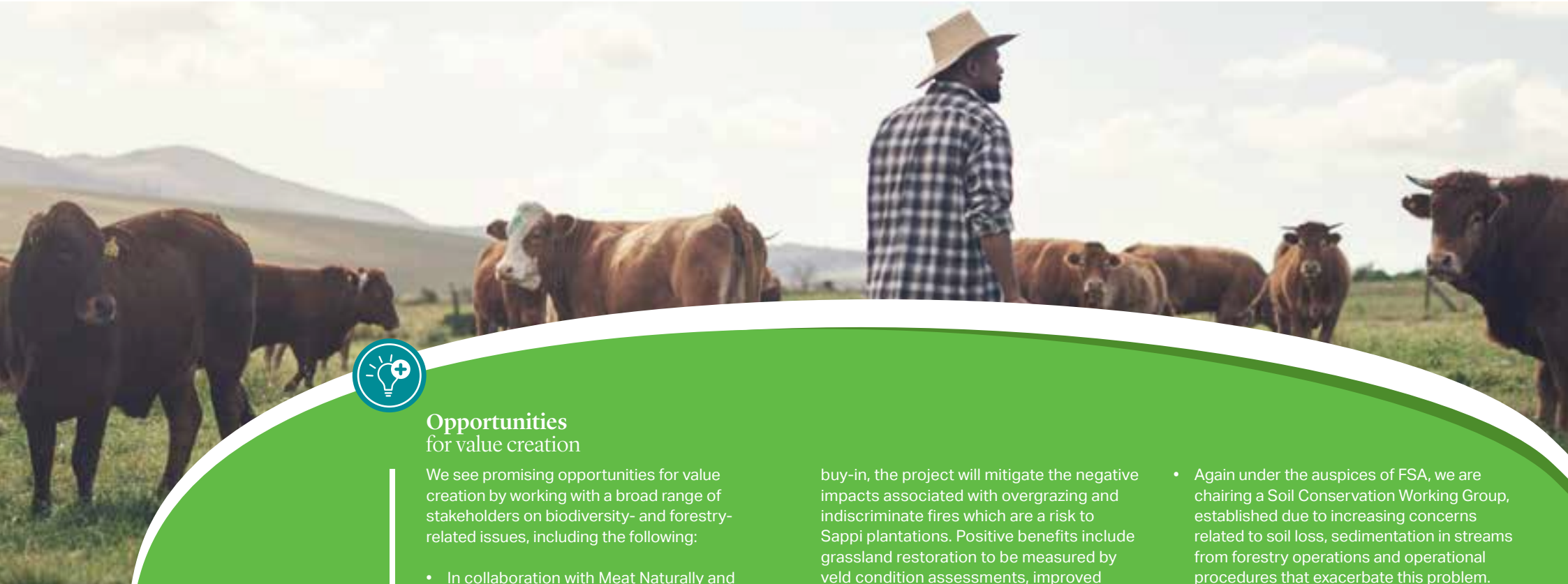
Safeguarding and restoring **biodiversity** *continued*

Promoting biodiversity in North America

SFI requires landowners and companies certified to SFI to actively participate in and support SFI Implementation Committees (SICs) organised at a state or provincial scale. Certificate holders like Sappi pay dues to SFI Inc. that in part are used to support collaborations such as:

- The Maine SIC, in which **SNA** financially contributes and participates, has helped to fund the Maine Cooperative Forestry Research Unit (CFRU), part of the Center for Research on Sustainable Forests (CRSF) at the University of Maine. Enabled by Maine SIC funding in 2020, CFRU deployed trail cameras (31 study areas to date) to survey carnivore species in areas across the state of Maine to assess, among other things, how timber harvesting may influence carnivore distributions of conservation interest.
- The Maine SIC also was instrumental in supporting a thirteen-year effort to develop and complete a comprehensive survey of every road-stream crossing in the state, the first in the nation. This database, managed by The Nature Conservancy (TNC) and known as the Fisheries Improvement Network (FIN), is not only the first in the country but also one of the largest in the world. FIN, as an up-to-date database, will be critical in allocating limited funding to the most important places on public and private lands and help managers target the best opportunities for improving fish habitat.
- SFI administers a conservation grant programme that, since inception in 2015, has invested over US$4 million in conservation, totalling over US$11 million when leveraged with project partner contributions.

