



sappi
Group
Sustainability
Report



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Glossary

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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

Thrive strategy

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

About our theme: Shape

Challenging global developments have increased our determination not just to react to our environment but to shape a bold, cohesive response. Based on our long-standing track record of renewing, revitalising and redefining our business and plans to continue our success, we are well positioned to do so.

There are no constant conditions in our operating environment, but there are some constants in our response: We will continue to focus on growing our business, sustaining our financial health, driving operational excellence and enhancing trust. We will do so by creating career and personal development opportunities for our engaged, inspired employees and promoting sustainable livelihoods within our communities. Innovation will continue to be key to delivering profit and margin improvement, with sustainability and our priority United Nations Sustainable Development Goals (UN SDGs) an increasingly important core value and development platform.

By shaping our purpose with positive, creative force, we drive results sustainably, gain the trust of and serve our shareholders, customers, employees and society at large.

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 (DP), wood pulp and biomaterials) and end-use products (packaging papers, speciality papers, graphic papers, casting and release papers, as well as forestry products) are manufactured from woodfibre sourced from sustainably managed forests and plantations, in production facilities which, in many cases, use internally generated bioenergy. Many of our operations are energy self-sufficient.

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

5.5 million tons

Paper production per year

2.6 million tons

Paper pulp production per year

1.5 million tons

Dissolving pulp production per year

Globally we have

12,329 employees¹

400,000ha

Owned and leased sustainably managed forests in South Africa

¹ Includes corporate and Sappi Trading employees.

Where we operate

Europe



Employees

5,410

Sales offices

12

Production facilities

10

North America



Employees

2,073

Sales offices

6

Production facilities

4

South Africa



Employees

4,591

Sales offices

3

Production facilities

5

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.

Sales offices

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

Value streams

Our value streams include:



Forests

Our Forest Stewardship Council™ (FSC™ N003159) and Programme for the Endorsement of Forest Certification (PEFC/01-44-43) certified tree plantations in South Africa provide a high-quality woodfibre base and enhance our competitive advantage. Our leading-edge tree improvement programmes ensure this advantage is maintained and leveraged.



Manufacturing excellence

We focus on enhancing machine efficiencies, digitising our processes to make the smart factory a reality, reducing variable costs through new practices in logistics and procurement, as well as implementing go-to-market strategies, which lower the cost of serving our customers and increase customer satisfaction.



Biomaterials

We are unlocking the chemistry of trees and aligning with the circular economy by establishing a strong position in adjacent businesses including: nanocellulose, Furfural, lignosulphonates, and bioenergy. Extracting more value from each tree is at the core of our business model.



Pulp

Our dissolving pulp brand, Verve, creates renewable alternatives for raw material feedstock to textiles, pharmaceuticals, foodstuffs and more – products that meet the needs of people around the globe every day.



Speciality papers

Our customers use our speciality papers to add value to niche markets and enable product differentiation. Our focus on innovation helps our customers to meet and anticipate the challenges of changing market dynamics.



Packaging papers

Our packaging solutions offer environmentally conscious consumers an alternative to fossil-fuel based packaging.



Graphic papers

Our market-leading range of coated and uncoated graphic paper products is used in magazines, corporate reports and accounts, direct mail, high-quality brochures, catalogues, calendars and books.

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 2022 to the end of September 2023. 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 Report on Corporate Governance™ for South Africa, 2016 (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. The relevant indicators can be found in our interactive GRI index.

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

Determining materiality

We consider material matters to be those matters that could facilitate or inhibit our **Thrive** strategy and that could substantively affect – either positively or negatively – our ability to create stakeholder value over the short, medium and long term. For some time now, we have been increasingly incorporating the principle of double materiality into our reporting as set out for each material issue.

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 our various stakeholders.

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 *Our key relationships*. The stakeholders we expect to use this report include investors, employees, communities and all those who are affected by our activities.

Note

The 2023 regional sustainability report for SNA, as well as our corporate citizenship report for SSA will be published on www.sappi.com in 2024.

External assurance

In 2023 we obtained external limited assurance on selected sustainability key performance indicators (KPIs) in this report (please refer to the Independent Auditors Limited Assurance Report on Selected Key Performance Indicators on pages 4 and 5).

Assured data (Sappi group)

Total specific GHG emissions (Scope 1 and 2) (kgCO ₂ e/adt)	944.0 ^{LA}
Total specific solid waste to landfill (on-site and off-site) (kg/adt)	73.6 ^{LA}
Share of certified fibre (%)	75 ^{LA}
Specific process water usage in South Africa (m ³ /adt)	48.4 ^{LA}
Employee (own) LTIFR (rate)	0.28 ^{LA}
Contractor LTIFR (rate)	0.22 ^{LA}

LA: Limited assurance provided by KPMG.

External reviews of our sustainability performance



We report to the Carbon Disclosure Project (CDP) (www.cdp.net/en) under its climate, forests and water programmes.



All three regions – Sappi Europe, Sappi North America and Sappi Southern Africa – achieved a Platinum medal in FY2022/3



Independent Auditors 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 2023 Group Sustainability Report of Sappi Limited (Sappi) for the year ended 30 September 2023 (the Report). This engagement was conducted by a multidisciplinary team including health, safety, social, 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, and marked with a 'LA' on the relevant pages in 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").

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.

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 Inc. applies the International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

Assured data (Sappi group)

Category	Selected KPIs	Scope of Coverage
Environmental	- Total specific GHG emissions (Scope 1 and 2) (kgCO₂e/adt) - Total specific solid waste to landfill (on-site and off-site) (kg/adt) - Share of certified fibre (%)	Sappi Global (Total Group)
	Specific process water usage in South Africa (m³/adt)	Sappi Southern Africa
Safety	- Employee (Own) LTIFR (rate) - Contractor LTIFR (rate)	Sappi Global (Total Group)

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 Management

We have complied with the independence and other ethical requirements of the Code of Professional Conduct for Registered

Auditor'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

Independent Auditors Limited Assurance Report on Selected Key Performance Indicators continued

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 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 or reconciling with underlying records.

Accordingly, for the KPIs where limited assurance was obtained, 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.

Given the circumstances of the engagement, in performing the procedures listed above we:

- 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;
- Performed a controls walkthrough of identified 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 judgements 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 30 September 2023 are not prepared, in all material respects, in accordance with the accompanying Sappi reporting criteria.

Other Matters

The maintenance and integrity of Sappi's 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 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 G Aldrighetti

Chartered Accountant (SA)
Registered Auditor
Director

14 December 2023

KPMG Crescent

85 Empire Road
Parktown, Johannesburg
2193



UNIQUE

Governance

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. Their work is overseen and reviewed by the Group Sustainable Development Council (GSDC). The GSDC reviews key trends and developments together with strategy and implementation and makes recommendations that are fed through to the Social, Ethics, Transformation and Sustainability (SETS) Committee and ultimately, to the Sappi Limited board. The SETS Committee relies on international best practice as well as the laws and regulations under which Sappi's businesses operate to ensure that the group not only complies with, but also fully implements, all requirements. The committee addresses issues relating to corporate social investment, ethical conduct, diversity, transformation and empowerment initiatives and targets and ongoing sustainability practices. The responsibilities include monitoring the company's activities, having regard to any relevant legislation, other legal requirements and prevailing codes of best practice.

Governance continued

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

Sappi Limited board

Sappi Limited board Executive and Management Committee

Group Sustainable Development Council (GSDC)

Executive and Management Committee

Regional Sustainability Council

Sustainability ambassadors in SEU and SNA and brand ambassadors in SSA

Employees help to integrate sustainability into our everyday business activities

PRECISION

Performance against our global and regional targets

The United Nations 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 Performance against our 2023 targets

-  Satisfactory performance
-  Progress to be made
-  Unsatisfactory performance



6 CLEAN WATER AND SANITATION

Ensure availability and sustainable management of water and sanitation for all



Global

Thrive target	2019 base	2023 target	2023 performance	Assessment of performance
Reduce specific process water use by 23% ¹ (m³/adt)	44.5m³/adt	41.2m³/adt	48.4m³/adt ^{LA}	

¹ This target applies to mills in South Africa, as they are at risk of experiencing operational water challenges.



Performance against our global and regional targets continued



Ensure access to affordable, reliable, sustainable and modern energy for all



Global

Thrive target	2019 base	2023 target	2023 performance	Assessment of performance
Increase share of renewable and clean energy by 8 percentage points	53.5%	58.6%	57.9%	
Decrease specific total energy by 5%	22.1GJ/adt	21.5GJ/adt	26.2GJ/adt	



SNA

Thrive target	2019 base	2023 target	2023 performance	Assessment of performance
Increase share of renewable and clean energy by within 5% of baseline (81.7%) or higher	81.7%	>76.7%	78.2%	
Decrease specific total energy by 5%	25.7GJ/adt	24.9GJ/adt	27GJ/adt	



SEU

Thrive target	2019 base	2023 target	2023 performance	Assessment of performance
Increase share of renewable and clean energy by 11 percentage points	39.4%	44.2%	48.6%	
Decrease specific total energy by 5%	15.5GJ/adt	15.1GJ/adt	19.2GJ/adt	



SSA

Thrive target	2019 base	2023 target	2023 performance	Assessment of performance
Increase share of renewable and clean energy by 7 percentage points	44.1%	49.6%	50.3%	
Decrease specific total energy by 9%	30.9GJ/adt	29.1GJ/adt	33.2GJ/adt	

Performance against our global and regional targets continued



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all



Global

Thrive target	2019 base	2023 target	2023 performance	Assessment of performance
Achieve zero workplace injuries (LTIFR) own employees and contractors	0.54	0.32	0.24	
Increase proportion of women in management roles by 3.7 percentage points	19.3%	22%	22%	
80% share of procurement spend with declared compliance with Supplier Code of Conduct	0%	75%	81%	
Participation in employee engagement survey to be above 85%	90%	>85%	94%	
Percentage of staff engaged with our business $\geq 75\%$ ¹	n/a	>75%	80.3%	
Return on capital employed (ROCE) to be 2% points above the weighted average cost of capital (WACC)	11.5%	15.6%	12.3%	

¹ Note that this target has been revised across all regions, because we appointed a new service provider in FY2021 to assess employee engagement and the framing of the questions is now different.



SEU

Thrive target	2019 base	2023 target	2023 performance	Assessment of performance
Achieve zero workplace injuries (LTIFR) own employees and contractors	0.98	0.59	0.40	
Increase proportion of women in management roles by 5.8 percentage points	13.7%	17.5%	16.0%	
80% share of procurement spend with declared compliance with Supplier Code of Conduct	0%	80%	84%	
Participation in employee engagement survey to be above 85%	96%	>85%	90.6%	
Percentage of staff engaged with our business $\geq 75\%$	n/a	>75%	79.9%	
Return on net operating assets (RONOA) to be 2 percentage points above WACC	6.7%	8.7%	0.3%	

Performance against our global and regional targets continued



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all



SNA

Thrive target	2019 base	2023 target	2023 performance	Assessment of performance
Achieve zero workplace injuries (LTIFR) own employees and contractors	0.25	0.34	0.14	
Increase proportion of women in management roles by 4 percentage points	19%	21%	21%	
80% share of procurement spend with declared compliance with Supplier Code of Conduct	0%	75%	85%	
Participation in employee engagement survey to be above 85%	68%	>85%	92%	
Percentage of staff engaged with our business ≥75%	n/a	>75%	72%	
Return on net operating assets (RONOA) to be 2 percentage points above WACC	1.8%	14.3%	12.6%	



SSA

Thrive target	2019 base	2023 target	2023 performance	Assessment of performance
Achieve zero workplace injuries (LTIFR) own employees and contractors	0.45	0.26	0.22	
Increase proportion of women in management roles by 3.1 percentage points	18.9%	26%	27.2%	
80% share of procurement spend with declared compliance with Supplier Code of Conduct	0%	60%	55%	
Participation in employee engagement survey to be above 85%	93%	>85%	98.1%	
Percentage of staff engaged with our business ≥75%	76%	>75%	83.4%	
Return on net operating assets (RONOA) to be 2 percentage points above WACC	14.3%	12.0%	11.9%	

Performance against our global and regional targets continued



Ensure sustainable consumption and production patterns



Global

Thrive target	2019 base	2023 target	2023 performance	Assessment of performance
Launch 25 products with defined sustainability benefits	0	7	6	
Reduce total specific solid waste to landfill (on-site and off-site) (kg/adt)	65.1kg/adt	52.2kg/adt	73.6kg/adt ^{LA}	



SNA

Thrive target	2019 base	2023 target	2023 performance	Assessment of performance
Launch 5 products with defined sustainability benefits	0	3	2	
Reduce specific landfilled solid waste by 10%	76kg/adt	71.4kg/adt	113.6kg/adt	



SEU

Thrive target	2019 base	2023 target	2023 performance	Assessment of performance
Launch 15 products with defined sustainability benefits	0	3	3	
Reduce specific landfilled solid waste by 5% (kg/adt)	11.8kg/adt	11.5kg/adt	12.7kg/adt	



SSA

Thrive target	2019 base	2023 target	2023 performance	Assessment of performance
Launch 5 products with defined sustainability benefits	0	1	1	
Reduce specific landfilled solid waste by 24%	153kg/adt	101.8kg/adt	106.5kg/adt	
Promote sustainable growth in our plantations > 4 (Annual growth in million tons)	3.96	>4.0	4.25	

Performance against our global and regional targets continued



Take urgent action to combat climate change and its impacts



Global

Thrive target	2019 base	2023 target	2023 performance	Assessment of performance
Total specific GHG emissions (Scope 1 and 2) (kgCO ₂ e/adt)	893.3 kgCO ₂ e/adt	814.6 kgCO ₂ e/adt	944.0 ^{LA} kgCO ₂ e/adt	



SEU

Thrive target	2019 base	2023 target	2023 performance	Assessment of performance
Decrease specific GHG (Scope 1 and 2) emissions by 25%	698.0 kgCO ₂ e/adt	630.5 kgCO ₂ e/adt	625.4 kgCO ₂ e/adt	



SNA

Thrive target	2019 base	2023 target	2023 performance	Assessment of performance
Decrease specific GHG (Scope 1 and 2) emissions by 5%	423.5 kgCO ₂ e/adt	410.8 kgCO ₂ e/adt	439.4 kgCO ₂ e/adt	



SSA

Thrive target	2019 base	2023 target	2023 performance	Assessment of performance
Decrease specific GHG (Scope 1 and 2) emissions by 20%	1,708.5 kgCO ₂ e/adt	1,487.9 kgCO ₂ e/adt	1,715.9 kgCO ₂ e/adt	
Decrease specific purchased fossil energy by 21%	17.3GJ/adt	14.7GJ/adt	16.5GJ/adt	

Performance against our global and regional targets continued



Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification and halt and reverse land degradation and halt biodiversity loss



Global

Thrive target	2019 base	2023 target	2023 performance	Assessment of performance
Share of certified fibre >75%*	75%	>75%	75% ^{LA}	

* The quantity of the total certified chips procured by Matane Mill is incomplete. Consequently the certified fibre procurement percentage is lower and is expected to increase as all suppliers confirm their deliveries.



SEU

Thrive target	2019 base	2023 target	2023 performance	Assessment of performance
Share of certified fibre >78%	78%	>78%	86%	



SNA

Thrive target	2019 base	2023 target	2023 performance	Assessment of performance
Share of certified fibre >55%	55%	>55%	55%	
% certified fibre – Chain of Custody (CoC) purchased pulp	100%	100%	100%	
Share of certified fibre – wood and chips only	46	>47	51%	



SSA

Thrive target	2019 base	2023 target	2023 performance	Assessment of performance
Share of certified fibre >82%	82%	> 82%	83%	
Enhance biodiversity in conservation areas by 10%	0	Start verifying improvements	7% Improvement	

Performance against our global and regional targets continued

Additional priority SDGs in SSA



End poverty in all its forms everywhere



Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all



Thrive target	2019 base	2023 target	2023 performance	Assessment of performance
Advance broad-based black economic empowerment (BBBEE) to Level 1	Level 2	Level 1	Level 1	👍

WISDOM

Message from our leaders



Dear stakeholders

In the past year, the world was once again buffeted by various shock waves, from the lingering after-effects of Covid-19 to geopolitical confrontation, economic downturns in previously robust economies, extreme weather events and growing pressure from climate change impacts, as well as a cost-of-living crisis. The latter was ranked by the World Economic Forum's 2023 Global Risks Report as the world's most significant short-term risk and an issue that is, to a large extent, responsible for a decline in human development after decades of progress.

This is a challenge for all responsible businesses across the world. Sappi is working hard to play our part and shape a more secure future.

For example, recognising that the climate transition is going to involve deep systemic changes in the way we run our lives and do business, we have established a wide-reaching science-based decarbonisation roadmap.

Climate transition is not just an environmental challenge. It is also linked to social problems, biodiversity loss and ecosystem decline. As a company based on the power of renewable natural resources, this has particular relevance for Sappi. For some years now, we have aligned with the strategic recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). This has enabled us to incorporate climate-related risks and opportunities into our risk management, strategic planning and

decision-making processes better. We will also be aligning with the recently published recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD), which is based on the view that nature-related risks are a reality today in the cash flows and balance sheets of business and in the capital allocation portfolios of financial institutions.

Agriculture, forestry and other land uses were responsible for 22% of global greenhouse-gas emissions in 2019, of which approximately half were attributable to deforestation. By keeping our woodfibre supply chains deforestation-free, we are helping to mitigate global warming. The trees in the plantations and forests from which we source woodfibre also play a role in this by sequestering carbon.

In terms of social issues, opening up avenues of opportunity for sustainable livelihoods is the best way to build our climate resilience. We continue to do so through our expanding enterprise and supplier development (ESD) programme in South Africa which incorporates our Sappi Khulisa initiative. Shortly after year-end, the Sappi Khulisa team was recognised for their excellent work by being awarded the Trialogue Strategic CSI Award. Starting back in 1983 with only three participants as a small corporate social investment (CSI) outreach programme and known then as Project Grow, the initiative has matured into an integral, thriving division in our forestry supply chain which today assists more than 4,000 forestry growers to establish meaningful livelihoods by gaining access to the important forestry value chain in South Africa.

We are also playing a role in the South African Government's Just Transition Framework, which aims to minimise the social and economic impacts of the climate transition and to improve the livelihoods of those most vulnerable to climate change.

The first-ever Global Stocktake – an assessment of progress made toward mitigating global warming since the Paris Agreement in 2015 – found that the world is not on track to achieve the goals set out in Paris in 2015. As evidenced by our commitment to UN SDG17: *Partnerships for the Goals*, we believe in the power of collaboration and collective action and we look forward to the discussions and debate at COP28.

Turning to the UN SDGs, while they are all important, some are more relevant to our business than others. Accordingly, we have prioritised certain SDGs and established global and regional targets aligned to these. We continue to report transparently on progress – or lack thereof – against these.

Despite the global challenges facing our world, there is still a window to work together in a social compact to craft a more secure future.

Valli Moosa

Chairman

Social, Ethics, Transformation and Sustainability (SETS) Committee

Message from our leaders continued



Dear stakeholders

SDG17: *Partnerships for the Goals* is one of our priority UN SDGs. It aligns with our strategic intent and brand values of collaboration and partnerships. Together we achieve more whether at the company level through innovative products and services or at industry and organised business levels delivering systemic and structural solutions. We engage across all stakeholder groupings to shape our response to our rapidly changing operating environment. Our actions move us towards our purpose of building a thriving world by unlocking the power of renewable resources to benefit people, communities and the planet.

Our employees' engagement with and commitment to our purpose meant that despite the headwinds we experienced in FY2023 including geopolitical instability and weak global economic growth, we achieved some significant milestones.

Importantly, given the emphasis we place on our core value of safety, we achieved our best-ever safety performance. Our belief that no work is so important that it cannot be done safely continues to gain traction across all regions. So too, is our culture of striving for zero incidents and accepting personal responsibility based on a healthy workforce working under safe conditions, with the necessary skills and comprehensive training.

Understanding how strong our employees' connection is to our strategic direction is important for our ongoing success. Accordingly, we hold an employee engagement survey

conducted by an independent third-party service provider every second year. I'm pleased to report that participation in our FY2023 survey increased significantly and that engagement levels improved across all regions. We take issues, that are identified during the course of the survey, very seriously and our central action tracker provides regular updates on the action items identified. We continue to shape our employees' personal and career development through training opportunities and personal development opportunities.

Despite the challenges of the past year, we continued our commitment to our communities, making a positive difference in terms of social impact.

As regards our commitment to drive Prosperity, while we did not achieve the record-breaking EBITDA of FY2022 (the highest in the past 30 years), the South African business delivered record EBITDA (in ZAR) and North America the second highest-ever EBITDA. In addition, the group generated significant cash which enabled a further reduction of net debt at year-end to US\$1,085 million, the lowest level in 30 years. We maintained our focus on making the most of every tree harvested. Biotech initiatives continued to gain traction and we made good strides in positioning our dissolving pulp brand, Verve, as the industry standard.

Tough times necessitate tough decisions. To reduce our exposure to declining graphic paper markets in Europe, we made the difficult decision to close Stockstadt Mill in Germany and initiated a consultation process for the potential closure of Lanaken Mill in Belgium shortly after year-end.

In terms of the Stockstadt Mill consultation process, a social plan for the employees has been agreed. In addition, an agreement has been signed for the sale of the site. We expect the closure of the Stockstadt Mill site to be completed during the first calendar quarter of 2024.

Agility is embedded in our DNA and we demonstrated this by curtailing production in response to constrained operating conditions. This had the consequence of causing us to fall short of our Planet-related targets. However, there were some bright spots. These included increased use of renewable energy in SEU and SSA. In addition, our ongoing high use of renewable energy in SNA gives us an important competitive advantage. Our ZAR7.7 billion capacity expansion and environmental improvement project at Saiccor Mill, officially opened by South African President Cyril Ramaphosa in September 2022, has also yielded positive environmental impacts. We are determined to continue our science-based targets journey and remain steadfast in our commitment to meet and surpass all our **Thrive** sustainability goals as we continue to play our part in building a biobased circular economy.

This is a journey we did not embark on alone. As we move boldly into FY2024, we will once again be counting on the innovation and expertise of our extraordinary people to drive value creation across every aspect of our business.

Steve Binnie

*Chief Executive Officer
Sappi Limited*

COMMUNITY

17 PARTNERSHIPS
FOR THE GOALS

Our overarching aim
is to partner proactively with our
stakeholders
as we unlock the power of trees
and their limitless potential to
accelerate the solutions a
thriving world
requires.

Our key
relationships

Highlights in FY2023

- **Actively engaged** in the projects of the **Forest Solutions Group of the World Business Council on Sustainable Development (WBCSD)** which we joined in FY2022
- Ongoing levels of involvement in strategic initiatives for our industry such as the **World Resources Institute's GHG Protocol Carbon Removals** and **Land Sector Initiative Project** which benefit the forestry industry as a whole
- Sappi SA launched the **Sappi Chair in Climate Change and Plantation Sustainability** at the University of the Witwatersrand in Johannesburg, South Africa
- Under the auspices of Business Leadership South Africa, our group CEO joined CEOs from over **115 of South Africa's leading corporations in signing a pledge** committing to help achieve sustainable, inclusive economic growth in South Africa
- Sappi's Cloquet Mill was the recipient of the **American Forest & Paper Association's (AF&PA) 2023 Leadership in Sustainability Award** for Water Management as part of its Better Practices, Better Planet 2030 Sustainability Awards programme
- **SNA won two Gold Awards in the MUSE Creative Awards** – one for our Somerset Mill video in the Branded Content – Recruitment category which focused on dispelling outdated perceptions of the paper industry and another for the Ideas that Matter grant programme in the Corporate Responsibility category. The latter programme also won a Seal award
- Shortly after year-end, **Volume 7 of The Standard, a Sappi publication won Gold** in the print promotion category of the Graphis 2024 design awards
- Again after year-end, our key enterprise and supplier development (ESD) programme, Sappi Khulisa was awarded the Dialogue Strategic CSI Award
- Our LinkedIn community has grown to over **200,000 followers**
- First-ever **global forestry research review** attended by participants in all regions
- Launch of **Group Water Stewardship policy, Global Product Safety policy** and revised **Group Human Rights policy**.



<https://www.un.org/sustainabledevelopment/news/communications-material/>

Our key relationships continued

Our overarching aim is to partner proactively with our stakeholders as we unlock the power of trees and their limitless potential to accelerate the solutions a thriving world requires. In addition to responsiveness, our approach to engagement is based on the principles of inclusivity, materiality, relevance and completeness.

We establish and maintain proactive dialogue with our stakeholders. In doing so we recognise that stakeholder needs are dynamic and that we need to challenge the status quo and be responsive to an evolving stakeholder landscape.

In determining those issues most material to our stakeholders, as set out in this report, we have intensified our focus on the impact of our activities on people and the planet, in addition to enterprise value and in line with double materiality.

We assess the quality of our relationships both informally, as set out on the following pages, and formally, through regular employee engagement and customer surveys, community forums and Greenlight Movement community surveys 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, legitimacy and ethics.

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

We regularly review our activities in terms of the OECD Anti-Bribery Convention and the Convention's 2021 Anti-Bribery Recommendation, particularly Section VII of the OECD Guidelines for Multinational Enterprises dealing with Combatting Bribery, Bribe Solicitation and Extortion. No issues have been raised in Sappi with regards to compliance with the Convention and Guidelines either externally or internally. In FY2023, we also assessed the countries in which we operate according to the Corruption Perception Index 2022 which ranks 180 countries and territories by their perceived levels of public sector corruption. The index draws on 13 expert assessments and surveys of business executives. None of the countries in which we operate are below the average global score.

Our stakeholder engagement is also guided by our work towards the realisation of the United Nations Sustainable Development Goals (UN SDGs), in particular our priority SDGs. We have a long-standing membership of the United Nations Global Compact (UNGC) which we joined in 2008. The importance of this is demonstrated by the fact that over the last 20 years, the UNGC has grown from a group of 44 businesses into the world's largest corporate sustainability initiative and a global movement of more than 17,000 businesses and 3,000 non-business stakeholders across 160 countries.

 Read more: *Ethical behaviour and compliance*



United Nations Global Compact (UNGC)
Principle 10: *Businesses should work against corruption in all its forms, including extortion and bribery.*

Employees

Unions

Customers and partners

Communities and neighbours

Industry bodies, related memberships and organised business

Shareholders, bondholders and banks

Suppliers and contractors

Government and regulatory bodies

Civil society and media

Employees

Self-assessment of quality of relationships:
Good



Grow our business



Sustain our financial health



Drive operational excellence



Enhance trust

Why we engage

As we position Sappi to be future-fit, in our task is to meet the changing needs of every Sappi employee within a diverse, inclusive, safe workplace where they can develop their full personal and career potential. We recognise that our wellbeing and financial prosperity are inextricably linked to our employees and the communities in which we operate.

Employees continued

Shared priorities

A safe
workplace

Our response

- The theme for the Global Safety Month was ‘*Safety Starts with Me*’, emphasising personal safety and responsibility
- Involving our people in health and safety aligns with 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 as follows:
 - 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 can 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: *Employee and contractor safety*

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 contractor employees. 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 **Thrive** Award
- Long-service awards.

SEU

- Long-service awards.

SNA

- TOUTS Recognition Awards – a peer-to-peer recognition programme. Employees can nominate each other in various categories (team player; outstanding performance; unique involvement in community affairs; taking risk and practising ingenuity; safety and sustainability). Peer recognition averages 750 per quarter
- Periodic regional President’s Awards
- Long-service awards.

SSA

- Excellence in Achievement Awards (EAA)
- Annual safety and environmental awards
- CEO award
- Long-service awards.

Sappi Trading

- SMART Awards.

Employees continued

Shared priorities

Connection with
Sappi's strategic goals and
high levels of engagement

Our response

Our group CEO, together with regional CEOs, engage with staff regarding company performance at the end of each quarter.

Targeted communication programmes are launched for any major development supporting strategic goals (project launches, M&A activities, sale of mills etc).

In **SEU** regular videos from the CEO are shared with staff and the Sappi Performance Engine approach involves all employees in continuous improvement activities.

In **SNA**, quarterly updates for the entire staff are conducted with questions from the hourly wages group requested before the call. Members of the executive lead team visit the sites regularly.

In **SSA** the *Ask Alex* initiative continues whereby employees can pose questions to the CEO in person, as he undertakes a roadshow to all business units.

We conduct engagement surveys every second year, with the most recent one in 2023. Results are communicated to staff and workshopped with individual teams. A central action tracker facilitates updates on actions items identified in each region in the last survey. A summary of themes and progress is provided to senior leadership at least twice annually.

All employees received the engagement survey feedback by region, site and department. Focus groups were conducted and goals on action items from the survey were established.



Further details on page 74.

“Congratulations on your response rate of
94.24%.
This is an incredible accomplishment!”

Peter Gray

*Associate Vice President McLean,
the service provider who conducted the employee engagement survey*

Employees continued

Shared priorities

Training and development
that benefits Sappi and
our employees

Promotion of
our industry

Employee
volunteerism

Our response

 Read more: *Sappi talent*

Our employees in each region visit schools and are involved in initiatives which promote career paths within forestry and the pulp and paper industry.

SNA participates in the industry-wide USDA Paper and Packaging commodity check-off programme in which an approximate US\$20 million annual consumer-focused media spend is targeted toward industry sustainability and product renewability.

SEU

Support of various local education, cultural and environmental projects based on annual requests and identified needs.

Additionally, SEU have focused their efforts on Poland where hundreds of thousands of Ukrainians have found sanctuary. From collecting essential goods and supplies to making healthy meals, Sappi employees in the Kraków Shared Service Centre are doing their part to provide relief and support.

SNA

Through the Employee Ideas that Matter (EITM) initiative Sappi provides grants to employees to benefit the non-profit organisations (NPOs) about which they are most passionate. The winners share up to US\$50,000 in corporate giving to support their selected causes. In 2023, support was extended to environmental, healthcare, educational and community-centric spaces. While grants are generally for local causes, one was for SeedTree, an NPO located in Nepal whose overarching objective is to install a research/production tree orchard at the Nepal Agriculture and Forestry University. This aligns with Sappi SA's focus on indigenous trees as highlighted in the Sappi Rare, Threatened and Endangered Species Stewardship Programme (page  168). In 2023, the EITM programme was selected as a winner in the category of Community Service and Corporate Social Responsibility in the Communitas Awards.

SSA

Employee wellbeing committees at each mill support local community projects based on annual requests and identified needs as well as Mandela Day volunteering initiatives, matched giving and the newly launched Show your Heart programme. This programme gives structure to staff involvement in volunteer activities, linking social impact opportunities to business goals, employee talents and community needs.

Employees continued

Shared priorities

Understanding of
Sappi's commitment to
sustainability which
underpins our strategy

Our response

Global

- Targeted internal publications and social media campaigns linked to days like World Environment Day and the International Day of Biodiversity enhance understanding of the sustainability landscape and our role in promoting responsible biodiversity initiatives
- In FY2023, knowledge sharing and collaboration in Sappi was supported by a global Forestry Research Review that included participation from Sappi operations across the globe, covering the theme of 'Navigating a sustainable future wood supply'
- All regions undertake internal sustainability communication campaigns linked to Sappi's priority SDGs.

SEU's Blue Couch series features a series of interviews with speakers from the paper industry who provide insights about new products, innovations and sustainability. A recent event examined the potential of a new partnership to bring premium, sustainable metallic effects to packaging.

 <https://www.sappi-ppsp.com/the-blue-couch-series>

SNA publishes a comprehensive sustainability report along with a summary overview. Sappi executives speak at prominent sustainability conferences like the Sustainable Packaging Coalition. In addition, an active Sustainability Ambassador programme promotes understanding and awareness of sustainability-related issues, helping to support communications, training and education on environmental issues including energy savings and greenhouse gas (GHG) reductions.

SSA has launched the '8 Earth Saving Rules' aimed at heightening awareness among employees about preserving and protecting our planet's natural resources.

Employees continued



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 living up to our purpose, we become a more attractive employer, particularly to Millennials and Gen-Zs
- By establishing an ethical culture in which corporate citizenship is promoted, we ensure the ongoing viability of our business, enhance reputation and become an employer of choice.

Challenges *for* value creation

- Recruitment and retention of key skills
- Reluctance of younger generations to take up employment in the industry
- Loss of institutional memory as older employees retire.

Unions



Self-assessment of quality of relationships:
Good



Drive operational excellence



Enhance trust

Why we engage

A workplace where people feel they have been heard and in which they can make a meaningful contribution enhances trust, helps to drive our safety first culture and enhances overall efficiency, productivity and stability. Our constructive relationships with our employees and their representatives are based on mutual respect and understanding.

Unions continued

Shared priorities

Freedom of
association,
collective bargaining
and disciplined behaviour

Safety and wellness
initiatives

Remuneration,
working hours and
other conditions of service

Resolving grievances
engaging on strategy

Engaging on strategy and
long-term growth of the company

Our response

Sappi endorses the principles of fair labour practice as entrenched in the **UNCG, the UN Guiding Principles and the 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 way 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 several 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 meeting where business, safety and union challenges are discussed.

Disciplined behaviour whereby our people abide by our regulations and policies 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 (HR) department or their representative at any time and the right to appeal to a higher authority, without prejudice.

Read more: *Labour relations* (page 125)



UNGC Principle 3:

Businesses should uphold freedom of association and the effective recognition of the right to collective bargaining.

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.

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 conditions are fair.



UNGC Principle 4:

The elimination of all forms of forced and compulsory labour.

- Well-established grievance channels, disciplinary procedures and whistle-blower protocols provide a non-retributory framework.
- We regularly engage with unions on economic conditions, market dynamics and growth plans.

Unions continued



Opportunities *for* value creation

- Constructive 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 engaged with Sappi, leading to positive benefits all round.

Challenges *for* value creation

- Multi-union landscapes, particularly in North America and Europe, add to complexities in the labour environment
- Lack of employee understanding relative to appropriate practices regarding wage and benefits.

Customers and partners

Self-assessment of quality of relationships:
Good



Grow our business



Sustain our financial health



Drive operational excellence



Enhance trust

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.

Customers and partners continued

Shared priorities

New or enhanced products
that meet rapidly
changing market demand

More climate friendly textile solutions
like Verve for which the bulk of Sappi's
dissolving pulp is used

Events, initiatives
and conferences to
encourage the use
of our paper, packaging
and biomaterial solutions
and promote our innovation
and environmental
credentials

Our response

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 departments enable 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 collaborate with partners and/or conduct research and development (R&D) and develop products to suit customers' specific needs. As an example, although the focus of the current SNA product portfolio is on virgin fibre packaging, R&D has initiated a feasibility study into the use of post-consumer fibre (PCF).

Read more: *Innovation and collaboration on page 99.*

Trade shows

General

At the FESPA Global Print Expo 2023, in May we showcased our dye sublimation papers, containerboard and silicone base papers for a variety of self-adhesive applications. At Interpak we presented our extensive range of paper and board products, in addition to flexible packaging solutions, including barrier papers, wet glue label, containerboard and paperboard.

Paper and packaging

2022:

October: We presented our creative innovations at LuxePack in Monaco and Pack Expo 2022 in Chicago.

2023:

April and May: We exhibited at LUXE PACK in Shanghai (April) and at the same event in New York (May).

May: We exhibited at Packaging Première in Milan.

September: Together with Xeikon, we exhibited at the Labelexpo Europe trade show in Belgium. Visitors were given the opportunity to witness live printing using Sappi substrates and take samples.

In the same month, SNA was a sponsor of the Sustainable Packaging Coalition in Boston and was a main stage speaker on the power of woodfibre.

Valida

We promoted the benefits of our fibrillated cellulose Valida as a replacement for microplastics and synthetic ingredients in personal and home care products at the in-cosmetics global expo in Spain in March; at the European Coatings show in Germany in March; and at the Cleaning Products Europe Conference in The Netherlands in April.

Dye sublimation

We exhibited at both ITMA and Milano Unica in Milan in June and July respectively.

Customers and partners continued

Shared priorities

Our response

Conferences

We are a regular participant at the AWA (Alexander Watson Associates) Global Release Liner Industry Conference. During this year's conference in Denver in March, we presented on 'Contributing to the reduction of the carbon footprint for release liners in graphic arts applications.

'Where Forest meets Fashion' was the theme of the Sappi stand at the fifth South Africa Investment Conference in Johannesburg in April. The theme reflected the ZAR7.7 billion expansion and environmental upgrade project inaugurated in FY2022 by South Africa President Cyril Ramaphosa.

At the same time as we launched the Sappi Chair in Climate Change and Plantation Sustainability (see page 154), we participated in the Forum for Agricultural Research in Africa (FARA), Durban where one of the key topics under discussion was the impact of climate change on the African continent and where we had a stand.

In May, we participated in – and were platinum sponsors of – the Sustainable Forestry Initiative® (SFI®) conference in Canada (see page 142 for details).

In September we were a major sponsor of the Sustainable Packaging Coalition conference in Boston where we also exhibited. We also hosted an evening social event with customers. Topics under discussion included the upcoming extended producer responsibility (EPR) regulations in the US, reusable packaging, cellulose as a material for the future and Sappi's role in the circular economy.

While not a conference, the official inauguration of the new facilities for reception, storage and handling of biofuels at Kirkniemi in August 2023, was attended by the Finnish Minister for Climate and the Environment.

Customers and partners continued

Shared priorities

Information about
the fibre sourcing and
production processes
behind our brands

Technical information and product safety

Our response

Global

- At the request of our customers, in all three regions, we participate in EcoVadis and in FY2023, held a platinum rating for all three regions
- We launched a revised Group Product Safety policy which expanded on the previous commitments, specifically with respect to food contact packaging applications and training of relevant stakeholders on legislative compliance and relevant hygiene certification requirements regarding product safety.

Regional

- At Kirkniemi Mill we hosted customers and other stakeholders at the inauguration of the of the boiler switching from fossil fuels to biomass
- Customers generally approach us for information about the fibre sourcing and production processes behind our brands, including carbon footprint. In response to these requests, in **SEU** and **SSA** we publish Paper Profiles and information sheets for our papers. We also respond to many questionnaires from our customers that collect data on our CO₂ reduction plans and performance. In SEU we also publish CO₂ footprint sheets, Declarations of Compliance and information sheets. In **SNA**, we have developed our own eQ GHG emissions calculator that quantifies the emissions associated with a customer order and how those emissions compare against the industry average. In addition, our Customer Council meetings provide valuable insight into our customers' issues and priorities. After three years of remote meetings, we recently hosted a hybrid customer council meeting in which representative from eight companies participated, and discussed a variety of topics. Council members participated in a materiality assessment focused on product categories.

Globally, a series of technical brochures is available on our website www.sappi.com

SEU

- Online knowledge platform for graphic papers sappipapers.com
- Online knowledge platform for packaging and speciality papers sappi-psp.com

SNA

- The POP site is aimed at marketers, creatives, designers and printers looking to innovate in their categories (www.sappipops.com)
- Sappi etc is an educational platform for designers and printers offering information on a wide range of topics including paper basics, advanced print and design techniques and special effects (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 Pretoria. External testing services offered include water and wastewater testing; wood, pulp and liquors testing, microscopy, together with paper and box testing which can be used to conduct a wide range of ISO and TAPPI paper and paperboard tests. Specialised services applicable to the pulp, paper and related industries can be tailored around customer requirements.

Customers and partners continued

The Standard 7: providing guidance on the power of packaging perceptions

Sappi's Volume 7 of The Standard series explores the growing importance of haptics and sensory packaging in heightening brand experience and driving sales. For over a decade, each edition of The Standard has focused on a single aspect of the printing and design process, allowing for a closer, more comprehensive look at each phase.

Printed on Spectro, Sappi's sustainably manufactured premium paperboard, the publication highlights the importance of sensory packaging in creating a memorable and profitable brand experience.

Today, brand loyalty is not only a competitive advantage but a necessity. Against the backdrop, The Standard 7 equips brands with speciality techniques to stand out from the crowd and foster customer connection. It represents Sappi's ongoing investment in paper and packaging as a tool to enhance brand image for any company.

The Standard 7 examines how packaging has become the pivotal touchpoint that reinforces all the marketing efforts that preceded it. Brands of any tier, from value to luxury, must appeal to customers beyond cerebral logic. As customers form their opinions on the quality, care and trustworthiness of a brand, it is imperative that marketers understand the subconscious drivers of choice and preference. The book dives into how brands big or small can leverage the power of neuroscience to captivate audiences and build emotional connections through multisensory elements in packaging.

The Standard 7 continues to explore the value of touch and feel within the consumers purchasing experience. This volume represents part of Sappi's continued commitment to creating unique and valuable educational resources for professionals in the print business.



Customers and partners continued

Investing in AI research to enhance sales and customer service

September 2022, Sappi partnered with the Rochester Institute of Technology (RIT) in the US to fund a Digital Innovation Lab as well as a PhD research student. The Lab's research focuses on how to leverage data to gain a better understanding of customers.

The collaboration has already yielded promising results. In the process of designing an interactive machine learning system (IML) for Sappi's sales organisation, the team had to address several challenges. The lessons they learned were outlined in a paper entitled 'Four Challenges for IML Designers' and was presented at an international conference in Hamburg. The conference focused on how human-computer interaction has as an overarching goal to make the world a better place with interactive digital technologies.

The team also presented research that shows the potential of using artificial intelligence (AI) to enable better customer insights at a conference in the USA. The research outlined the potential for a machine-learning algorithm to provide a data-driven approach to customer segmentation, and detailed how this information could then be used by salespeople to deliver better customer service and optimise resource allocation.



Customers and partners continued

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
- Advance our customers' own sustainability journeys
- Promote the power of haptics and thereby, the power of print in line with our approach to optimising our graphic paper segment
- Provide transparent information in line with our strategic pillar of 'enhancing trust'
- Leverage our position as a solution provider for a low carbon and biobased economy to support customers and policy making
- Showcase our products and promote the Sappi brand.

Challenges *for* value creation

- Conflation of harvesting from sustainably managed plantations with deforestation, together with lack of understanding about the way the forests and plantations from which we source woodfibre help to mitigate global warming
- Promoting understanding of decarbonisation challenges and source requirements for certain industry memberships.

The Sappi stand at Africa Agribusiness Science Week organised by the Forum for Agricultural Research in Africa (FARA)

Communities and neighbours

Self-assessment of quality of relationships:

Fair to good



Enhance trust

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 are situated. 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.

Communities and neighbours continued

Shared priorities

Community support
including employment,
job creation, business
opportunities, economic
and social impacts/contributions
and community support

Our response

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 community outreach is delegated to an employee committee, which is responsible for organising community engagement events and contributions
- The EITM grant programme donates a combined total of up to US\$50,000 to causes that are important to employees in the environmental, healthcare, educational and community-centric spaces
- At some sites employees actively participate in United Way giving campaigns dedicated to enhancing education, financial stability, and health in our community
- US\$250,000 per year Ideas that Matter programme provides grants to graphic designers for social good in areas aligned with the UN SDGs
- 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 funding and in-kind support for 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.

SSA

- Community support falls under the auspices of a dedicated multi-disciplinary team comprising Enterprise and Supplier Development (ESD) team, the HR team and the Corporate Citizenship team. This structure, at each mill site, 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 also report on the employment of locals and ensures investment in communities addresses specific needs. The CMC collaborates with Government, NGOs and the private sector for scale. Integrated Community Forums (ICFs) which incorporate a range of stakeholders from both Sappi and local communities complement this engagement
- Given South Africa's significant development needs, the bulk of community support is allocated to this region in areas like education, environment and socioeconomic development. The latter is based on helping communities help themselves.