Safeguarding and restoring **biodiversity** *continued*



Opportunities
for value creation

We see promising opportunities for value creation by working with a broad range of stakeholders on biodiversity- and forestry-related issues, including the following:

- In collaboration with Meat Naturally and other stakeholders (Zikhali community and the traditional authority), we are working on the uMhlathuze Grazing Project which involves the communities bordering our Mooiplaas plantation. It is proposed that an association will be formed by the community to run the project and that eco-rangers from the community will be trained to herd and manage the cattle. With the community's buy-in, the project will mitigate the negative impacts associated with overgrazing and indiscriminate fires which are a risk to Sappi plantations. Positive benefits include grassland restoration to be measured by veld condition assessments, improved community relations and enhanced regional economic development.
- Under the auspices of Forestry South Africa (FSA), we are participating in a Farmers' Guideline Working Group. Steps have been taken to determine material and methods for developing environmental guidelines such as burning (residue management) and weeding specifically for farmers.
- Again under the auspices of FSA, we are chairing a Soil Conservation Working Group, established due to increasing concerns related to soil loss, sedimentation in streams from forestry operations and operational procedures that exacerbate this problem. This is in collaboration with various industry representatives in the Environmental Management Committee of FSA, soil and forestry specialists, both independent and based at the University of Stellenbosch.

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Glossary

AF&PA – American Forest and Paper Association.

AGM – Annual general meeting.

air dry tons (ADT) – Meaning dry solids content of 90% and moisture content of 10%.

BCTMP – Bleached chemi-thermo mechanical pulp.

biochemicals – Enzymes, hormones, pheromones etc, which either occur naturally or are manufactured to be identical to naturally occurring substances. Biochemicals have many environment-friendly applications, such as natural pesticides that work in non-lethal ways as repellents or by disrupting the mating patterns of the pests.

biofuels – Organic material such as wood, waste and alcohol fuels, as well as gaseous and liquid fuels produced from these feedstocks when they are burned to produce energy.

biomaterials – New developments in wood processing supports the move to a biobased economy that utilises materials that are renewable and biodegradable and that do not compete with food sources.

black liquor – The spent cooking liquor from the pulping process that arises when pulpwood is cooked in a digester thereby removing lignin, hemicellulose and other extractives from the wood to free the cellulose fibres. The resulting black liquor is an aqueous solution of lignin residues, hemicellulose, and the inorganic chemicals used in the pulping process. Black liquor contains slightly more than half of the energy content of the wood fed into the digester.

bleached pulp – Pulp that has been bleached by means of chemical additives to make it suitable for fine paper production.

casting and release paper – Embossed paper used to impart design in polyurethane or polyvinyl chloride plastic films for the production of synthetic leather and other textured surfaces.

CEPI – Confederation of European Paper Industries.

Cham Paper Group Holding AG (CPG) – Speciality paper business acquired by Sappi, which included CPG's Carmignano and Condino Mills (Italy) and its digital imaging business located in Cham (Switzerland) as well as all brands and know-how.

chemical oxygen demand (COD) – The amount of oxygen required to break down the organic compounds in effluent.

chemical pulp – A generic term for pulp made from woodfibre that has been produced in a chemical process.

CHP – Combined heat and power.

coated mechanical paper – Coated paper made from groundwood pulp that has been produced in a mechanical process, primarily used for magazines, catalogues and advertising material.

coated paper – Papers that contain a layer of coating material on one or both sides. The coating materials, consisting of pigments and binders, act as a filler to improve the printing surface of the paper.

coated woodfree paper – Coated paper made from chemical pulp that is made from woodfibre that has been produced in a chemical process, primarily used for high-end publications and advertising material.

corrugating medium – Paperboard made from chemical and semi-chemical pulp, or waste paper, that is to be converted to a corrugated board by passing it through corrugating cylinders. Corrugating medium between layers of linerboard form the board from which corrugated boxes are produced.

CSI and CSR – Corporate social investment and corporate social responsibility.

CSV – Creating shared value involves developing profitable business strategies that deliver tangible social benefits.

deep eutectic solvents – Systems formed from a eutectic mixture of Lewis or Brønsted acids and bases that can contain a variety of anionic and/or cationic species. They are classified as types of ionic solvents with special properties.

dissolving pulp (DP) – Highly purified chemical pulp derived primarily from wood, but also from cotton linters intended primarily for conversion into chemical derivatives of cellulose and used mainly in the manufacture of viscose staple fibre, solvent spin fibre and filament.