Read more about our social impact in each region on pages 129 – 135.

Communities and neighbours continued



Opportunities *for* value creation

- Enhanced licence to operate and thrive
- Creation of shared value, positive social impact and promotion of inclusivity
- Closer alignment with authorities' local development plans.

Challenges *for* value creation

- In South Africa, social unrest in the country continues to be an issue – the result of a disaffected population impacted by lack of service delivery and job opportunities. In some instances, this negatively impacts our reputation and relationships with communities, many of whom look to us to take on Government's role.

Industry bodies, related memberships and organised business

Self-assessment of quality of relationships:

Good



Drive operational excellence



Enhance trust

Why we engage

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.

An important element of our strategy for achieving our business objectives is to enhance and support collaboration across the forest-based sector to enhance responsible forestry and promote forest certification. Our aim is to be present in multi-stakeholder conversations, support effective advocacy with policymakers and Government leaders, and support supply chain initiatives. Close engagement is maintained through the industry organisations CEPI (Confederation of European Paper Industries) AF&PA (American Forest and paper Association), PAMSA (Paper Manufacturers Association of South Africa) and FSA (Forestry South Africa).

Industry bodies, related memberships and organised business continued

Shared priorities

Ethics and governance

Decarbonisation and net zero

Our response

In addition to the memberships described on page 65, Sappi Limited is an active participant in the National Economic Development and Labour Council (Nedlac) Companies Amendment Bill Task Team where representatives of labour, Government and business meet to discuss and seek consensus on the major amendments proposed to the current Companies Act 71 of 2008 (as amended) of South Africa (Companies Act) and governance codes as well as changes related to Social and Ethics board committees.

Global

Sappi was involved in the development of WBCSD's Forest Solutions Group Net Zero Decarbonisation catalogue, which includes an address by our group CEO. Sappi's group Head: Investor Relations and Sustainability was a co-lead for this work which will be launched and promoted at COP28 in Dubai.

The Programme Leader Land Management and Wood Properties, Sappi Forests, continues as a member of the Technical Working Group of the GHG Removals and Land Sector Initiative Project which is developing new guidance on how companies account for and report land use, land use change, carbon removals and storage, bioenergy and other biogenic products. In contribution of the GHG Protocol revision process, Sappi Forests also ran a pilot project to test the protocol for reporting Scope 1 emissions from own landholdings in South Africa using a cradle to mill-gate system boundary. Arriving at a workable solution that enables fair accounting of both emissions and removals is essential for our industry.

Regional

In each region, we keep our stakeholders informed about our strategic SBTi abatement projects.

In North America, an SNA representative sits on the Environmental Policy Committee of AF&PA which addresses climate policy among other environmental matters. The committee is working to update the AF&PA's Principles for Sustainable Climate Policies.

In the build-up to COP27 in Egypt, the UNGC launched the African Business Leaders Coalition, to advance Africa's sustainable growth, prosperity and development by mobilising a coalition of Africa's business leaders to actively and meaningfully engage on the continent's most pressing issues as an organised, innovative, forward-looking, principles-based, and unified voice. Our group CEO joined 56 other business leaders from African companies and signed the Africa Business Leaders' Climate Statement ensuring that African business had a collective voice to contribute to the outcome.

Industry bodies, related memberships and organised business continued

Shared priorities

Nature and biodiversity

Our response

Global

Under the Forest Solutions Group of the WBCSD, key areas of focus in FY2023 included:

- Participating in the TNFD pilot testing and leading the development of forest sector guidance
- Participating in the development and pilot testing of GHG protocol land sector and removals guidance
- Developing an interactive catalogue of the most impactful actions to drive decarbonisation and increase carbon removals.

Looking forward, the workplan for 2024 includes:

- Identifying a set of shared metrics to better measure and disclose the nature-related impacts of sustainable forest management (SFM) practices
- Developing a forest sector deep dive on avoided emissions based on WBCSD guidance
- Conducting overall assessment of the social impacts associated with the forest sector's transition of a net-zero, nature positive economy, based on the WBCSD's Business Commission to Tackle Inequality framework.

In preparation for the Convention on Biological Diversity (CBD) COP15, Sappi joined other companies from 56 countries in signing the Business Statement calling for mandatory assessment and disclosure on nature to be included in the Global Biodiversity Framework.

In collaboration with The Forests Dialogue, Sappi was actively engaged in TFD's Ecosystem Restoration Initiative which seeks to understand the opportunities for the forest sector to contribute and drive restoration efforts worldwide. The initiative was officially kicked off during a scoping dialogue convened in January at Yale University, at which a SEU representative was co-chair.

In **SNA's** sourcing areas, a significant portion of forestland is owned and managed by private landowners, often adding up to less than 10 hectares. The Sappi Maine Forestry Programme and the Sappi Lake States Private Forestry Programme, staffed by SNA foresters, offer a wide range of services to these small landowners including contracting with experienced loggers and providing plans to enhance wildlife habitat and forest health. SNA also supports the University of Minnesota Sustainable Forests Education Cooperative.

SSA supports SANBI (South African National Biodiversity Institute), Birdlife SA and WWF-SA. We have seven declared nature reserves on our landholdings in Mpumalanga and KwaZulu-Natal provinces (see page 168).

Industry bodies, related memberships and organised business continued

Shared priorities

Issues that affect the sustainability of our industry and initiatives that promote sustainability, awareness and understanding

Our response

Global

As a member of the Sustainable Apparel Coalition (SAC), we support the Higg Index developed by the apparel industry to evaluate materials, products, facilities, and processes based on environmental performance, social labour practices, and product design choices.

SEU

In FY2023, as described on page 165, we continued to participate actively in the 4evergreen Alliance.

We also participated in the Forests Dialogue (TFD) which 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.

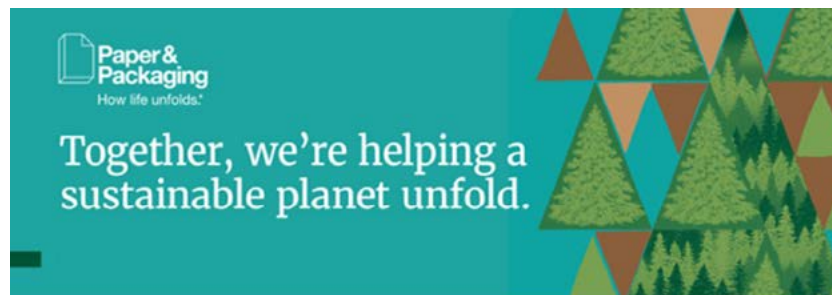
SNA

Sappi continues to be a sponsor of the Paper & Packaging Board's How Life Unfolds® campaign, which began in 2015 and highlights our commitment to innovative, sustainable products. One of the outputs is a marketing campaign funded by industry producers at US\$0.35/sales ton. The campaign focuses on industry environmental stewardship – the benefits of paper over plastic and climate change advocacy.

We are a founding partner of the Recycling Partnership and support their work to transform recycling nationwide, increase materials recovery.

SSA

The region and World Wildlife Fund (WWF) co-hosted a business networking opportunity for sustainability managers where biodiversity and food security and their reliance on healthy ecosystems were discussed. We used the opportunity to explain how, as a major landowner, we manage a third of our plantations for biodiversity.



Industry bodies, related memberships and organised business continued

Shared priorities

Regulatory
issues

Our response

SEU

The European Green Deal aims to lead the world in achieving climate neutrality under the Fit for 55 legislative package. Our industry supports the objectives of the Green Deal and is leading the way in taking concrete actions to achieve deep emissions reductions. Our main position in the context of EU policy related to decarbonisation is to ensure a predictable and enabling policy framework for EU Industry. We engage through the Confederation of European Paper Industries (CEPI).

The EU Deforestation Regulation (EUDR) came into force on 29 June 2023, with entry into application December 2024 (see page 143). Sappi is firmly committed to zero deforestation and thus shares the aims of the EUDR. Sappi is working alongside other stakeholders and peers to ensure a robust yet workable implementation of the regulation.

SNA

As in SEU, in this region we are tracking EUDR regulation to determine potential impacts on Sappi’s businesses. SNA has joined several USA-based companies, together with the trade association AF&PA to influence the EU via the US office of International Trade.

We are participating in stakeholder meetings with the Maine Department of Environmental Protection (DEP) related to pending Extended Producer Responsibility. Our chief concern remains the unintended consequence of the fee structure to drive paper packaging subsidising the improvement to plastic recycling, as well as the over-reliance of recycled content as a means to lowering fees for producers.

SSA

Continued to support PAMSA on issues ranging from carbon tax to waste streams.

Industry bodies, related memberships and organised business continued

Shared priorities

Enhanced forestry management

Our response

SEU

SEU is one of the initiators of PEFC's Sustainable Forest Management Impact Measurement Project to develop a credible methodology to investigate the impacts of forest certification on the forest ecosystem and other aspects of sustainability and create a fact-base to quantify the impact of certification.

SNA

We belong to the Cooperative Forest Research Unit based at the University of Maine, where scientists conduct applied research that provides Maine's forest landowners, forestry community, and policymakers with the information needed to ensure both sustainable forestry practices and science-based forest policy.

We are also a member of Minnesota Forest Industries (MFI) which meets quarterly with public agencies to discuss forest-related challenges, industry needs, workforce challenges, as well as trends/concerns/opportunities.

SSA

As described on page 142, we continue to promote certification for small growers.

The FSA Environmental Management Committee was chaired by Sappi Forests Environmental Manager for Mpumalanga. She was honoured with the Resounding Contribution to the Forestry Sector and Forest Product Value Chain award in the Annual 'She is Forestry' Awards, specifically for the pivotal role she played in legislative issues concerning the forestry sector, with regards to mining rights, water use licences, changes in certification policies and forest protection policies.

Combatting deforestation and promoting certification

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 PEFC's International Stakeholder membership, and collaborate to promote and expand forest certification, but also to ensure that the systems continuously develop themselves to sustain the integrity and robustness of certified supply chains.

Ensuring the integrity of natural resources like water

See details of our Water Stewardship project with WWF-SA on page 94.

Product development and innovation

SNA continues as an active member of the Alliance for Pulp and Paper Technology Innovation (APPTI) to demonstrate and deploy various process optimisation technologies some of which Sappi helps fund patent protection. In addition, our collaboration with University of Toronto in the area of chemical recovery system optimisation has led to efficiency gains in both Cloquet and Somerset mills.

Industry bodies, related memberships and organised business continued

Securing funding from the Maine Technology Institute

In December 2022, SNA received a US\$1 million grant from the Maine Technology Institute's Forestry Recovery Initiative (FRI) to improve productivity and reduce energy in Somerset Mill.

The grant funds are being used to improve pulp yield at the mill, specifically through a new chip treatment process that will improve productivity, lower energy consumption, and reduce the use of pulping chemicals at Sappi mills.

The FRI deploys grants to help Maine loggers, foresters, lumber yard, and other members of Maine's forest products sector recover financial loss caused by the pandemic, develop new wood products, and upgrade infrastructure to strengthen supply chains and sell products to new markets. It is part of a three-phase initiative in Maine to allocate a US\$20 million award from the American Rescue Plan Act of 2021 to mitigate damage caused by the Covid-19 pandemic.

Sappi supports more than 3,300 jobs in Maine and contributes to the innovation economy and entrepreneurial community by partnering with the University of Maine for pulping and forestry research as well as product prototyping. The University of Maine is a key partner in the upgrade's project.



Industry bodies, related memberships and organised business continued



Opportunities *for* value creation

- Address complex topics through collaboration
- 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
- Share our experience and knowledge on sustainable, transparent supply chains to help prevent deforestation.

Challenges *for* value creation

- High costs of and resource requirements for certain industry memberships.

Shareholders, bondholders and banks

Self-assessment of quality of relationships:
Good to excellent



Grow our business



Sustain our financial health



Enhance trust

Why we engage

Our aim is to provide investors (shareholders and bondholders) and analysts with transparent, timely, relevant communication that provides them with an understanding of our industry and our performance, as well as our plans to achieve our growth ambitions, thereby facilitating informed decisions.

Shareholders, bondholders and banks continued

Shared priorities

Understanding
Sappi's strategy

Understanding
Sappi's performance

Return on
investment

Transparent information
about our 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 response

- Our Investor Relations (IR) department engages with shareholders and analysts on an ongoing basis
- Our Chairman and CEO also 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 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
- We participate in the CDP Climate, Forests and Water disclosure projects every year, making our submissions publicly available
- Our Chief Financial Officer and Head of Treasury engage with bondholders, banks and rating agencies continually on the performance of the company
- We report on climate related risks and opportunities and financial impacts according to the TCFD framework (see pages  86 – 103).

Shareholders, bondholders and banks continued

Opportunities *for* value creation

- Understanding of and commitment to our strategic direction
- Enhanced reputation
- Greater investment confidence
- Easier financing.

Challenges *for* value creation

- Uncertainty about environmental legislation.

Government and regulatory bodies



Self-assessment of quality of relationships:
Fair to good



Enhance trust



Grow our business

Why we engage

Dialogue with members of governments and regulatory authorities is an opportunity for all stakeholders involved to better understand all aspects of the issue at hand. We work to ensure that our position on a broad range of priority issues is understood by politicians, decision-makers, opinion formers and other role-players in the regions where we operate. This approach supports a policy and legislative environment that helps us achieve our business objectives, as well as enhance our reputation and brand. In addition to direct contact, we also work through a variety of industry groups and associations as described on page 65.

Government and regulatory bodies continued

Shared priorities

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

Energy issues and
carbon taxation

Emerging
regulations

Enhancing sustainable
forest management
and land use

Progress towards
the UN SDGs

Our response

SEU

We continue to work in various forest-sector collaborations to ensure a thriving forest bioeconomy 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.

German supply chain legislation is currently in force and will be applicable to Sappi's German mills as of January 2024. The aim of this legislation is to manage the risk of actual or potential adverse impacts on human rights and the environment. It is applicable to all suppliers, including all the entities that sell a good, a material or provide a service. We have assessed the legislation and are confident that with our supplier due diligence procedure and process we will comply.

The European Commission's proposal to regulate Packaging and Packaging Waste Regulation (PPWR) was issued on 30 November 2022 and is now before the European Parliament and Council. Preference for reuse over recyclable packaging, closed product loop recycling, and restrictions on 'unneeded' secondary packaging on some hygiene and toiletry applications, are among the topics that we are working to influence. We are advocating for a balanced approach that supports our drive to a circular economy and builds on the success we have already achieved in recycling fibre-based packaging in Europe.

SNA

We engage through various industry trade associations at the federal and state level to create a favourable regulatory environment for the industry. At the federal level, SNA works with the American Forestry and Paper Association on issues of interest, including renewable energy, greenhouse gas regulations, international trade and tax policy.

SSA

- The Carbon Tax Act came into effect on 01 June 2019. The first phase from 01 June 2019 to 31 December 2022 applies to activities that directly emit greenhouse gas emissions. The tax includes various allowances in the first phase, including a 100% allowance for forestry. We engaged with the Department of Forestry, Fisheries and Environment (DFFE) which agreed with our carbon sequestration calculation. Government has now extended the first phase of South Africa's Carbon Tax by three years to 31 December 2025, to support businesses in their clean transition endeavours. Sequestration is now officially recognised, SSA's carbon tax liability for the 2022 calendar year was zero. (Carbon tax works in calendar years, so we only submit data for CY2023 in March 2024)
- The South African Government will be submitting a *UN SDG Voluntary National Review* in July 2024 on progress related to the implementation of the UN SDGs. We are participating in the process by providing insights, examples and case studies.

Government and regulatory bodies continued

Shared priorities

Transformation in South Africa

Our response

- The Employment Equity Act Amendment Bill was signed into law by the State President on 12 April 2023. It is expected that this will become effective before the end of 2023, once the sector consultation process has been finalised. The Minister of Employment and Labour may determine sector numerical targets, following a consultation process with impacted industries. SSA was part of the consultation process both for the Forestry and Manufacturing sectors and our 2025 targets are in line with industry proposal on sector targets
- 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 under Forestry Enterprise Development Agreements (FEDAs). We work with these community-managed land reform projects to ensure continuous productivity of restitution farms and sustainable supply of timber. We continue to engage with Government to assist in the development of rural areas, including the expansion of tree farms in the Eastern Cape. In 2023, we expanded new areas under timber production by 3,208 hectares on both FEDAs and Sappi Khulisa agreements. (See page 133 for further details about Sappi Khulisa)
- Various interactions with the national leadership of the Department of Forestry, Fisheries and Environment (DFFE), as well as provincial and local development agencies have gained momentum and are set to unlock the targeted 30,000 hectares of new plantings in the Eastern Cape
- The SSA Transformation Steering Committee reviews the completion of the transformation targets, as outlined in the national BBBEE Charter, on a regular basis. As an example, 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, which meets at least twice a year, includes representation from the semi-skilled and unskilled categories of employees, as well as shop steward representatives. It is supported by business unit/mill Employment Equity and Learning Committees.

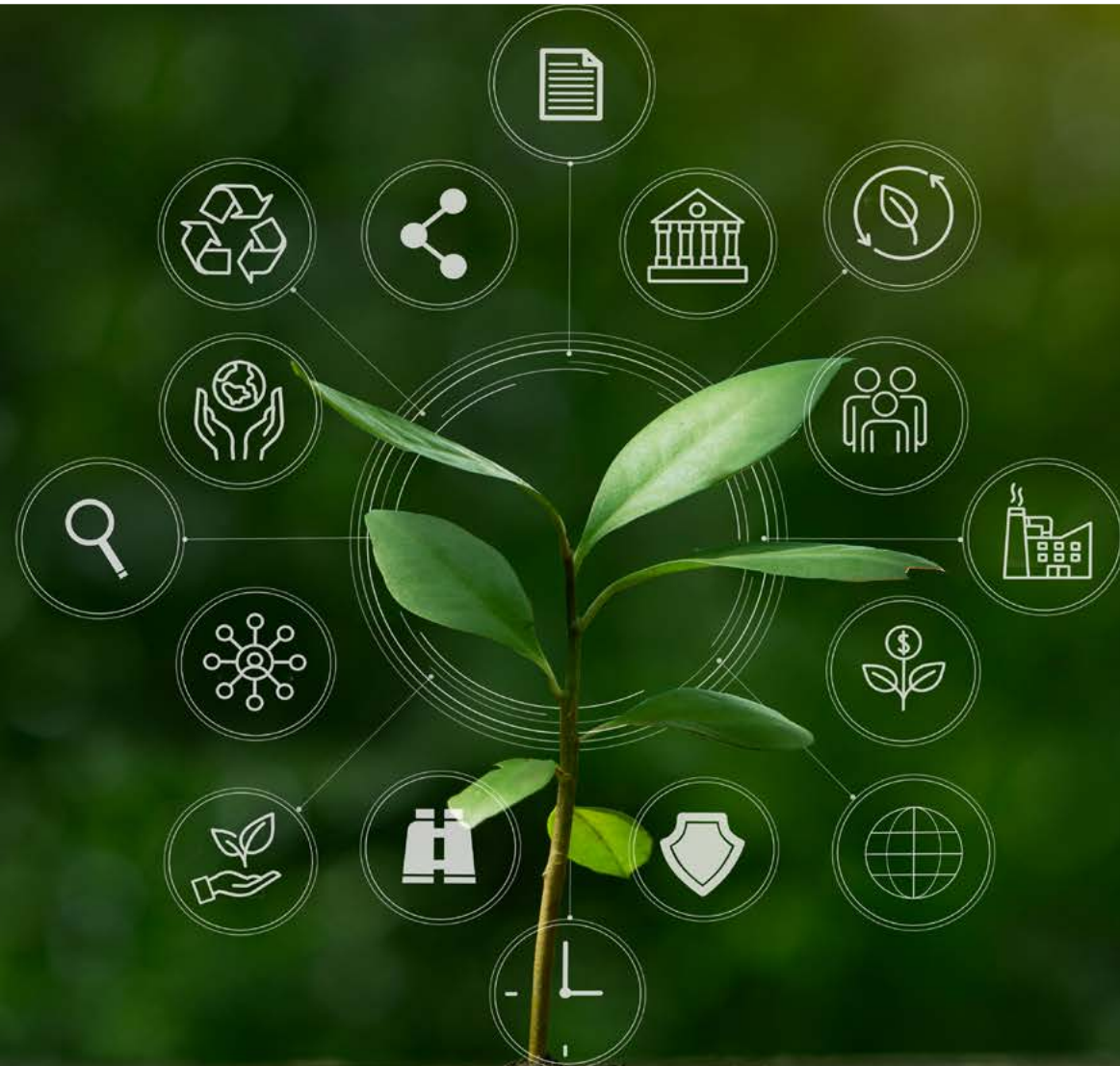
Government and regulatory bodies continued

Opportunities *for* value creation

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

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 certain regulatory developments like carbon tax (global) and dams (South Africa)
- Administrative and licensing delays.



Suppliers and contractors



Self-assessment of quality of relationships:
Good



Grow our business



Enhance trust

Why we engage

Our suppliers are a core aspect of our business. We aim to establish mutually respectful, value-based relationships with them and encourage them to share our approach to 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 our communities.

Suppliers and contractors continued

Shared priorities

Robust safety
procedures and
a strong culture
of safety

Transparency into
the value chain

Our response

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 just as 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.

We continued 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, through our focus on sustainable procurement, we made progress in assessing suppliers (see page 59).

Given our focus on

Zero harm in the workplace

we work with our contractors to ensure
that they follow Sappi's safety protocols



Suppliers and contractors continued

Shared priorities	Our response
Security of fibre supply	SEU In Europe, we procure wood through long-term wood sourcing partners (Metsä Forest in Finland, proNARO in Germany, Sapin in Belgium and Papierholz Austria in Austria) all of which operate with an established pool of forest owners and wood suppliers.
Certification	SNA In SNA's sourcing areas, a significant portion of forestland is owned and managed by private landowners, often adding up to less than 10 hectares. The Sappi Maine Forestry Programme and the Sappi Lake States Private Forestry Programme, 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. The SNA Stumpage Programme assists landowners with developing harvest plans and timber stand improvement project plans with appropriate silvicultural techniques that ensure prompt regeneration after harvest. SNA stumpage foresters conduct inspections on all jobs to ensure compliance with laws, policies and best management practices to conserve soil and water quantity/quality along with other values such as biodiversity conservation, aesthetics management, cultural resource protection, etc. In 2022, Sappi signed up as a 'preferred vendor' with the Michigan-Wisconsin Master Logger Group to support FSC CoC certification for small producers. SNA hosted the FSC-US Board at the Cloquet Mill for a tour of the site, explanation of our DP operations and strategic discussions.
Income generation and job creation	SSA Qualified extension officers provide growers in our Sappi Khulisa enterprise development scheme with ongoing growing advice and practical assistance. See page 133 for further details. The high cost of certification has been an issue for small growers which we have helped to overcome by offering a group certification scheme (see page 132) and through the Sustainable African Forestry Assurance Scheme (SAFAS) which we helped to develop (see page 132 for further details). SSA co-hosted two 'From the Forest to the Fashion Rail' workshops for retailers with FSC. Buyers, designers, sustainability leads and sourcing specialists from leading retailers were sensitised on how to ensure that the fashion garments and accessories they are selling are sourced from sustainably managed and certified local forests.

Suppliers and contractors continued

Opportunities *for* value creation

- Improved supplier relations
- Increased uptake of the Supplier Code of Conduct
- Better understanding of the requirements of the Sappi group
- Expanded basket of certified woodfibre
- Support for local economic development
- Support for emerging supplier/contractor development.

Challenges *for* value creation

- Security of woodfibre supply
- Ensuring that small, medium and micro enterprises have the right social and environmental procedures in place and monitoring compliance.

Civil society and media

Self-assessment of quality of relationships:
Good



Enhance trust

Why we engage

We maintain an open relationship with the media.

We continue to update the media on our belief that it's our responsibility to use the full potential of each tree we harvest. 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.

Civil society and media continued

Shared priorities

Business
developments

The future of
our industry

Our impacts on
our communities

Protecting the
environment

Our response

- Join key credible organisations as members
- Develop personal relationships and engage continually
- Amplify our presence on social media
- Provide support to and sponsorship for key organisations on issues of mutual interest.

Globally

The region engages in a variety of roles in diverse collaboratives as a participant, funder, partner and leader. Our staff serve in roles ranging from interested stakeholder for consultative purposes, committee members, leads/chairmen, and boards of directors. One example is Minnesota Forest Industries to which SNA belongs and which meets quarterly with public agencies to discuss forest-related challenges, industry needs, workforce challenges, and trends/concerns/opportunities.

SSA

- Our forestry operations belong to several fire associations, given that fire is a key risk on our plantations
- Initiated in 2014, our project to re-establish the *Warburgia salutaris* (pepper-bark tree) in communities and in the wild continues to gain traction across the Southern African region (see page 168 for further details)
- Collaboration with Industry organisations PAMSA and FSA on various initiatives to promote the forestry sector and the paper and pulp manufacturing industry. Examples are the PAMSA Media Roundtable, the Paper Story website, participating and co-sponsoring the 'She is Forestry' webinar and contributing to the FSA Forestry Explained website. In addition, we contribute to the production of informative videos that are screened on YouTube and websites.

Civil society and media continued



Opportunities for value creation

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

Challenges for value creation

- Misunderstanding of our environmental impacts.

Our key memberships and commitments



Sappi Limited

Name of organisation

African Business Leaders Coalition

Business for Nature #MakeitMandatory

Business Leadership South Africa (BLSA)

Circular Bioeconomy Alliance

EcoVadis

Ethics Institute of SA

FSC International

National Economic Development and Labour Council (Nedlac)

Paris Pledge for Action

PEFC – International Stakeholder Member

Focus

In the build-up to COP27 in Egypt, the UNGC launched the African Business Leaders Coalition, to advance Africa's sustainable growth, prosperity and development by mobilising a coalition of Africa's business leaders to engage on the continent's most pressing issues as an organised, innovative, forward-looking principles based and unified voice. Our group CEO joined 56 other business leaders from African companies and signed The Africa Business Leaders' Climate statement, ensuring that African business had a collective voice to contribute to a positive outcome.

We signed up to this campaign, which calls on all large businesses and financial institutions to assess and disclose their impacts and dependencies on biodiversity.

BLSA promotes engagement between South Africa's business leaders and key players in South African society, including Government, civil society and labour, to exchange ideas in our national interest and to create effective dialogue.

Aims to accelerate the transition to a circular bioeconomy that is climate neutral, inclusive and prospers in harmony with nature.

We 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. In FY2023, we held a platinum rating (the highest level) for all three regions.

As we are headquartered and listed in SA, we belong to this institute (see page [73](#) for further details).

Both SNA and SSA belong to this international, non-governmental organisation dedicated to promoting responsible management of the world's forests.

Sappi is an active participant in the Nedlac Companies Amendment Bill Task Team where representatives of labour, Government and business meet to discuss and seek consensus on the major amendments proposed to the current South African Companies Act and governance codes as well as changes related to Social and Ethics board committees.

We signed this pledge in 2015 to add our voice to global calls to limit global temperature rise to well below 2 degrees Celsius – and pursue efforts to limit the increase to 1.5 degrees Celsius.

PEFC is an independent, non-profit, non-governmental organisation, which promotes sustainably managed forests through independent third-party certification.

Our key memberships and commitments continued



Name of organisation

Sustainable Apparel Coalition

Technical Association of the Pulp and Paper Industry

The Textile Exchange (TE) and TE man-made cellulosic fibre roundtable and climate sub-committee

WBCSD

Focus

A global, multi-stakeholder non-profit alliance for the consumer goods industry. This advocacy group is supported by the Federation of European Sporting Goods Industry and Global Fashion Agenda. We use the SAC's sustainability measurement suite of tools, the Higg Index, to evaluate materials, products, facilities, and processes based on environmental performance, social labour practices, and product design choices (see page 93 for further details).

An international NGO of about 14,000 member engineers, scientists, managers, academics and others involved in the areas of pulp and paper.

The 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. Sappi was an advisory partner in the development of the TE's biodiversity benchmarking module and participated in the pilot launch of the tool. We also participate in the cellulosic roundtable and climate sub-committee.

The organisation has three imperatives with climate being a primary focus, in addition to nature and equity. The Forest Solutions Group (FSG) is a sector-specific working group under the WBCSD umbrella. One of the FSG key deliverables is developing a net zero roadmap for the sector. We contributed to phase 1 of the development of FSG's roadmap which describes the imperative for climate action in the forest sector.

Our key memberships and commitments continued



Name of organisation	Focus
Biobased Industries Consortium	Covers the entire biobased ecosystem and brings together players from different industrial sectors and disciplines. One of the consortium’s aims is to improve access to finance and the investment climate in Europe.
CEFLEX	A collaboration of over 180 European companies, associations and organisations representing the entire value chain of flexible packaging and working to make all flexible packaging in Europe circular.
CELAB (Circular Economy for Labels) coalition	Aims to create a sustainable circular economy for self-adhesive labels throughout the entire supply chain. The initiative aims to develop a sustainable and circular business model for more than 75% of the matrices and release liners used in Europe by 2025.
Confederation of European Paper Industries (CEPI)	The European association representing the pulp and paper industry.
4evergreen Alliance	See page 165.
Ligninclub	The EU co-funds lignin Industries expansion to create a green industry to replace fossil-based plastics.
The Alliance of Energy Intensive Industries	Represents a broad grouping of industries who participate in policy discussions such as the EU Green Deal.
The Forests Dialogue	See pages 45 and 46.

Other memberships include BioChem Europe, Eurograph, European Joint Undertaking on Biobased Industries, Print Power.

Our key memberships and commitments continued



SNA

Name of organisation

Alliance for Pulp and Paper Technology Innovation

American Forests and Paper Association (AF&PA)

Circular Action Alliance (CAA)

Federal Forest Resource Coalition

Sustainable Forestry Initiative® (SFI®) Implementation Committees (Maine, Minnesota, Wisconsin and Michigan)

Minnesota Forest Resources Council

University of Maine Pulp and Paper Foundation

University of Minnesota Sustainable Forests Education Cooperative

Focus

See page 48.

The national trade association of the paper and wood products industry.

An NPO which supports the successful implementation of extended producer responsibility (EPR) laws for paper and packaging, as well as potential harmonisation of EPR protocols across states.

Comprises companies and regional trade associations whose members harvest and manufacture wood products, paper and renewable energy from federal timber resources.

Committees work with local, forestry, and professional associations, universities, government agencies, landowner groups, conservation groups and many others to promote SFI standards to broaden the practice of responsible forestry and achieve on-the-ground progress.

Develops policy recommendations and encourages the adoption of sustainable forest management policies and practices. Council members represent a wide range of forest resource interests and hold public meetings every second month to discuss key issues.

Active internship programme and industry advocacy.

A forestry education cooperative offering continuing education opportunities for natural resource professionals (see page 45).

Other memberships include American BioFuels Association, American Forest Foundation, Biorenewable Deployment Consortium, Forest Products Working Group, Forest Resources Association, Forest Stewardship Council (FSC), Great Lakes Timber Professionals Association, Maine Forest Products Council, Maine Tree Foundation, Michigan Forest Products Council, Minnesota Forest Industries, Minnesota Timber Producers Association, NH Timberland Owners Association, Paper and Paper Packing Board, Paperboard Packaging Council, Pulp and Paper Products Council, Sustainable Packaging Coalition, the Recycling Partnership, University of Maine Paper Surface Science Consortia.

Our key memberships and commitments continued



SSA

Name of organisation

Business for South Africa (B4SA)

Business Unity South Africa (BUSA)

Forestry South Africa

National Business Initiative

Paper Manufacturers Association of South Africa (PAMSA)

South African National Biodiversity Institute (SANBI)

Shared Value Africa Initiative

WWF-SA

Focus

B4SA is an alliance of business leaders working with the SA Government and other social partners focused on mobilising business resources and capacity to work alongside and in support of Government to address bottlenecks impacting the country socioeconomic development (see page [92](#) for details of the CEO pledge signed by our group CEO).

BUSA structures its work through two policy committees – a Social Policy Committee and an Economic and Trade Policy Committee. All deliberation on policy is considered through the policy committees. Sappi contributes through various committees influencing government policymaking.

Forestry South Africa represents 11 corporate forestry companies, approximately 1,100 commercial timber farmers and some 20,000 small-scale growers. Collectively, these growers own or control no less than 93% of the country's total plantation area of 1.2 million hectares.

An independent, business movement of nearly 100 South African and multi-national companies committed to the vision of a thriving society and working with members to build their capacity for change and to create investment opportunity for them.

Responsible for the pre-competitive legislative, education, environment, research and recycling interests of the pulp, paper, board and tissue sector in South Africa.

Tasked with research and dissemination of information on biodiversity, and legally mandated to contribute to the management of SA's biodiversity resources.

Enables businesses to collaborate and form partnerships across border lines to drive collective social impact at scale.

Works with business to generate collective action, stimulate innovation and mobilise resources for shared value and systems change (See page [94](#) for details of our Water Stewardship partnership with WWF-SA.)

Other memberships include Birdlife SA, Fibre Circle, Fibre Processing and Manufacturing Skills Education and Training Authority, FSC, Manufacturing Circle, Packaging SA, PAMSA, Recycle Paper ZA, South African Chamber of Commerce and Industry and local chambers of commerce and industry.

Our key memberships and commitments continued



Sappi Forests

Sappi Forests' memberships are focused on mitigating pests and disease and promoting sustainability of our plantations:

- 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.



PRIDE

Principles

Ethical behaviour and compliance

Financial materiality:

Our strong ethical culture underpins our reputation, built up over many years. However, just one breach of ethics could destroy our reputation and negatively erode stakeholder value. Accordingly, we place a high premium on adherence to ethical behaviour as encapsulated in our Code of Ethics.

Impact materiality:

Sappi's objective is to be a 'trusted partner to all our stakeholders'. We cannot achieve this unless we all 'live' our values of integrity and courage and act when these values are threatened. In doing so, we protect the viability of our business and the interest of all our stakeholders.

How this issue links to other aspects of our business

Our global priority SDGs



Our strategic fundamentals



Grow our business



Sustain our financial health



Drive operational excellence



Enhance trust

Our top 10 risks

4

Sustainability expectations

6

Evolving technologies and consumer preferences

7

Supply chain disruption

The global forces shaping our Thrive strategy

Rapid pace of technological innovation and threats, including cyber threats

Changing consumer and employee behaviour

Shifting demographics

Our highlights

Comprehensive ethics training

Ethics issues incorporated into employee engagement survey



Ethical behaviour and compliance continued

Background

Our Code of Ethics (the Code) is a practical tool to guide our directors, management, employees and other stakeholders as to what constitutes ethical behaviour in the workplace while complying with the various laws, regulations and policies applicable to the Sappi group. In FY2022, we refreshed the Code with Sappi's **Thrive** branding, an updated message from the CEO, and more relevant scenarios and examples. Given our revised value statement – *'As OneSappi, we do business safely, with integrity and courage, making smart decisions that we execute with speed'*, the refreshed Code places greater emphasis on safety in line with our safety first culture and prioritisation of the wellbeing of our employees and stakeholders.

The Code references several group policies, where heightened levels of awareness and compliance are required. In familiarising themselves with the Code, employees are encouraged to read these policies. Story pictures are used to assist in the messaging, which is displayed on the media screens, lift lobbies and on Sappi desk calendars.

In line with the refreshed Code, online ethics training has been revamped with new scenarios and relevant examples.

We have been a member of the Ethics Institute since 2018 and have benefited from the institute's activities and materials provided to members to advance ethical behaviour. In this capacity, we have also signed the Business Leadership South Africa Integrity Pledge, thereby making a commitment to actively combat corrupt practices wherever encountered, preventing anti-competitive behaviour, adopting a zero-tolerance approach to corrupt behaviour and protecting whistleblowers.

information

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, as well as the timely resolution of hotline calls.

As OneSappi we do business
safely,
with integrity and courage, making
smart decisions
that we execute with speed

Ethical behaviour and compliance continued

Key developments in FY2023

As reported in FY2022, a US-based entity replaced KPMG as the **new ethics hotline service provider** globally with effect from 01 January 2023. While the transition was generally smooth, there were some instances of the new service providers' call centre operators failing to document sufficient details from callers. This lack of detail provided was felt to be compromising effective investigation of some cases by the Sappi investigators. The issue was discussed at the highest level with our service provider to ensure their operators have the necessary linguistic and soft skills to ensure that sufficient detail is included in their reports without compromising caller confidentiality.

We also launched a Sappi campaign encouraging users to use the ethics hotline website reporting channel rather than the phone line, without removing the phone option from communications. We have seen an increase in users using the website reporting channel resulting from the campaign which has assisted with ensuring the necessary incident details are included at the outset.

To drive awareness across Sappi, we continued to participate in **significant international events**, including Global Ethics Day, International Fraud Awareness Week and World Whistle-blower Day.

In line with our emphasis on ethical behaviour, we conducted **training** on the following topics:

- 1/ **Anti-fraud and corruption (relevant new employees in all regions)**
- 2/ **Code of Ethics online training (relevant new employees in all regions)**
- 3/ **Environmental Law training (relevant new employees in all regions)**
- 4/ **Competition Law (relevant new employees in all regions)**
- 5/ **Occupational health and safety compliance (relevant new employees in all regions and a refresher course for South Africa, North America, Europe and Sappi Trading)**
- 6/ **Avoiding Conflicts of Interest in the workplace (South Africa)**
- 7/ **Data Governance including regional laws like the Protection of Personal Information Act and the GDPR (South Africa and Europe)**
- 8/ **Protection of our Intellectual Property and what constitutes confidential information**

Training initiatives incorporate relevant and practical examples and have been implemented to inculcate the correct ethical behaviour and responses while avoiding a tick-box approach to ethics.

Ethical considerations in the workplace under the drivers of inclusion and the general working environment at Sappi were incorporated into the **2023 employee engagement survey**. As indicated in the table on the following page, all the scores were high performing (at or above 60%) with an overall driver average score of 74% for Sappi employees' experience of their working environment and an overall driver average score of 73% for inclusion in the workplace.

To drive awareness across Sappi, we continued to participate in **significant international events**, including Global Ethics Day, International Fraud Awareness Week and World Whistle-blower Day.



Ethical behaviour and compliance continued

Ethical issues covered in the FY2023 employee engagement survey

Survey questions (drivers: working environment and inclusion)	Comparison with previous survey	2023 survey	2021 survey	Benchmark (if available)
I understand the safety and other risks related with my job.	↑	94%	92%	-
I am able to control safety and other risks related to my job.	↑	84%	82%	-
I am physically safe while at work.		76%	75%	87%
I have not felt pressured to do something unethical at work.	↑	75%	76%	-
The organisation takes action to maintain the health and safety of employees.	n/a	73%	-	75%
I am aware of Sappi's hotline and how to access it.	↑	71%	64%	-
The organisation acts against employees who do not adhere to the Code of Ethics.	↑	67%	65%	-
Employees report accurate and complete information.	↓	66%	69%	-
The physical workspace is conducive to working effectively.	n/a	60%	-	67%
I have not been discriminated against at this organisation based on age, gender, identity, sexual orientation, race, religion or colour.	↑	80%	77%	86%
I am not emotionally harassed at work.	↑	76%	70%	84%
I am comfortable being myself at this organisation.	n/a	72%	-	79%
This organisation supports an inclusive environment where individual differences are celebrated and encouraged.	n/a	63%	-	73%

Ethical behaviour and compliance continued

Opportunities *for* value creation

We constantly strive to develop and update relevant policies to support our efforts to maintain and improve our high ethical standards. The Group Whistle-blowing policy has been carefully reviewed and updated to align with the latest global standards and best practices. In addition we have developed a new Group Anti-retaliation policy which complements and enhances our commitment to supporting and maintaining our ethical standards.

These policies will help to drive value creation by strengthening our commitment to transparency, integrity, and ethical conduct and are critical components of our ethical framework, empowering employees to report any concerns or suspected violations of policies, laws, or moral standards without fear of reprisal.



Responsible procurement

Financial materiality:

With over 16,000 suppliers, maintaining a well-organised supply chain is integral to our business and key to meeting our strategic pillars which include growing our business, sustaining our financial health and driving operational excellence. It also underpins our licence to operate.

Impact materiality:

In today's environmentally and socially conscious world, ethical supply chains are a key concern. By avoiding negative sourcing impacts, giving our customers and consumers transparent insight into our supply chain and collaborating with our suppliers to promote responsible business, we are enhancing trust – the fourth pillar of our strategy – and working towards our vision of a thriving world.

How this issue links to other aspects of our business

Our global priority SDGs



Our strategic fundamentals



Our top 10 risks



The global forces shaping our Thrive strategy

Rapid pace of technological innovation and threats, including cyber threats

Changing consumer and employee behaviour

Shifting demographics

Our highlights

81% of our global eligible procurement spend covered by a signed Supplier Code of Conduct.

In terms of procurement spend, in SEU 72% of spend was covered by suppliers on EcoVadis, 37% in SNA and 48% in SSA.

Responsible procurement continued

Background

By working together in partnership with suppliers, we recognised that we could better identify risk, assess social and environmental performance, as well as encourage commitment to sustainable choices and the UN SDGs throughout our value chain. Accordingly, in 2019, we drew up a new group Supplier Code of Conduct and began to request self-declarations of supplier compliance. In 2020, we identified EcoVadis as an appropriate risk mitigation and measurement tool and globally since 2021, have been using EcoVadis to assess the ESG performance of our suppliers.

EcoVadis is a standardised questionnaire that companies fill in annually, and then share with multiple customers. EcoVadis provides the platform, scoring methodology and in-house analysts who review the information and documentation submitted.

The EcoVadis scorecards enable us to gain insights into suppliers' corporate social responsibility (CSR) performance in an efficient way to inform our business decisions. They also help to identify risk and prioritise areas where further improvements are needed. In FY2023 we continued to promote the use of EcoVadis by our suppliers and regularly review scores and requested corrective actions where needed. In addition, in line with our SBTi-endorsed commitment that 44% of our suppliers (by spend) will have science-based targets by 2026, we have now included a focus on climate action in our engagement with suppliers.

Key developments in FY2023

There is growing **regulatory pressure** in all areas in which Sappi operates to ensure that supply chains are transparent. Examples include the upcoming EU Corporate Sustainability Due Diligence Directive (CSDDD) and the German Act on Corporate Due Diligence to Prevent Human Rights Violations in Supply Chains, more commonly known as the German Supply Chain Act (GSCA). Both require companies to uphold international human rights and environmental standards in their supply chain, including those on child labour, modern slavery and occupational health and safety. They also emphasise environmental issues, recognising that environmental violations also infringe on human rights. The due diligence obligations along the supply chain extend from the company's own business area and direct suppliers as well as – in less strict form – indirect suppliers.

As Sappi has over 1,000 employees in Germany, the GSCA will apply to our German operations from 2024 and we will be applying it to all SEU mills. The European sustainability team is addressing the requirements of the GSCA through the work of the Sustainable Procurement Committee and all learnings and processes developed are being shared with other regions where appropriate.

We are confident that our work to date regarding a sustainable supply chain and our alignment with the UN Guiding Principles will help to establish a strong foundation from which to deal with these and other developments that may arise, future-proofing our business.

In terms of **performance**, our **Thrive 2025** target is that 80% of procurement spend should comply with the Supplier Code of Conduct (the Code). In SEU, 84% of eligible spend was covered by signed declarations or agreements into which the provisions of the Code are embedded, 85% in SNA and 64% in SSA. Globally, this translates to 81% of global eligible procurement spend.