EBITDA excluding special items – Earnings before interest (net finance costs), taxation, depreciation, amortisation and special items.

EIA – Environmental impact assessment.

energy – Is present in many forms such as solar, mechanical, thermal, electrical and chemical. Any source of energy can be tapped to perform work. In power plants, coal is burned and its chemical energy is converted into electrical energy. To generate steam, coal and other fossil fuels are burned, thus converting stored chemical energy into thermal energy.

fibre – Fibre is generally referred to as pulp in the paper industry. Wood is treated chemically or mechanically to separate the fibres during the pulping process.

fine paper – Paper usually produced from chemical pulp for printing and writing purposes and consisting of coated and uncoated paper.

FMCG – Fast-moving consumer goods. Examples include non-durable goods such as packaged foods, beverages, toiletries, over-the-counter medicines and many other consumables.

Forest Stewardship Council (FSC) – Is a global, not-for-profit organisation dedicated to the promotion of responsible forest management world-wide. (*https://ic.fsc.org/en*)

FSA – Forestry South Africa.

Glossary *continued*

full-time equivalent employee – The number of total hours worked divided by the maximum number of compensable hours in a full-time schedule as defined by law.

GoO – Guarantee of origin.

greenhouse gas (GHG) – The GHGs included in the Kyoto Protocol are carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.

hemicellulose sugars – The biorefinery process for second generation hemicellulose sugars involves recovering them from the prehydolysate liquor, and then separating them.

ISO – Developed by the International Standardisation Organisation (ISO), ISO 9000 is a series of standards focused on quality management systems, while the ISO 14001 series is focused on environmental performance and management and the ISO 50001 covers energy management.

JSE Limited – The main securities exchange in South Africa.

kraft paper – Packaging paper (bleached or unbleached) made from kraft pulp.

kraft pulp – Chemical wood pulp produced by digesting wood by means of the sulphate pulping process.

Kyoto Protocol – A document signed by over 160 countries at Kyoto, Japan in December 1997 that commits signatories to reducing their emission of greenhouse gases relative to levels emitted in 1990.

lignosulphonate – Lignosulphonate is a highly soluble lignin derivative and a product of the sulphite pulping process.

linerboard – The grade of paperboard used for the exterior facings of corrugated board. Linerboard is combined with corrugating medium by converters to produce corrugated board used in boxes.

liquor – White liquor is the aqueous solution of sodium hydroxide and sodium sulphide used to extract lignin during kraft pulping. Black liquor is the resultant combination of lignin, water and chemicals.

managed forest – Naturally occurring forests that are harvested commercially.

market pulp – Pulp produced for sale on the open market, as opposed to that produced for own consumption in an integrated mill.

mechanical pulp – Pulp produced by means of the mechanical grinding or refining of wood or woodchips.

nanocellulose – Cellulose is the main component of plant stems, leaves and roots. Traditionally, its main commercial use was in producing paper and textiles. Nanocellulose opens up opportunities for advanced, planet-friendly solutions in place of environmentally harmful products.

natural/indigenous forest – A forest of naturally regenerating native trees.

NBHK – Northern bleached hardwood kraft pulp. One of the varieties of market pulp, produced from hardwood trees (ie birch or aspen) in Scandinavia, Canada and northern United States of America (USA).

NBSK – Northern bleached softwood kraft pulp. One of the main varieties of market pulp, produced from coniferous trees (ie spruce, pine) in Scandinavia, Canada and northern USA. The price of NBSK is a benchmark widely used in the pulp and paper industry for comparative purposes.

net debt – Current and non-current interest-bearing borrowings, and bank overdraft (net of cash, cash equivalents and short-term deposits).

newsprint – Paper produced for the printing of newspapers mainly from mechanical pulp and/or recycled waste paper.

NGO – Non-governmental organisation.

NPO – Non-profit organisation.