By the end of FY2023, 796 suppliers were sharing their EcoVadis scorecards with us and another 400 were in progress to disclose on the platform. In terms of spend, in SEU 72% of spend was covered by suppliers on EcoVadis, 37% in SNA and 48% in SSA. Our average supplier score on EcoVadis is 60.3, which is 14.6 points above the platform's benchmark. We assigned corrective actions to 52 companies via EcoVadis in FY2023, all of which were completed. In terms of suppliers and climate, the status is as follows: 88.9% of our suppliers disclosing on EcoVadis are acting on energy consumption and GHG emissions, 73% use renewable energy, 62% report on CO₂ emissions, 44% disclose to CDP Climate, 48% report Scope 3 emissions, 30% are part of the SBTi, while 20% have ISO 50001 certification.

In **other developments**, throughout FY2023 we have been further developing our approach to managing Scope 3 emissions, including developing a questionnaire and data collection process to collect primary emissions factors from our suppliers and other information about their decarbonisation efforts. This new supplier engagement campaign will initiate in early 2024.

We are now working towards incorporating supplier scores into procurement processes and increasing spend with suppliers who have demonstrated good EcoVadis performance.

By the end of
FY2023
796
suppliers
shared their
EcoVadis
scorecards with us

Responsible procurement 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 142 countries and jurisdictions worldwide 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, and 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 and major trading 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.

2023 global scores and rankings

Country	Overall index score	Global rankings (out of 142 countries)
Austria	0.80	11
Belgium	0.78	16
Canada	0.80	12
Finland	0.87	3
Germany	0.83	5
Hong Kong	0.73	23
Italy	0.67	32
Netherlands	0.83	7
South Africa	0.57	56
United Kingdom	0.78	15
United States of America	0.70	26

Note: Given here in alphabetical order

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, and measures to contribute to the elimination of all forms of forced or compulsory labour.

Responsible procurement continued

Opportunities *for* value creation

In a survey of approximately 27,000 global customers published in September 2021, approximately 88% of the participants said they would prioritise purchases from companies that implement ethical sourcing practices. Around 83% of them are ready to pay extra for a product that has a guaranteed ethical source. Moreover, close to 64% of 18 to 24-year-olds, which represents almost two-thirds of the youngest adult buyers, mentioned that they would not buy from a company again if it was accused of engaging with unethical suppliers.

As we continue to expand our responsible sourcing practices, so we are honing our competitive advantage across global markets.

STRENGTH



Prosperity

Our management approach to prosperity

Our vision is of a thriving world and is about being more connected to the needs of our people and planet and achieving prosperity of which we can all be proud.

We have transformed during the last five years to become a more diversified group with investments in growing markets. 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 continue to identify and invest in product lines with the best returns and longevity, as well as scan for and review potential investment opportunities. Our Brand Council drives a coordinated global programme to increase the visibility and value of the corporate brand and secure market preference through our portfolio of branded products and services.

We engage on an ongoing basis with customers and end-users to identify their needs and expectations. We also prioritise collaboration with customers, suppliers, converters and other parties in the value chain to unlock value and opportunities.



Prosperity continued

Key developments in FY2023

Following the records achieved in FY2022, Sappi was able to deliver a satisfactory set of results under particularly difficult circumstances with an EBITDA excluding special items of US\$731 million for the year ended September 2023. The widespread disruption caused by ongoing geopolitical instability, weak global economic growth, rising interest rates and an underperforming Chinese economy negatively impacted markets for our products.

Despite 2023 being one of the most challenging downcycles experienced in the pulp and paper industry, with demand for our paper products falling below that of the Covid-19 pandemic years, we achieved some significant milestones. The South African business delivered record EBITDA and North America the second highest ever EBITDA.

We also generated significant cash, which enabled a further reduction of net debt at year-end to US\$1,085 million, the lowest level in 30 years.

The unfavourable trading conditions faced in 2023 were further exacerbated by a prolonged period of downstream inventory destocking as buyers slowly worked through inventories that had been built up in the second half of 2022. In response to these headwinds, we concentrated on preserving selling prices, efficiently managed our capacity and inventories to optimise working capital and implemented various cost-saving initiatives across our operations, all of which positively contributed to the earnings performance.

Amidst the persistently volatile and challenging macroeconomic environment, we demonstrated agility and resilience. Our FY2023 results align with the strategic fundamentals of our **Thrive** strategy: drive operational excellence, enhance trust, sustain our financial health and grow our business, under the overarching umbrella of our focus on sustainability.

Our FY2023 performance at a glance

Profit for the year
US\$259 million

(FY2022: US\$536 million)

EPS excluding
special items:
52 US cents

(FY2022: 138 US cents)

EBITDA excluding
special items
US\$731 million

(FY2022: US\$1,339 million)

Net debt:
US\$1,085 million

(FY2022: US\$1,163 million)

Dividend
15 US cents per share

(FY2022: 15 US cents per share)



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

Prosperity continued

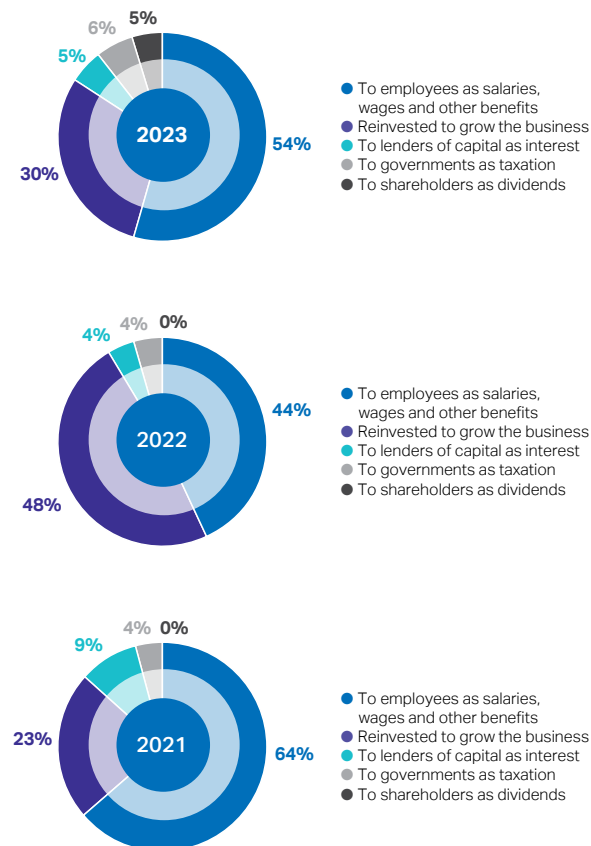
Adding value to daily life

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 products, made from renewable raw materials. Many of our products are recyclable and compostable.

- Our Verve dissolving pulp is increasingly positioned as the Fibre of Choice and is used worldwide by converters to create viscose fibre for fashionable clothing and textiles, pharmaceutical products as well as a wide range of consumer and household products. Dissolving pulp is a highly purified form of cellulose extracted from trees using unique cellulose chemistry technology. Sappi is one of the largest manufacturers of dissolving pulp with a capacity of 1.5 million tons per annum and a 15% share of the global market
- Our quality speciality papers include label papers and self-adhesives; casting and release papers used by suppliers to the fashion, textile, automotive and laminate industries; dye-sublimation papers, digital imaging papers and tissue paper
- Packaging papers include flexible packaging, containerboard and paperboard
- Our bioproducts offer a viable alternative to fossil-fuel based products and align with our approach by making the most out of every tree harvested. We have established a strong position in adjacent businesses including: nanocellulose, furfural, lignosulphonates and bioenergy
- 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.

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

Value added over the last three years



Sappi
is one of the largest manufacturers
of dissolving pulp with a capacity of
1.5 million
tons per annum
and a **15%** share
of the global market

Prosperity continued

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.

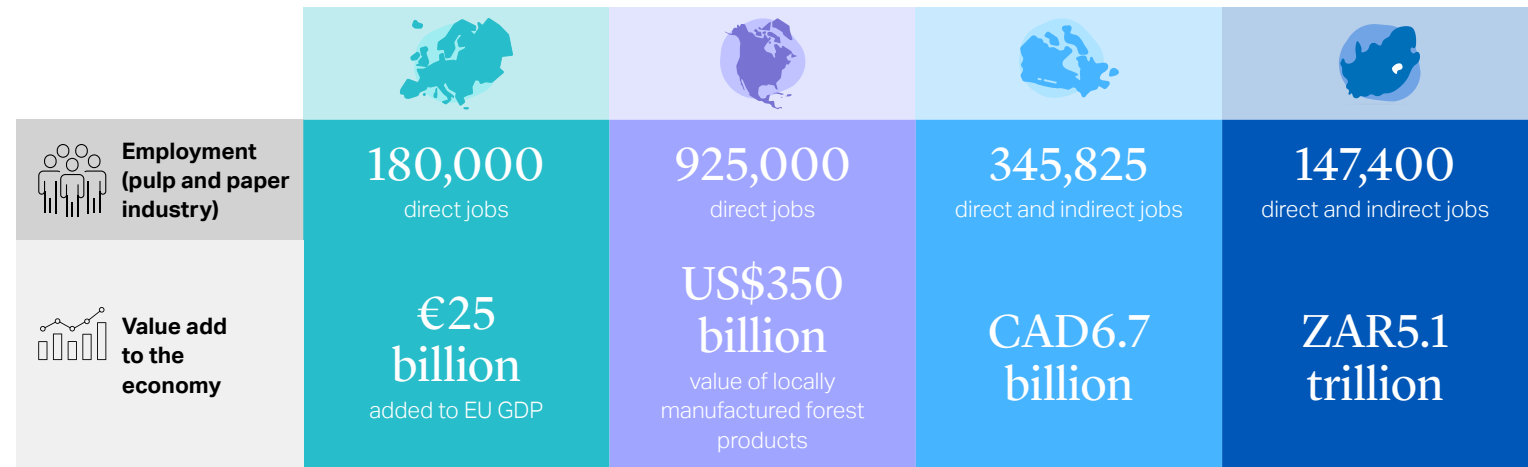
Indirect impact

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 wastepaper 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 FY2023, we added value to the prosperity of the regions where we operate by: Providing work opportunities for over 10,000 people who are employed by contractors working for Sappi Forests in South Africa, in addition to our own employees. 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 pulp and paper and forestry industries are strategic economic sectors and make 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.



Sources:

-  <https://www.cepi.org/wp-content/uploads/2023/07/2022-Key-Statistics-FINAL.pdf>
-  <https://www.afandpa.org/statistics-resources>
-  <https://cfs.nrcan.gc.ca/statsprofile/employment/CA>
-  <https://www.statista.com/statistics/596788/key-data-on-the-paper-and-pulp-industry-in-canada/>
-  <https://www.forestrysouthafrica.co.za/wp-content/uploads/2022/07/SA-Forestry-Forest-Products-Industry-2019-1.pdf>

Agility and operational efficiency

Financial materiality:

Within the context of a persistent global economic downturn characterised by depressed markets, geopolitical instability and weak economic growth, acting boldly by being agile and prioritising operational efficiency are more important than ever before. With a keen focus on maintaining shareholder value, we continue to diligently manage working capital through production curtailments and by adapting our product and market mix to match demand. This aligns with our long-term **Thrive** strategy, which focuses on growing our portfolio in packaging and speciality papers, pulp and biomaterials. By investing in our business to pursue growing areas of demand, we can remain profitable and competitive in the global marketplace. As an example of the opportunities this represents, the global sustainable packaging market is predicted to grow at a compound annual growth rate (CAGR) of 7.7% between 2023 and 2031. Shareholder value is also enhanced by our focus on operational efficiency and making more with less where implementation of best available technology maintains our competitive cost position.

Impact materiality:

Consumers, retailers and brand owners all over the world are looking for sustainable paper-based packaging solutions for their products, while eco-conscious consumers and shoppers are pressuring brand owners for more biodegradable, recyclable and compostable packaging, all reflecting a more circular economy. In addition, the environmental impact of packaging production, use and disposal continues to come under increasing scrutiny from regulators. We meet these needs by offering a broad range of paper-based sustainable solutions as an alternative to non-renewable based packaging in many of our product segments. By enhancing our operational efficiency and making more with less, we reduce our environmental impact of our operations.

<https://straitsresearch.com/report/sustainable-packaging-market>

How this issue links to other aspects of our business

Our global priority SDGs



Our strategic fundamentals



Grow our business



Sustain our financial health



Drive operational excellence

Our top 10 risks

2

Cyclical macroeconomic factors

6

Evolving technologies and consumer preferences

7

Supply chain disruption

10

Liquidity

The global forces shaping our Thrive strategy

Changing consumer and employee behaviour

Shifting demographics

Our highlights

Inaugurated a new warehouse at Carmignano Mill

Modernised PM11 at Gratkorn Mill

Completed debottlenecking on PM1 at Somerset Mill

Initiated the conversion and expansion of Somerset PM2 from coated woodfree paper (CWF) to solid bleached sulphate board (SBS)

Accelerated our digital transformation journey

Agility and operational efficiency continued

Key developments in FY2023



SEU

In 2021, we invested in a new and fully automated coating kitchen at Condino Mill, enabling optimised mixing processes and advanced siliconisation testing. The opportunities realised in this investment were highlighted by recent developments related to our well-established Silco product range, now rebranded as **Silco***. Following modifications to Silco*'s surface barrier treatment, the product now offers improved silicone anchorage, reduced silicone consumption and excellent silicone curing properties. These enhancements mean customers save on silicone – and costs. In addition, a possible lower drying oven temperature enable energy savings while improved runnability offers the potential for increased production output.

Silco* is part of the mill's Glassine range of paper-based release liners. Due to their unique barrier treatment and supercalendered surface on both sides, Glassine papers feature an optimal two-sidedness, outstanding siliconisation properties as well as easy and efficient processing. They are used as release liners for a variety of industrial tape applications, as process liner for composites, as well as for self-adhesive labels.

In April 2023, we inaugurated a **new warehouse** at Carmignano Mill which was extended by 6,500 square metres (m²) from the original 10,000m². A significant portion of our dye sublimation business is sold in smaller reels, called either plotter rolls or mini jumbos. To support our customers and satisfy their increased demand as well as further improve lead times, we are now installing a fully automated 1.9 metre, high-speed converting machine and packaging line, as well as a 3.2 metre oversize converting machine. These developments allow the mill to offer a complete in-house solution for sublimation papers from development and production, through converting to shipment.

In December 2022, we announced the modernisation of paper machine number 11 (PM11) at **Gratkorn Mill**. The €34.5 million upgrade is focused on extensive, phased modernisation of automation and electrical equipment including drives, control systems, quality control and inspection systems as well as upgrades to the coating profile and other areas.

As evidenced by this investment, we believe that commercial print will continue to play an important role going forward. Gratkorn PM11 is the largest coated woodfree paper machine in Europe and maintaining its competitive cost position is critical to our graphic paper strategy. Our investment ensures that we can continue to serve the commercial print market profitably.

In April this year we announced that the negotiations initiated in FY2022 to sell our **Kirkniemi, Maastricht and Stockstadt Mills** could not be completed and the sale had lapsed.

In line with our **Thrive** strategic objective to reduce exposure to graphic papers markets, we then launched a programme to review the longer-term future of each graphic papers asset within Sappi. Having explored all options for Stockstadt Mill, including discussions with other potential buyers, it has become evident that selling the mill as a going concern was not possible. In response, we have completed a consultation process regarding the closure of the mill and agreed on the social plan for the employees. In addition, an agreement has been signed for the sale of the site. The closure of the site should be completed during the first

calendar quarter of 2024. Subsequently we have also begun the consultation process on the potential closure of the Lanaken Mill. Discussions on the future of the mill have been initiated with the mill's management, the Economic Works Council and the Works Council. Discussions include, among other possibilities, the closure of the pulp mill and paper machine and the sale of the site.

We believe these restructuring measures result in a better utilisation of Sappi's remaining assets to the benefit of our customers. They will continue to be served from other Sappi mills in Europe, focusing predominantly on commercial print and packaging and speciality paper applications in flexible packaging, functional papers, self-adhesive products including glassines and labels as well as dye sublimation categories.

In line with our **Thrive** strategic objective to reduce exposure to graphic papers markets, we launched a programme to review the longer-term future of each graphic papers asset within **Sappi**

Key developments



SNA

Underlying demand for packaging and speciality papers in North America is growing as consumer preferences and legislation shifts towards environmentally sustainable packaging solutions. Demand from the foodservice board sector is anticipated to increase significantly in the coming years as legislation banning the use of polystyrene foam packaging products in several US states catalyses the shift from plastic to paper packaging. Accordingly, a US\$418 million investment at **Somerset Mill** to convert paper machine number 2 (PM2) from coated woodfree graphic papers to solid bleached sulphate board (SBS) is currently in progress. The machine capacity will also be increased during the conversion from 235,000 tons per annum (tpa) to 470,000 tpa. SBS is used in premium packaging for cosmetics and perfume, health and beauty care, consumer electronics, confectionary, luxury drinks and more. Foodservice items such as plates, dishes and cups also use SBS as a sustainable alternative to plastic. The project is expected to be commissioned early in 2025. This investment in an integral component of our long-term **Thrive** strategy to grow our packaging and speciality papers portfolio and ensures that we can remain profitable and competitive in the global marketplace.



SSA

Following an upgrade to the PM1 kraft linerboard paper machine at Ngodwana Mill, in FY2023 we have steadily launched a new range of lower grammage options utilising the better strength properties of the linerboard following the upgrade. This has resulted in lightweighting benefits for our customers in terms of less material, related transport savings and reduced CO₂ emissions.



Key developments continued

Operational efficiency

Progressing process improvements

In **SNA**, at Cloquet Mill we have finalised a project to replace the existing reel assembly, unwind stand and spool storage handling with a reel that will wind up full size jumbo reels on the machine. In addition to efficiency gains, having a reel capable of producing full size parent rolls has made it possible to enter new-to-Cloquet Mill paper markets that are sensitive to high splice counts such as ink jet web and release liner grades.

In **SSA** we achieved the following:

- Due to the sluggish nature of cycling up cooking acid, Saiccor Mill found it challenging to accelerate pulping production to full capacity following maintenance shutdowns or significant outages. To address this obstacle, the Saiccor team engineered a solution to reduce the dependency on the recovery circuit alone and instead, establish an autonomous cooking acid production system. Redundant equipment was deployed to construct this offline cooking acid process and was successfully commissioned in FY2023. This system is now replenishing the acid circuit post-shutdowns and generating additional acid during periods of acid shortages. Through this optimisation of the cooking liquor circuit, production losses stemming from acid shortages were reduced by a remarkable 70%
- The calcium-based cooking process at Saiccor Mill was converted to the more sustainable closed loop magnesium-based process in 2022. This enabled additional magnesium spent liquor from the cooking process to be recovered for use in the recovery boilers in 2023, which significantly increased the mill's steam production from renewable energy. A capital project to install a new turbine was approved late in 2023 and will be commissioned at the end of calendar 2024. The turbine will enhance the mill's power self-sufficiency by 12% and slash Scope 2 emissions by an impressive 89,800CO₂e tons as we displace fossil power purchased from Eskom.

Progressing our Thrive global harmonisation projects

Our global harmonisation journey, which began in 2019 and is focused on simplification, visibility and reinforcing OneSappi, continued to gain momentum. The four cornerstones of this initiative are set out in the table below.

Name of project	Project Pelati	Project Synergy	Project Simunye	Project Digital
Objective	Optimising global business processes across sales, supply chain and finance	Driving manufacturing efficiencies at scale for all mills across the group	A global roadmap for one logistics system for all Sappi businesses	A global digital roadmap for one digital platform for all Sappi businesses
Benefits	• Harness our globality • Improve efficiencies • Best practices at scale • Focus on value adding work.	• Improve efficiencies • Data analytics/best practices at scale • Enhanced long term solution.	• Better integration and coordination across multiple functions and regions.	• Deliver a targeted EBITDA improvement of US\$40 million over five years by implementing the business driven, digital roadmap.

Under **Project Pelati**, the order change management and display process, which handles critical changes between the production start and the delivery date, has progressed well and further refinements are in progress. Sales volume, price and cost-centre planning successfully went live without any interruption and were used for the FY2024 budget process. Harmonisation of the global price strategy is scheduled to go live in January 2024, with design of the new price maintenance tool and implementation scheduled for April 2024.

Manufacturing efficiency underpins Sappi's productiveness, cost containment and overall competitiveness. The **Project Synergy** team has now successfully launched configuration analysis (machine learning) for the manufacturing execution system (MES) at both pilot mills, Ehingen and Ngodwana. Configuration analysis continues, as does the development and testing. Planned to go live for Ehingen Mill is November 2024 and for Ngodwana Mill is March 2025. The team is progressing Advanced Recipe Management (ARM) and pulp optimiser initiatives and applying an agile development methodology for the full scope of improvements.

The **Project Simunye** team is creating a global roadmap for one logistics system for all Sappi regions that synchronises end-to-end business processes and enables real time visibility. This in turn is leading to better integration and coordination across multiple functions and regions. The implementation of a new transportation management (TM) system in South Africa is complete and work to incorporate transportation data for all regions into one TM system continues. The build of our port-to-port container visibility under our global track and trace (T&T) system is now also complete.

Key developments continued

The **Project Digital** team has made progress in rolling out the advanced analytics capability in manufacturing, with 185 digital twins deployed or in progress across 15 mills. Digital twins are 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. The advantages of digital twins include monitoring products in real time; refining assumptions; increasing the level of integration between unconnected systems and remote troubleshooting of equipment.

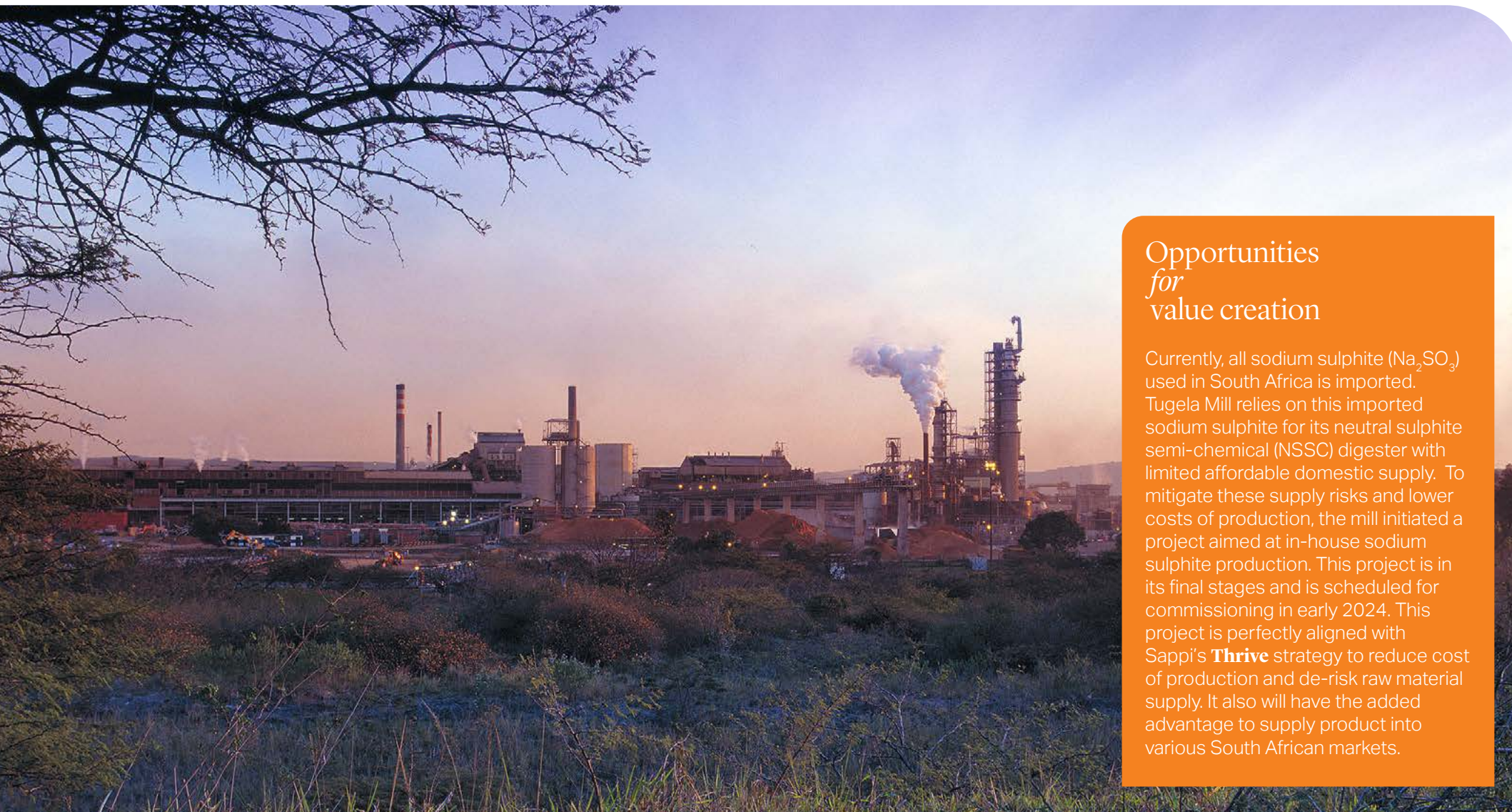
A key building block of realising Sappi's digital strategy is the creation of a central data repository that will serve both our business intelligence and analytical business requirements. Google's BigQuery was selected as the cloud-based data platform. Sappi has approved various initiatives leveraging BigQuery as a data warehouse with the focus for FY2024 to migrate further data to the platform driven by business use cases. Key to the strategy is the value creation from these digital initiatives, with the first three initiatives generating value as from the second half of FY2023.

Tracking overall machine efficiency

Globally, to ensure and enhance operational efficiency, we track the **overall machine efficiency** of every single paper machine in all three regions and compare this against 'best own practice' and 'best realisable'. World-class benchmarks are considered for the different types of paper machines and product portfolios. Every year, the team challenges the new 'best realisable' figure during the budgeting process against new benchmarks, own improvements and records achieved. In FY2023, of our 28 paper/packaging assets, 13 improved performance year-on-year. This is down from 16 in FY2022, due largely to low asset occupancy, stop/starts and reduced operating rates (speed) in North America and Europe. We continue to monitor performance to enhance understanding of grade changes, quality issues, sheet-breaks and mix impacts in order to ensure continuous improvement.



Key developments continued



Opportunities *for* value creation

Currently, all sodium sulphite (Na_2SO_3) used in South Africa is imported. Tugela Mill relies on this imported sodium sulphite for its neutral sulphite semi-chemical (NSSC) digester with limited affordable domestic supply. To mitigate these supply risks and lower costs of production, the mill initiated a project aimed at in-house sodium sulphite production. This project is in its final stages and is scheduled for commissioning in early 2024. This project is perfectly aligned with Sappi's **Thrive** strategy to reduce cost of production and de-risk raw material supply. It also will have the added advantage to supply product into various South African markets.

Low-carbon, circular bioeconomy

Verve

Financial materiality:

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 will drive increasing market share for dissolving pulp (DP), particularly wood-based cellulose for which the bulk of Sappi's DP is used.

Impact materiality:

By improving traceability in the textile value chain and lowering the carbon footprint of Verve, we can help to grow a healthier planet and increase consumer confidence in the products they purchase.

How this issue links to other aspects of our business

Our global priority SDGs



Our strategic fundamentals



Our top 10 risks

2	Cyclical macroeconomic factors
4	Sustainability expectations
5	Climate change
6	Evolving technologies and consumer preferences

The global forces shaping our Thrive strategy

Changing consumer and employee behaviour

Shifting demographics

Climate change and climate transition

Resource scarcity and growing concern for natural capital

Our highlights

Progressed collaborative textile value chain partnerships to develop circular solutions for fashion

Publicly disclosed our Higg FEM and FSLM scores for Cloquet Mill and Saiccor Mill respectively

Progressed the water stewardship project with WWF-SA in the uMkhomazi catchment near Saiccor Mill and extended the partnership for another four years



Low-carbon, circular bioeconomy continued

Background

Sappi is one of the world's largest producers of dissolving pulp (branded as Verve), with capacity of 1.5 million tpa and 15% of the global market. Our leading position was consolidated in FY2022 when we expanded capacity at Saiccor Mill by 110,000 tpa. The significant environmental benefits of the ZAR7.7 billion upgrade include reduced fossil fuel carbon emissions, reduced sulphur dioxide emissions, improved specific water use efficiency and reduced water consumption, and a reduction in solid waste to landfill from coal ash.

Key developments in FY2023

Together with Accelerating Circularity and other industry players we helped establish Alliance of Chemical Textile Recycling (ACTR) to develop **a dictionary of common terms** to educate the industry on chemical recycling of textiles. It includes, among others, definitions of various chemical recycling technologies, as well as definitions of 'waste' in different regions of the world.

In a further drive to promote textile circularity, we are currently involved in an initiative to develop **proof of concept for a circular fashion model**. This involves using cotton waste from South Africa to produce recycled fibre and fabric for garments and textiles for the South African market.

To verify the impact of the recent capacity expansion and environmental upgrade at Saiccor Mill, a cradle-to-gate **life cycle analysis (LCA)** was completed for Verve. The LCA was conducted by Quantis and results were shared with key customers to verify the improved climate impact of lyocell, viscose and pharmaceutical dissolving pulp grades produced at the mill.

Cloquet Mill recently completed the **Higg Facility Environmental Management (FEM) verification audit**. A final score of 91.5% was achieved which reinforces and demonstrates the sound environmental practices employed by the mill. Supporting the call to accelerate transparency in the textile and apparel sector, a detailed performance report will be made available to all key stakeholders on request.

In addition, a **Higg Facility Social & Labour Module (FSLM) verification audit** was performed for Saiccor Mill. The mill achieved a verified score of 91.5% confirming the sound social and labour practices in South Africa and within Sappi.

Sappi's excellent performance in this industry benchmarking programme provides additional assurance to our customers and value chain that Verve is indeed a Fibre of Choice.



About Higg

Developed by the Sustainable Apparel Coalition (SAC), the Higg Facility Environmental Management (FEM) is part of a suite of tools that enables manufacturing facilities of all sizes to measure and score their environmental performance against a standard set of criteria, allowing for meaningful and credible performance benchmarking in the apparel and textile sector. Across topics such as water use, carbon emissions and waste management, the Higg Index can be used by consumer goods brands, retailers, manufacturers, governments, NGOs and consumers to inform their individual sustainability strategies and drive collective industry transformation.

The Higg Facility Social & Labour Module (FSLM) measures the social impact of manufacturing across areas such as wages, working hours, health and safety and employee treatment.



The Saiccor Mill achieved a verified score of

91.5%

confirming the sound social
and labour practices in
South Africa within Sappi

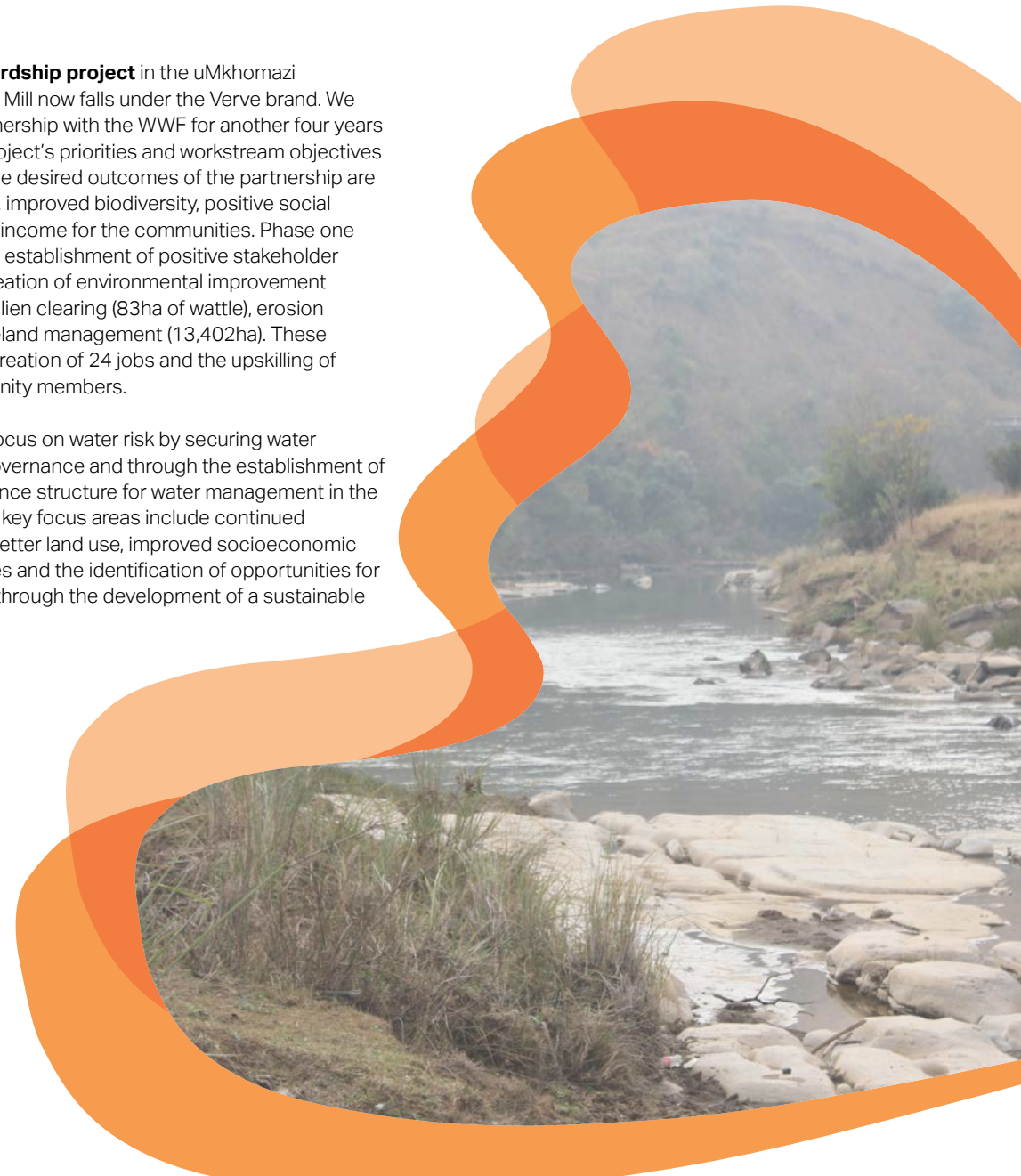
Low-carbon, circular bioeconomy *continued*

We have been engaging extensively with South African retailers to educate them on sustainable viscose made from Verve and to highlight Sappi's sustainability credentials, especially in terms of South African forestry and certification. We have also been promoting South Africa as the cradle of lyocell grade DP by focusing on Sappi's more than 50% share of DP supplied to global lyocell end-markets. This has been achieved through:

- Key speaking opportunities at retail and fashion events
- Direct communication with retailer stakeholders – for example, coordinating efforts between retailers and Verve viscose and lyocell producers to secure sourcing of fibre produced from Sappi DP. Another example is initiating a sustainable viscose pilot with full traceability between certain retailers and Birla Cellulosics
- Holding annual Verve learning journeys where stakeholders participate in a week-long programme during which they visit our forestry and nursery operations, as well as our social impact programmes and Saiccor Mill.

Our **WWF Water Stewardship project** in the uMkhomazi catchment near Saiccor Mill now falls under the Verve brand. We have extended our partnership with the WWF for another four years and alignment on the project's priorities and workstream objectives has been completed. The desired outcomes of the partnership are improved water security, improved biodiversity, positive social impact, and sustainable income for the communities. Phase one sets the platform for the establishment of positive stakeholder engagement and the creation of environmental improvement projects. This included alien clearing (83ha of wattle), erosion control and better rangeland management (13,402ha). These projects facilitated the creation of 24 jobs and the upskilling of an additional 65 community members.

The second phase will focus on water risk by securing water through proper water governance and through the establishment of a single agreed governance structure for water management in the entire catchment. Other key focus areas include continued ecological restoration, better land use, improved socioeconomic wellbeing of communities and the identification of opportunities for additional partnerships through the development of a sustainable finance model.



Low-carbon, circular bioeconomy continued



Opportunities *for* value creation

In FY2024 we will be launching an in-store marketing and retail campaign in South Africa spearheaded by a top local fashion designer and focused on positioning Verve as the Fibre of Choice for the more sustainable portfolio of fibres ie lyocell and sustainable viscose fibres.

The campaign is underpinned by our focus on sustainability (including the aspect of traceability) as a key value differentiator. In addition, it aligns with the South African Government's clothing, textiles, footwear and leather (CTFL) Master Plan which aims to stimulate the value chain feeding into South Africa's major CTFL retailers.

Biomaterials

Financial materiality:

Under our **Thrive** strategy, one of our stated objectives is to pursue circular ecosystems and economies – including utilising 100% of each tree we harvest. Our innovative technology enables us to derive biochemicals and biomaterials from the parts of the tree which are not used for pulp and papermaking, thereby creating additional revenue generation opportunities.

Impact materiality:

By harnessing the unique properties of wood acids, wood sugars and wood lignin to provide a range of biobased products, we are enhancing environmental sustainability to the benefit of people and the planet.

How this issue links to other aspects of our business

Our global priority SDGs



Our strategic fundamentals



Our top 10 risks

2	Cyclical macroeconomic factors
4	Sustainability expectations
6	Evolving technologies and consumer preferences
10	Liquidity

The global forces shaping our Thrive strategy

Move towards a circular economy

Changing consumer and employee behaviour

Climate change and climate transition

Resources scarcity and growing concern for natural capital

Our highlights

Progressed development of Viscowell, our lignosulphonate-based product used in oil-well drilling for mud thinning, fluid loss and as a retarder for well cementing.

Furfural pilot plant commissioned at Saiccor Mill and plans for commercial furfural plant at the same mill well advanced.



Biomaterials continued

Background

We established Sappi Biotech in 2016, to take global responsibility for the commercialisation of high-value-add products extracted from woodfibre during the pulping process.

Key developments in FY2023

Valida fibrillated cellulose is a renewable material – natural cellulose – the most abundant organic material on earth. Valida offers a natural, biodegradable alternative to synthetic ingredients in a wide range of applications. Valida can already be found in a range of commercial hair products, skincare products and cosmetics where the natural origin is complemented by the strong rheological performance and pleasing skin feel. Valida is also being successfully incorporated into homecare detergents, specialised concrete formulations and decorative paints. The application of Valida to significantly reduce frost and sun damage in fruit and vegetables has been successfully demonstrated.

In September 2023, the European Commission adopted measures to **restrict microplastics** intentionally added to products under the EU chemical legislation REACH. The adopted restriction uses a broad definition of microplastics, covering all synthetic polymer particles below five millimetres that are organic, insoluble and resist degradation. Some examples of common products in the scope of the restriction are cosmetics, where microplastics are used for multiple purposes, such as exfoliation (microbeads) or obtaining a specific texture, fragrance or colour. Also included are detergents, fabric softeners,

glitter, fertilisers, plant protection products, toys, medicines and medical devices, among others. This represents a significant opportunity for Valida which has already been demonstrated as a natural, biodegradable alternative. Our Valida manufacturing capacity has been significantly increased and now covers multiple sites in Europe and in South Africa. Valida is increasingly being used internally to enhance the functionality and performance of our Sappi paper and tissue products. Progress has been made in the development and scaling of Valida Dry and Valida Transparent products.

The value of our lignin business continued to grow from the strong performance of last year and we have accelerated the development and commercialisation of higher value lignin-based solutions. We progressed development of **Viscowell**, our lignosulphonate-based product used in oil-well drilling for mud thinning, fluid loss and as a retarder for well cementing. Oil-well drilling applications require a very high level of performance. Historically, this was achieved by modifying the lignosulphonates using chrome/ferro-chrome which is not considered environmentally friendly. The Sappi process of modification does not incorporate metals, making Viscowell more environmentally desirable.

During the last quarter of 2022, we commissioned our **furfural pilot plant** at Saiccor Mill. The pilot plant has successfully demonstrated that Sappi's furfural technology produces high quality furfural from hemicellulose-sugars present in the spent sulphite cooking liquor. The furfural produced

in our pilot plant has been tested by the market and meets even the most stringent requirements. We are finalising the engineering design and costing of our proposed commercial furfural plant which will position Sappi as one of the largest producers of furfural globally and with potential to expand further.

We continued to explore potential opportunities with a range of industry start-ups and technology developers, with whom we could possibly partner with, to develop and commercialise biobased products derived from **xylose**. There is ever-increasing activity in this area and numerous technologies are in either demonstration or startup phase.

Our **Sappi Symbio** product, a natural composite material combining high-quality cellulose from wood with thermoplastics, has proven to be 'best in class'. However, slow growth in demand resulted in us taking the decision to stop this development and invest our resources into projects which are showing greater short and medium-term promise. This is in line with our view that we need to be flexible if we are to achieve our vision of being a sustainable business with an exciting future in woodfibre. Sappi will review this opportunity should demand develop in the future. We are also engaging with interested parties who are interested in acquiring this class-leading technology.

information

About furfural

Furfural is produced from C5 sugars (sugar derived from non-food biomass) in hemicellulose through hydrolysis and dehydration. Essentially, it's a platform chemical for the production of numerous biochemicals. Its uses range from adhesives, antacids, fertilisers, flavouring compounds, inks and plastics, to solvents for the refining of lubricating oils. It can also be used as a fungicide, nematicide and weed killer. A large component of the world's furfural production is converted to furfural alcohol for furan resins.

Biomaterials continued

Opportunities *for* value creation

We support the drive to improve the impact of everyday products on the environment, particularly on precious water resources. Our biomaterials such as Valida offer unique opportunities for the manufacturers of home and personal care products to significantly reduce the negative consequences of daily use products which deposit unrecoverable and non-biodegradable particles into the soil, ocean and freshwater resources. Ever-increasing controls and pending legislative changes regarding the use of harmful chemicals in pesticides will create further opportunities for our lignin, furfural and Valida products which are being tested in a range of products aimed at reducing the impact of agriculture on the environment.



Innovation and collaboration

Financial materiality:

Technology is a core pillar of competitive advantage in our industry and relevant, ongoing technology investments are key to maintaining and amplifying enterprise value.

Impact materiality:

By developing new, competitive technologies we can lower energy consumption and increase our use of renewable energy, expand product lifecycles and reduce waste. We work to meet market supply and demand and grow profitability while respecting the boundaries of the planet.

How this issue links to other aspects of our business

Our global priority SDGs



Our strategic fundamentals



Our top 10 risks

4	Sustainability expectations
5	Climate change
6	Evolving technologies and consumer preferences

The global forces shaping our Thrive strategy

Move towards a circular economy

Climate change and climate transition

Resource scarcity and growing concern for natural capital

sappi technical
innovation
awards
2022



Our highlights

The top three finalists' entries in the Technical Innovation Awards represent a five-year net present value (NPV) of US\$34.3 million at a 100% probability of success rate

Launch of new wet-strength, alkali-resistant Parade Label Pro WS

Commercialisation of bagasse-based compostable thermomoulded food grade bowls and plates

Collaboration with Xeikon to develop printed, recyclable paper-based flexible packaging

New cloud-based Stage-Gate platform rolled out across the group.

Innovation and collaboration continued

Background

Research and development (R&D) at Sappi aligns with our **Thrive** strategy which prioritises growth in packaging, product diversification, efficiency, productivity and quality, as well as innovative and sustainable solutions, which are a mix of new or improved products or optimised processes. Our R&D initiatives focus on early identification of trends and disruptive technology that challenges the status quo.