OHSAS – Is an international health and safety standard aimed at minimising occupational health and safety risks firstly, by conducting a variety of analyses and secondly, by setting standards.

packaging and speciality papers – A generic term for a group of papers intended for commercial and industrial use such as flexible packaging, label papers, functional papers, containerboard, paperboard, silicone base papers, casting and release papers, dye sublimation papers, inkjet papers and tissue paper.

packaging paper – Paper used for packaging purposes.

PAMSA – Paper Manufacturers' Association of South Africa.

plantation – Large-scale planted forests, intensively managed, highly productive and grown primarily for wood and fibre production.

PM – Paper machine.

power – The rate at which energy is used or produced.

printing and writing papers – A generic term for a group of papers intended for commercial printing use such as coated woodfree paper, coated mechanical paper, uncoated woodfree paper and newsprint.

Glossary *continued*

Programme for the Endorsement of Forest Certification (PEFC) – Is an international non-profit, non-governmental organisation dedicated to promoting sustainable forest management through independent third-party certification. PEFC works by endorsing national forest certification systems and is represented in 55 countries through national organisations such as SFI® in North America. (*https://www.pefc.org*)

pulpwood – Wood suitable for producing pulp – usually not of sufficient standard for sawmilling.

raster – A rectangular pattern of parallel scanning lines followed by the electron beam on a television screen or computer monitor.

release paper – Base paper used in the production of making release liners, the backing paper for self-adhesive labels.

ROCE – Return on average capital employed. Operating profit excluding special items divided by average capital employed.

sackkraft – Kraft paper used to produce multi-wall paper sacks.

Sappi Biotech – The business unit within Sappi that drives innovation and commercialisation of biomaterials and biochemicals.

Sappi Europe (SEU) – The business unit within Sappi that oversees operations in the European region.

Sappi North America (SNA) – The business unit within Sappi that oversees operations in the North American region.

Sappi Pulp – The business unit within Sappi that oversees the production and marketing of dissolving pulp (DP) and kraft pulp.

Sappi Southern Africa (SSA) – The business unit within Sappi that oversees operations in the Southern Africa region.

Scope 1 and 2 GHG emissions – The Greenhouse Gas Protocol defines Scope 1 (direct) and Scope 2 (indirect) emissions as follows:

- Direct GHG emissions are emissions from sources that are owned or controlled by the reporting entity, and
- Indirect GHG emissions are emissions from purchased electricity, steam, heat or cooling.

SETS – Social, ethics, transformation and sustainability.

silviculture costs – Growing and tending costs of trees in forestry operations.

solid waste – Dry organic and inorganic waste materials.

specific – When data is expressed in specific form, this means that the actual quantity consumed during the year indicated, whether energy, water, emissions or solid waste, is expressed in terms of a production parameter. For Sappi, as with other pulp and paper companies, this parameter is air dry tons of saleable product.

specific purchased energy – The term 'specific' indicates that the actual quantity during the year indicated, is expressed in terms of a production parameter. For Sappi, as with other pulp and paper companies, the parameter is air dry tons of product.

specific total energy (STE) – The energy intensity ratio defined by the total energy consumption in the context of the saleable production.

Sustainable Forestry Initiative® (SFI®) – Is a solutions oriented sustainability organisation that collaborates on forest-based conservation and community initiatives. The SFI® forest management standard is the largest forestry certification standard within the PEFC program. (*https://www.forests.org*)

TG – Turbine generator

thermo-mechanical pulp – Pulp produced by processing woodfibres using heat and mechanical grinding or refining wood or woodchips.

ton – Term used in this report to denote a metric ton of 1,000 kg.

tons per annum (TPA) – Term used in this report to denote tons per annum (tons a year). Capacity figures in this report denote tons per annum at maximum continuous run rate.

total suspended solids (TSS) – Refers to matter suspended or dissolved in effluent.

uncoated woodfree paper – Printing and writing paper made from bleached chemical pulp used for general printing, photocopying and stationery, etc. Referred to as uncoated as it does not contain a layer of pigment to give it a coated surface.

United Nations Global Compact (UNGC) – A principle based framework for businesses, stating 10 principles in the areas of human rights, labour, environment and anti-corruption.

viscose staple fibre (VSF) – A natural fibre made from purified cellulose, primarily from dissolving pulp (DP) that can be twisted to form yarn.

woodfree paper – Paper made from chemical pulp.

World Wildlife Fund (WWF) – The world's largest conservation organisation, focused on supporting biological diversity.