Under Sappi's **Thrive** strategy, we are committed to making the most out of every tree harvested. This means investing in innovation and R&D in order to develop new processes and biomaterials which extract more value from each tree, within the context of a climate-constrained world, our own climate-related goals and our alignment with our priority UN SDGs.

Sappi R&D efforts focus on taking us into new markets and introducing new products which firstly, meet the needs of environmentally conscious consumers and secondly, find solutions for a new manufacturing reality in a low-carbon, biobased circular economy. Projects are progressed to commercialisation through an internally developed stage-gate model.

Key developments in FY2023

In FY2023, **R&D spend** was US\$44 million. We continued to focus on:

- Meeting the challenges of the packaging legislative environment, in particular single-use plastics, microplastics and recyclability
- Developing lignin value-add products
- Assessing alternative pulping technologies
- Optimising the graphic papers sector and increasing focus on cost reduction
- Environmental impacts, including climate change risk; water treatment and product circularity in our products (recyclability, compostability and biodegradability).

Another area of focus was decarbonisation including pulp backward integration which brings renewable energy opportunities aligned with our strategy. In addition, our Future Energy Technologies and Decarbonisation 'cluster' (or working group) is exploring novel technologies for **fuel switching and deep decarbonisation** in terms of Scope 1 and 2 emissions, with a particular emphasis on energy, pulping, papermaking and bleaching.

We rolled out the new cloud-based **Stage-Gate platform** to manage group innovation and the R&D portfolio aligning regional systems into one global process. All relevant stakeholders have received comprehensive training on the governance framework of the newly harmonised stage-gate process and platform navigation. 'Gate' meetings have taken place in all regions and have significantly enhanced the decision-making process.

An idea management module incorporated into the new platform was piloted for new product development ideas for Stanger Mill. The official handover to the process owners, the regional Vice Presidents of R&D and Innovation, is planned for the start of FY2024.



information

About our Stage-Gate process

New software was introduced to create a OneSappi approach to R&D and ideation. It uses a structured Stage-Gate process to develop technologies, deliver products to market, and process improvements to the mill, ensuring positive financial contribution or cost savings. The software was designed to fit Sappi's existing approach to R&D and adapted to cater for future improvements recommended by the group technology management team. The platform incorporates forecasts for financial value delivery and using the net present value (NPV) metric for every R&D project.

The process assesses the viability of projects in small steps using a cross-functional team of individuals to decide whether to progress the project to launch. The process is designed to fail-fast early, improve the success rate of launching projects that deliver financial value delivery and shorten time to market. Using a standard set of in-house questions, the platform was designed to ensure that only projects that align with Sappi's strategy for growth, improved environmental performance and meet the voice of the customer, are progressed to launch. The project risk is assessed across several elements to create a project scorecard to inform decision-making.

Under **Sappi's Thrive** strategy, we are committed
to making the most out of
every tree harvested

Innovation and collaboration continued

In terms of product innovation, key developments were:

- The expansion of our portfolio of wet-glue label papers with the new wet-strength, alkali-resistant **Parade Label Pro WS**, produced at Gratkorn Mill. This expansion complements our non-wet-strength Parade Label Pro for wet-glue labels, providing full coverage of our customers' needs. Parade Label Pro WS is a single-sided double-coated label paper that also features a functional coating on its reverse side. Outstanding printing and finishing results can be achieved thanks to its excellent surface. The universal paper, which is also available linen-embossed, covers basis weights from 65 to 80gsm and can be processed with the most common printing techniques like flexo, offset and gravure. It is suitable for high-quality labels for returnable containers in the beverage and food industry, such as returnable glass and PET bottles. The paper also offers good lay-flat properties and versatile finishing options. Sappi recently initiated extensive practical testing with selected customers with the aim of ideally meeting the requirements of the industry and perfecting the properties of Parade Label Pro WS. Following the successful completion of this validation phase, the product is scheduled for final release to customers in 2024. In the meantime, we are making test material available to all interested companies for qualification purposes.
- Following the installation of two machines, the production of our **bagasse-based compostable thermo-moulded food**

grade bowls and plates at Stanger Mill began in February this year. We are selling 9 and 10-inch plates to a South African retailer, will soon be manufacturing hamburger boxes for the same retailer and are currently engaged in trials with a US-based manufacture of consumer products.

This year's global **Technical Innovation Awards** focused on the theme '*Think, Inspire, Amplify*'.

The SEU team won the global award for innovation with their project on **digester optimisation** at Ehingen Mill. Minimising energy demand through improvements in energy efficiency makes a critical contribution to reducing CO₂ emissions. Although the sulphite pulping process dates back over a century, there are still opportunities to improve the process. At the end of the cooking process, hot gas and water vapour must be released from the digester before emptying it. The team found that installing a new liquid-to-liquid heat exchanger led to substantial energy savings and opened up further opportunities to improve the process. The recognition of this project is an excellent example of how Sappi is rewarding innovation that helps the company to achieve its climate targets – specifically energy intensity reduction and associated GHG emission and intensity reduction.

The SNA team were the runners-up with the development of **Proto Blister paperboard** at Somerset Mill. 'Blister pack' describes packaging that uses a translucent

thermoformed pocket or cup that covers the product, which is then heat-sealed to an adhesive coated paperboard card (blister board). The blister board is then expected to separate within the fibre layer, yielding fibre tear onto the heat-sealed "blister" cup when it is torn away from the substrate upon product removal. This fibre-tear performance gives the consumer confidence that the product has not been tampered with prior to purchase. This packaging is often used in products that rely heavily on visual marketing, such as health and beauty products, personal care products, office products and others that are often showcased in an in-store rack.

Blister packaging that uses only paperboard greatly facilitates recycling and reduces plastic use. Proto Blister was developed to provide the same superior print surface as Proto, but with added functionality for demanding blister packaging applications. The product provides both reliable fibre tear and strong anchorage to the pocket to prevent product leakage during transport, storage and store display.

The SSA regional winners were from Tugela Mill which produces sodium lignosulphonate for sale in various markets. Liquid lignosulphonate is used extensively as a dust suppressant in construction markets. The closure of Lignotech South Africa in 2020 reduced the liquid lignosulphonate capacity. Tugela Mill was in an excellent position to fill this gap after having developed a cooking liquor recovery system where liquor previously burnt would be processed and recovered to produce a saleable lignosulphonate product. The team

designed a unique system to **improve recovery of the liquor** using redundant equipment at the mill thereby increasing the saleable liquid volume of the Lignex product.

These three finalists' projects represented a total combined five-year NPV of US\$34.3 million at a 100 % probability of success rate.

Innovation and collaboration continued

Progressing the development of printed, recyclable paper-based flexible packaging

The paper-based flexible packaging market is experiencing strong growth due to demand for resource-saving, recyclable and plastic-free alternatives from end-users as well as brand owners and converters.

The use of a primer or varnish, which is sometimes required, can have a negative impact on the recyclability of the final packaging. Paper-based substrates usually require a primer when printing with water-based inkjet or UV inkjet technology and liquid toner to ensure satisfactory results. Dry toner technology, on the other hand, usually requires an additional coating for mechanical stability in the further packaging process and often reaches its limits in terms of thermal stability.

Against this backdrop, we have collaborated with Xeikon which develops digital printing engines, both toner-based and inkjet, for a variety of packaging applications. One of its latest developments is Titon, a new toner formulation which offers all the benefits of UV inks without the disadvantages. Specifically, this sees the combination of the food-safe and odourless properties of dry toner with the special resistance to chemicals and mechanical abrasion of UV inkjet ink.

Titon can be used to directly print onto paper-based packaging materials without the need for additional varnishing or lamination to protect the print. This includes many types of flexible packaging for food products, including papers that are coated on one side for bags, pouches and sachets, or on both sides for wrappers such as baked goods, confectionary, sugar, flour, herbs and spices, and coffee and tea.

To date, the best printing results have been achieved with Sappi's functional papers, Seal Silk with a 67g/sqm basis weight and Sappi AvantGuard S Natural in 75g/sqm grammage. The one-side coated, heat-sealable Seal Silk is recommended for standard flexible packaging particularly in the food and non-food sectors, while the uncoated, heat-sealable AvantGuard S Natural high-barrier paper is equally suitable for various flexible packaging applications in the food and non-food markets. AvantGuard S Gloss is also now being tested at one of Titon's beta sites.

Together, Titon technology and our recyclable barrier paper-based solutions, offer complete recycling of the entire packaging in the paper waste stream and subsequent recovery, for example in corrugated applications.



Innovation and collaboration continued

Opportunities *for* value creation

The Decarbonisation and Future Technology 1.5 team has been exploring carbon capture initiatives as part of the road to decarbonisation. Feasibility studies for few selected mills are under evaluation. As the pulping process is energy and water intensive, this team has also been exploring low energy pulping technologies for the future. An alternative pulping technology is being evaluated with the potential to increase yield, reduce cooking time, increase pulp strength and reduce water usage.

RESILIENCE

People

Enhancing trust to build a thriving world

Our management approach to people is based on our strategic driver of 'enhance trust'. This means strengthening our understanding of – and proactively partnering with – customers and communities, driving sustainability solutions and meeting the changing needs of every employee at Sappi.

It takes great people to make great products. Our employees are diverse, but they share unique problem-solving abilities, resilience in challenging the status quo and collaborative spirit. These qualities underpin our focus on developing breakthroughs that enable lasting, positive outcomes for our stakeholders and lighter footprint on the world. Together, 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.



United Nations Global Compact (UNGC)

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

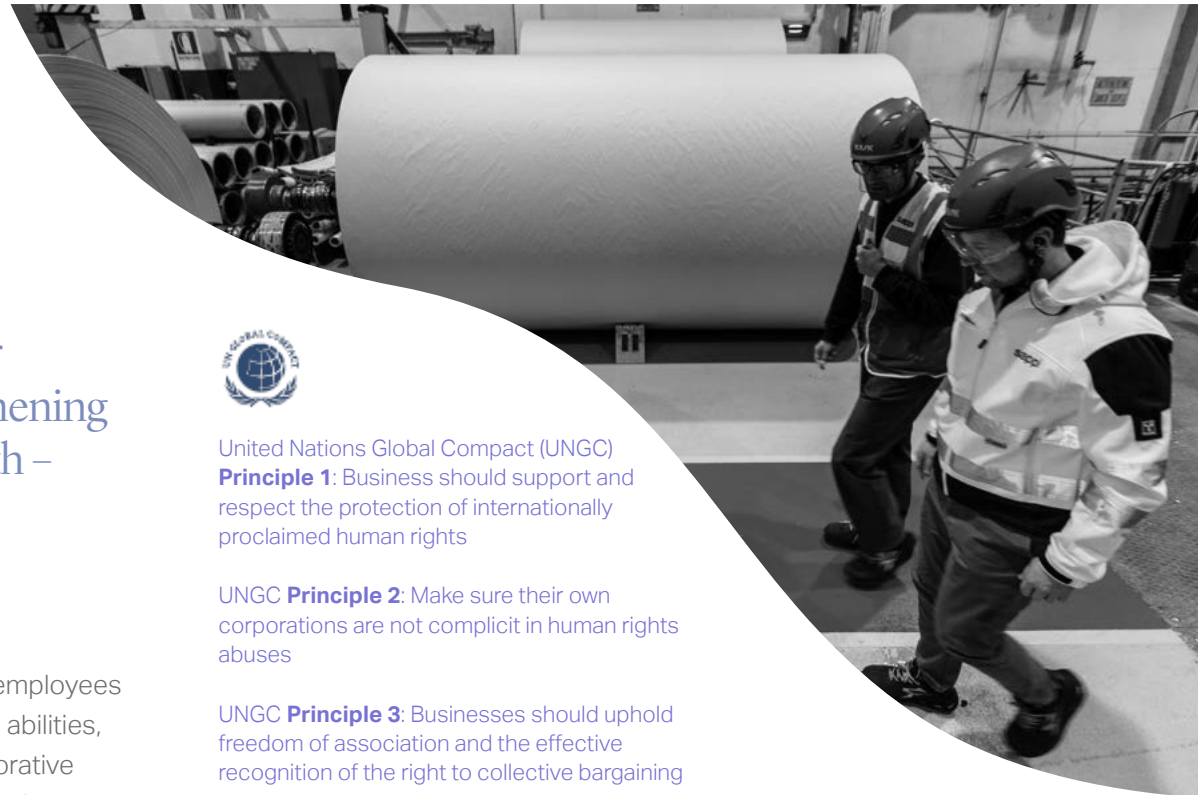
UNGC **Principle 2:** Make sure their own corporations are not complicit in human rights abuses

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 2023 performance at a glance

Our people¹

Per region:



SEU:

6,130

Approximately

10,000

people are employed by Sappi
Forests' contractors

50.39 hours
of training²

per employee (global average, of
which 74.27% allocated to **skills
training** and 25.73% allocated to
compliance training³)



SNA:

2,188⁵

Our people per gender:

Women:

2,759

Men:

10,774

US\$624

average training spend⁴
per employee



SSA:

5,223

Per age (Sappi Limited):

15.52%

below 30,

49.55%

are between 30 and 50, and

34.92%

are above 50

¹ 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 Weighted average.

³ 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.

⁴ Weighted average.

⁵ Gender of 8 employees has not been disclosed.

Our management approach to People

Promoting diversity and inclusion

Our collaborative culture invites diverse perspectives, inspires new ways of thinking and unleashes organisational creativity. 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.

Our diverse workplace benefits different skill sets and backgrounds, as well as unique ways of doing things and divergent ways of thinking innovatively. For Sappi, diversity is a key driver that enhances our competitiveness and viability as a business and contributes to a thriving world. These in turn enhance our ability to service diverse, rapidly evolving global markets.

Accordingly, we have established 2025 global and regional targets 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.

Gender split per region (senior management – percentage)

	Female	Male
SEU	16.85%	83.15%
SNA	22.96%	77.04%
SSA	27.37%	72.63%
Group total	22.40%	77.60%

Unlocking value for others

Giving back to our communities makes us stronger. We work to unlock value not only for our own people, but also those 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 also 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 FY2023 was 9.18% (FY2022: 8.41%). Globally, voluntary turnover was 6.15% - the same as in FY2022.

We also monitor turnover by gender as should this be very high, it could indicate a problem with attitudes or limited career opportunities for women. However, as indicated in the table below, this is not the case. The voluntary turnover rate for women is 1% less than the global voluntary turnover average.

Voluntary turnover by gender (as a percentage of the number of employees per gender)

	Male turnover	Female turnover
SEU	6.73%	8.78%
SNA	10.55%	15.20%
SSA	2.98%	3.01%
Group total	6.10%	6.38%

Recompensing fairly and rewarding high performance

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. We ensure we pay market-related wages in line with or above local legislation.

Our **recognition programmes** are discussed in 'Our key relationships'.

Income differentials between genders

	Female	Male	Number of employees included	All employees average
SEU	93.18%	101.64%	1,334	98.53%
SNA	97.79%	104.48%	833	102.63%
SSA	108.38%	112.79%	4,727	111.49%
Group total	101.29%	108.29%	6,894	106.06%

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. 6,894 employees have data for this metric for FY2023.

Our management approach to People continued

Ensuring disciplined behaviour

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 (HR) department, or their representative, at any time and the right to appeal to a higher body, without prejudice.

Read more:



Group Human Resources policy



Group Human Rights policy

Please refer to Our 2023 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
- Voluntary and involuntary exits by gender, age category and region.



Employee and contractor safety

Financial materiality:

Entrenching a strong safety culture is the moral responsibility of every employer. However, a strong safety culture also makes good financial sense. If a worker is injured on the job, it costs the company in terms of lost working hours, increased insurance costs, workers' compensation premiums and legal costs.

Impact materiality:

Productivity and morale suffer when workplaces are unsafe. When a workplace is safe, employees feel more engaged and connected with the company. We strive to ensure that all our people have a 24/7 safety mindset, inculcating this through various initiatives and leading by example.

How this issue links to other aspects of our business

Our global priority SDGs



Our strategic fundamentals



Grow our business



Drive operational excellence



Enhance trust

Our top 10 risks

1

Safety

9

Employee relations

The global forces shaping our Thrive strategy

Rising social inequality and growing social activism with increased expectations of business

Our highlights

Zero fatalities

Continuous improvement in the lost-time injury frequency rate (LTIFR) across all regions

Safety recognition awards launched in SNA

The safety awards in SSA have been extended to include environmental awards

Countdown... to Global Safety Awareness Month

May-June 2023

sappi | safety

Remember how we made it count last year?

Let's make it even better this year! Because 'safety starts with me!' in 2023.

Look out for more information about activities planned for this year!



Safety starts with me

Employee and contractor safety continued

Definition of key metrics

LTI	is a lost-time injury
NLTI	is a non-lost-time injury
LTIFR	is the lost-time injury frequency rate, and is calculated by dividing the number of lost-time injuries and a group-wide standard for man hours by the unit's man hours, ie, $LTIFR = LTI \times 200,000/\text{unit's actual man hours}$
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, $LTISR = \text{Number of days lost} \times 200,000/\text{actual man hours}$
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, $II = LTIFR \times LTISR$
AIFR	is the All-Injury Frequency Rate which is calculated by adding $(LTI + NLTI) \times 200,000/\text{actual man hours}$
OIR	OSHA Incidence Rate is applicable only to SNA and is arrived at by taking the number of recordable incidents $\times 200,000/\text{actual man hours}$. A recordable incident is any report to a medical practitioner

Background

The safety of our employees and stakeholders is a key value as set out in our values statement: *As OneSappi, we do business **safely**, with integrity and courage, making smart decisions that we execute with speed.*

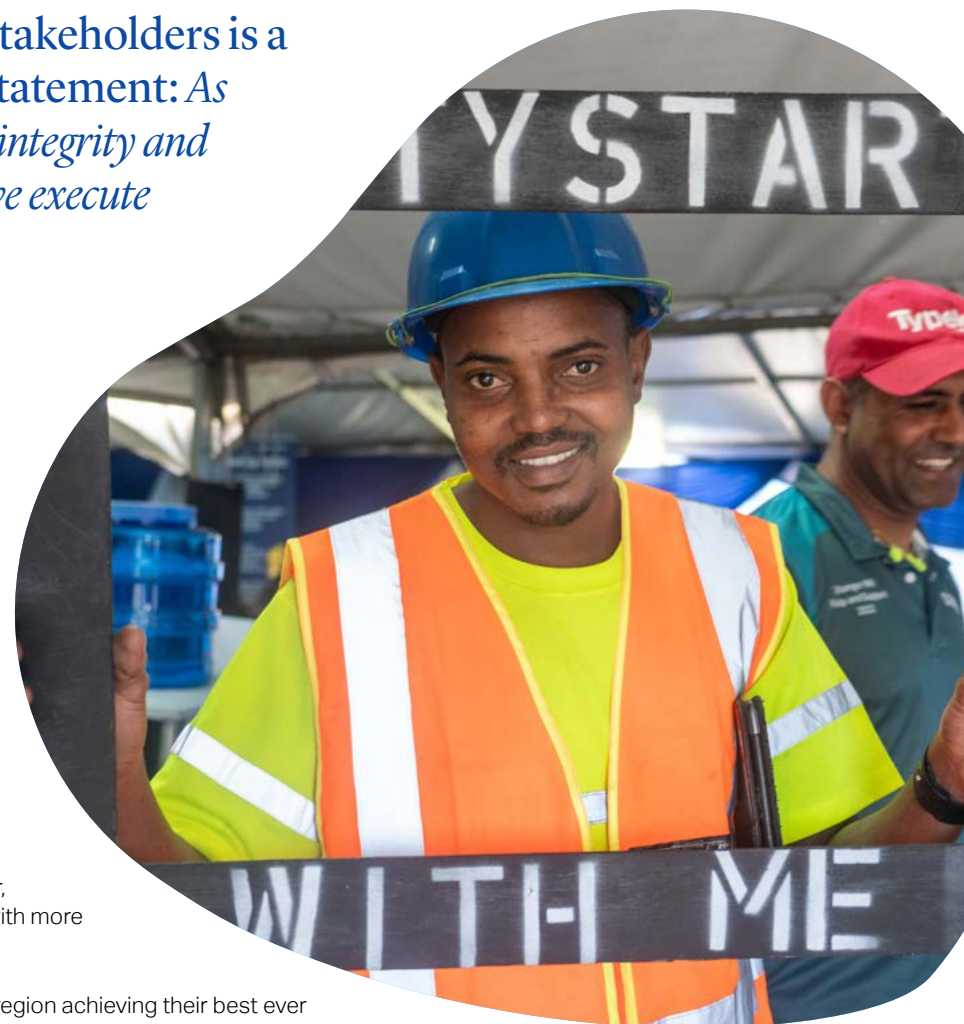
By involving all personnel (own employees and contractor employees), sharing information and managing risk in accordance with accepted best practice, we aim to drive down the severity of accidents and of near misses towards our target of zero.

All three regions within the group have safety programmes and processes with the objective of creating an environment where no person will suffer permanent disability or loss of life. We do not accept that injuries and accidents are inevitable and remain committed to Project Zero with the continuance of improved personal behaviour and making safe choices underpinned by risk assessments, group sharing of all incidents and root cause investigations, enforcement of compliance and leadership engagement with our people.

Key developments in FY2023

We achieved our primary goal of **no fatalities** and all regions showed **continuous improvement in LTIFR**. The combined LTIFR was 0.24 (FY2022: 0.31) against a target of 0.32. However, there was a slight uptick in severity as measured by the LTISR with more workdays lost from injury than the previous year.

There was a continued positive turnaround on LTIFR with each region achieving their best ever performance. SEU's LTIFR for the year was 0.40 (FY2022: 0.55), while SNA's LTIFR was 0.14 (FY2022: 0.18) and SSA's LTIFR was 0.22 (FY2022: 0.26).



Employee and contractor safety continued

The **Annual Global Safety Awareness Month** which is held in May/June each year with various face-to-face engagement sessions was well supported. The theme for this year emphasised personal commitment to safety with theme 'Safety Starts with Me'.

Safety recognition gained traction with the launch of the SNA Safety Impact Awards which were rolled out in Q4 FY2023 and which aim to identify successful safety projects that have the greatest potential to reduce or prevent injuries at our sites in the region. SSA also hosted their safety and environment awards shortly after year-end to celebrate individuals and teams who have made it their mission to help Sappi thrive, safely and sustainably. This year, for the first time, a new environmental component was added to the awards, to recognise those who take Sappi beyond compliance towards a deeper commitment to the natural state of the environment. Categories included an SSA safety champion of the year, as well as safest mill and forestry unit of the year, among others. Own employees, contractors and contractor employees were recognised across various categories. Ngodwana Mill was the winner of the South African Industrial Emergency Response Competition with more than 20 participating fire teams.

In June 2023 there were multiple veld and forest fires in the forestry area of Mpumalanga province. These fires necessitated the active deployment of aerial fire bombers and ground-based firefighting resources. While fighting a fire at our Nooitgedacht plantation, a pilot, flying at low altitude, crashed and was killed. While the pilot was not contracted to Sappi, we view any fatality as a tragedy and extend our deepest condolences to his family and friends.

sappi | safety

Safety starts with me

Global Safety Awareness Month

Now accepting submissions!

Sappi North America's Safety Impact Awards (SIAs)

Safety is a core value and a cornerstone of Sappi's workplace culture as we continue to foster an environment that helps us all thrive. It takes all of us to build a safer Sappi, which is why we're calling for entries to the SNA Safety Impact Awards.

Let's learn from one another by sharing the ideas that make our sites safer. The new Safety Impact Award (SIA) program provides an opportunity to highlight a team safety project that can help reduce or prevent injuries at Sappi.

Submit in five easy steps

1. **Identify a project** that improves workplace safety or gets Sappi employees more engaged with safety.
2. **Fill out a form** with your team to get approval to implement your project.
3. Once approved, **implement your project** and gather data to show its impact.
4. Your site's SIA committee will **review submissions** and select finalists.
5. The overall winning team will be announced in March 2024 and site **winners will be recognized** during Global Safety Awareness Week 2024.

SUBMISSION DEADLINE:
September 29, 2023

PROGRAM DETAILS:
Scan the QR code to access the online submission form.



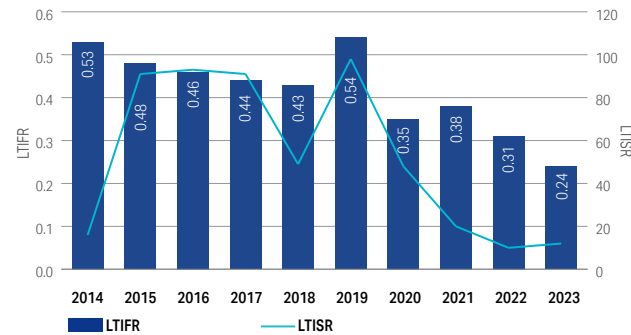
ADDITIONAL QUESTIONS?
Contact your site safety leadership team, mill leadership team or site safety team.

sappi



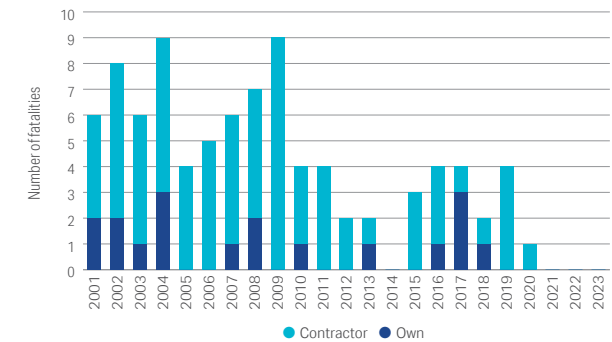
Employee and contractor safety continued

Sappi group – LTIFR and LTISR combined

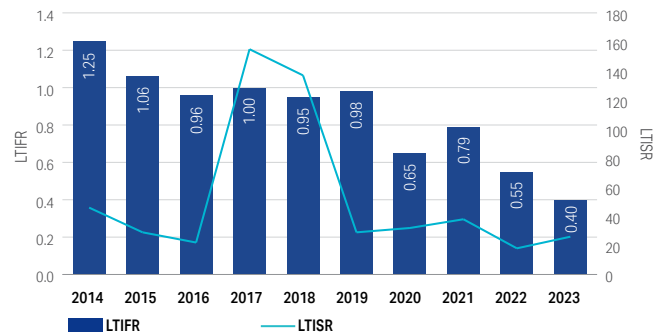


Note: We calculate LTIFR by dividing the product of lost-time injuries and a group-wide standard for work hours by the unit's work hours, ie $LTIFR = LT \times 200,000 / \text{units actual work hours}$. LTISR is the lost-time injury severity rating and in a similar manner to the frequency rate, is calculated 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 $LTISR = \text{Number of days lost} \times 200,000 / \text{actual man hours}$.

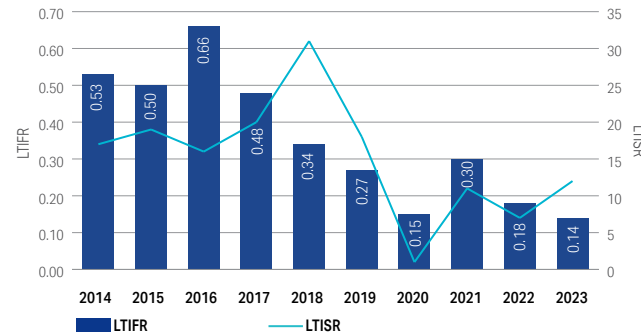
Sappi group – Combined fatalities



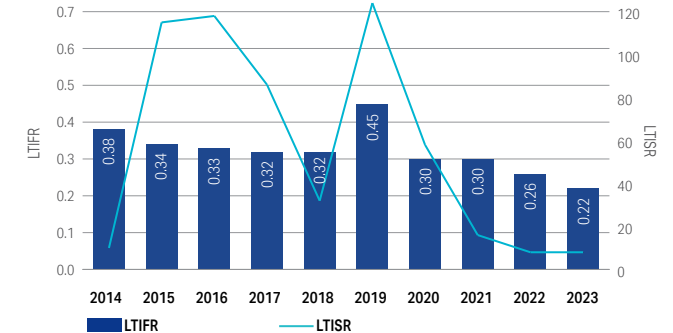
Sappi Europe – LTIFR and LTISR combined



Sappi North America – LTIFR and LTISR combined



Sappi South Africa – LTIFR and LTISR combined



Employee and contractor safety continued

Regional safety achievements



SEU

- Ehingen Mill – the first SEU mill to reach 2 million worked hours without LTI and new regional record (>2.5 million worked hours without an LTI)
- Maastricht Mill – 1 million worked hours without LTI
- Gratkorn Mill, Maastricht Mill, Carmignano Mills and Wesel Warehouse site set new records for hours worked between LTIs
- Kirkniemi Mill – new mill record lowest number of LTIs.



SNA

- Zero lost-time injuries (LTIs) in FY2023 at the Allentown Sheeting Facility, Technology Centre, CTRR (Cloquet Terminal Rail Road) Matane Mill and Somerset Mill
- Somerset Mill has surpassed 1,000 days and will soon surpass three years and 5 million work hours with no own employee LTIs
- Westbrook Mill achieved zero lost-time injuries and is nearing 600 days with no LTIs.



SSA achievements included:

- Forestry KwaZulu-Natal (KZN) Zululand Coastal – 7.6 million lost-time injury free man hours
- Ngodwana Mill combined – 3.0 million lost-time injury free man hours
- Saiccor Mill contractors – 2.0 million lost-time injury free man hours
- Lomati Mill employees – 1.85 million lost-time injury free man hours and worked 683 days without an LTI
- Forests Midlands Bulwer – 2.5 million lost-time injury free man hours
- Forests KZN Umvoti North area – 1.8 million lost-time injury free man hours
- Forestry Mpumalanga (MPU) plantations and contractors – 1.2 and 4.3 million lost-time injury free man hours respectively
- Forestry MPU Highveld Area – 3.4 million lost-time injury free man hours
- Saiccor Mill employees – 1.4 million lost-time injury free man hours.



Employee and contractor safety continued

Looking forward



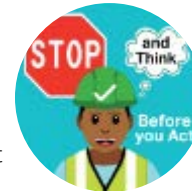
SEU's future focus areas include:

- Developing further maturity and quality of the roll-out of incident investigations and behaviour-based safety (BBS) audits aligned with the Safety Handbook protocols across all operating units
- System improvements including UX (user experience)
- Consolidation of various lead indicator metrics or input KPIs through the safety and manufacturing platforms including an emphasis on Last Minute Risk Assessments (LMRAs), BBS audits and thorough root cause analysis incident investigations
- Messaging and communication related to the new safety awards programme (see box on page 116).



SNA's future focus areas include:

- Moving from the Working Bird training platform to Sappi Advance and incorporate action items flowing from the employee engagement survey
- Developing best practice by using statistical trends and pareto analysis on root causes (an approach which states that 80% of problems can be traced back to 20% of causes and which identifies the problem areas or tasks that will have the biggest payoff)
- Near miss reporting and an emphasis on lead indicators
- Enhanced collaboration through safety impact awards for hourly paid employees and engagement on the PM2 project at Somerset Mill.



SSA's future focus areas include:

- Make SSA twice as safe by 2027
- Continue to reinforce the highly successful Stop, Think before you Act (STBA) initiative
- Extend the 60 second risk assessment to include job safety analysis fundamentals
- Execute a systemic solution for the transfer of lessons learnt sharing and visibility in all mills
- Conclude assessment and finalise adoption of the IsoMetrix audit module with a view to reducing risk
- Reinforce safety behaviour and culture through the Lean on Me programme (primarily targeted at supervisors and supervisors in the manufacturing business) and Visible Felt Leadership
- Continue to roll out the earth saving rules as part of an integrated approach.



Employee and contractor safety continued

Promoting wellness and wellbeing

We educate and empower our people to take ownership of their wellbeing, providing support in various ways.

SEU

- Each mill, together with the mill lead teams, decides on their priorities for the year
- Programmes include preventive 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 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 employee wellbeing 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 as well as employee wellbeing and relationship issues to name a few.



Employee and contractor safety continued

Opportunities *for* value creation

Based on the success of similar programmes in SNA and SSA, in FY2024, we will be rolling out a safety award in SEU to recognise proactive initiatives that improve safety culture and enhance employee engagement related to safety.



Sappi talent

Financial materiality

Companies that are diverse, equitable and inclusive are better able to respond to challenges, win top talent, and meet the needs of different customer bases. Accordingly, we strive to creating a diverse, inclusive working environment that establishes a sense of belonging among employees and shared sense of purpose. In addition, our people are encouraged and supported to upgrade their job-related skills and knowledge to improve their job performance and abilities for future career growth. These approaches further entrench our strategic pillar of 'trust' and lead to greater levels of retention, connection and productivity and translate directly into improved performance and stronger business results and profits.

Impact materiality

Developing potential in a diverse, inclusive working environment is important for both business performance and individual wellbeing. A workplace which encourages people to reach their full potential is not only more productive, but employees are likely to be more engaged and fulfilled.

How this issue links to other aspects of our business

Our global priority SDGs



Our additional SSA priority SDG



Our strategic fundamentals



Grow our business



Drive operational excellence



Enhance trust

Our top 10 risks

9

Employee relations

The global forces shaping our Thrive strategy

Deglobalisation, polarisation and increased geopolitical tensions

Rising social inequality and growing social activism with increased expectations of business

Changing consumer and employee behaviour

Shifting demographics

Our highlights

Exceptional participation in the 2023 employee engagement survey

Progress in revised human resources strategy

Two new management training programmes launched

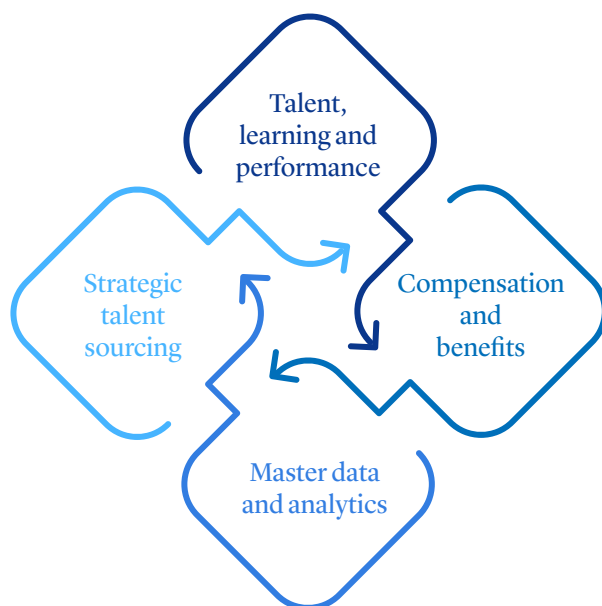
Significant uptake of Advance training and performance development system

Sappi talent continued

Background

Over the past two years, the global HR team has been working to identify the processes, systems and priorities that will ensure improved business support along with improving the overall value offering to employees. Our revised strategy called 'HR Beyond' aims to enhance delivery on Sappi's **Thrive** business strategy as well as the regional and segment business strategies.

Delivery of the strategy is being overseen by a newly formed HR Beyond Steering Committee which has prioritised four global processes:



Following a successful HR Beyond conference in March, a global Organisational Development council has been created with participants from each region. It will drive further efficiency improvements and alignment for performance, talent, succession, engagement and learning processes.

Annually, we conduct talent reviews for all operations and key functions, identify key roles and implement capacity building initiatives with a specific focus on technical and leadership/management development. To determine the training agenda for each year, we conduct a rigorous needs analysis underpinned by the performance management process. We run several development initiatives, including:

- On-the-job training to develop practical skills and confidence
- Structured training to ensure that employees are up to date with theoretical aspects related to their field of work
- Training in soft skills such as communication to develop well-rounded employees.

Key developments in FY2023

To establish strong skills and build leadership capability at all levels we provide innovative training and development opportunities and give performance feedback.

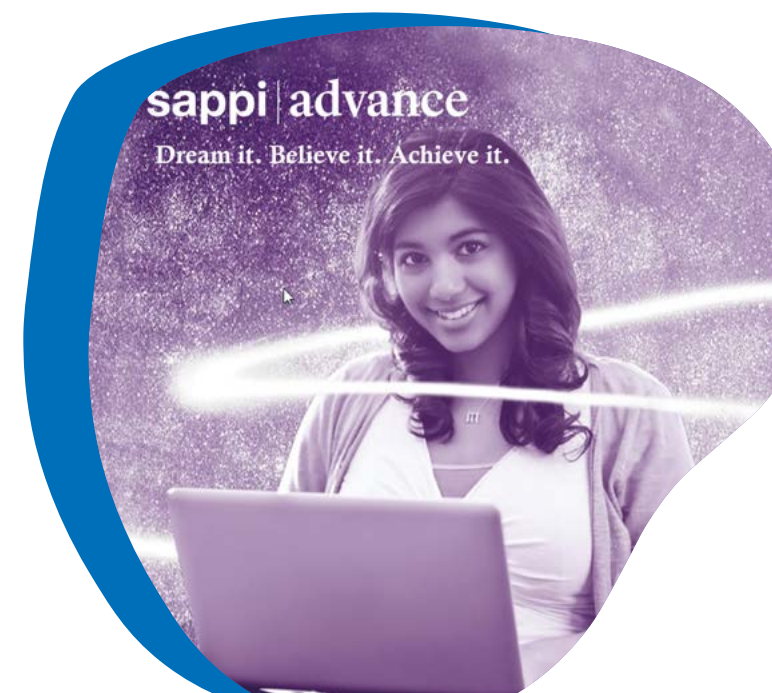
The **Sappi Advance** online learning platform which also enables performance feedback, has now been deployed in all regions. The performance enablement process is well entrenched in the business with all employees using the Sappi Advance platform.

The focus of training and development at Sappi is to invest in current and future talent and to grow our people's leadership, behavioural and technical competencies.

Based on feedback from participants, we are replacing the Manager in Training programme at the end of 2023 with **two simpler, more modern programmes**:

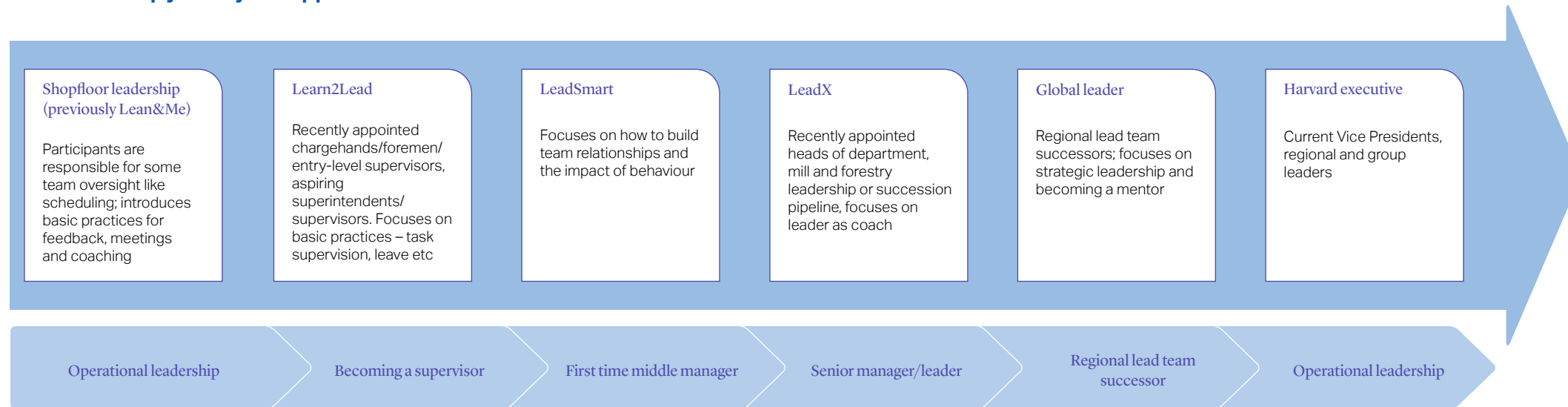
Learn2Lead: This focuses on the practical aspects of supervision such as task allocation, safety communication, time administration, setting goals, coaching style feedback and workplace discipline. It is targeted as a line manager orientation for recently appointed supervisors, or colleagues who are on supervisory succession plans.

LeadSmart: Targeted at the relationship aspects of leadership – proactive feedback, recognition, managing conflict and showing appreciation in six interactive and practical modules. The LeadSmart pilot will begin in November 2023. LeadSmart participants must oversee a team already, as the practical elements must be practised with a team.



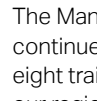
Sappi talent continued

The leadership journey in Sappi



In **SEU**, leadership programmes include the Dynamo leadership development programme for first level line managers in five languages (29 participants), the Sappi Business Academy for young high potentials (25 participants) and the Sappi Leadership Academy (13 participants).

SEU trains and develops approximately 172 young apprentices. This three to four-year vocational training programme is offered primarily at our German-speaking mills. The goal is to build a technical talent pool to replace staff who will retire during the next three to four years.



The Management Trainee Programme continued to provide excellent results and eight trainees from the programme have joined our regional and global talent pools.



In **SNA** to better aid US and Canada-based employees, the Organisational and Development team developed new work instructions to streamline the performance enablement process in Sappi Advance to support employees and managers falling within the scope of this initiative.

To encourage employees to take full advantage of the Sappi Advance training library, SNA introduced a monthly training topic for all employees, linking to relevant courses.

In a move targeted at motivating key employees to expand their experiences outside their current levels of expertise as part of development plans, the region introduced a new Career Lunch and Learn series. This featured interviews with key leaders related to their own development and career experiences, together with their expectations of what it takes to be successful in their chosen field. During FY2023, Career Lunch and Learns included marketing, procurement and continuous improvement.

The region continued to gain traction from its co-op (a paid position for a certain period of time) and internship programmes, with 46 participants in FY2023

(FY2022: 43 participants). These programmes take place across various departments, including R&D, finance, human resources, information technology, marketing and R&D. The co-op programmes at the mills have become a particularly effective tool for recruiting top entry-level engineering talent.

Based on feedback from the 2023 employee engagement survey, the region conducted 22 Respectful Workplace training sessions with salaried employees, covering standard anti-discrimination and protected class discrimination, along with broader topics like colleague respect, professionalism and bullying.

Sappi talent continued



SSA launched a campaign in June to remind employees of the online training available through the UdeMy platform. Following the launch of the campaign, average usage increased from 716 hours per month to over 1,500 hours per month, with active users increasing from 348 to 506 per month. The top five requested courses were:

- Communication and social skills
- Emotional Intelligence at work
- Teamwork
- Culture: how to make team decisions
- Active listening masterclass.

These course themes align well with the relationship drivers in the engagement survey and it is encouraging that employees and managers are selecting the topics.

A further 800 online pulp and paper specialised courses were sourced and uploaded – the result of our partnership with Vector Solutions in the US.

In terms of young talent, we had 376 trainees in FY2023, ranging from bursars and graduates-in-training, to process trainees and workplace experience and work integrated learners. Of this number, 355 were previously disadvantaged individuals, while 167 are women. These statistics are yet another instance of our commitment to diversity and inclusion.

The following online training courses were completed by Sappi Trading employees in different sales offices:

- Sappi Code of Ethics
- Occupational health and safety training
- China's Personal Information Protection Law.

Virtual training related to the Hong Kong Personal Data Privacy Ordinance and workplace harassment virtual training was attended by employees in Hong Kong. Sappi Advance: Performance Review Refresher Training was delivered to all Trading employees.

Average training hours per employee per year

	FY2023
SEU	30 hours
SNA	75 hours
SSA	64 hours
Sappi group (weighted average)	50.39 hours

Average spend per employee per year

	FY2023
SEU	€696
SNA	US\$445
SSA	ZAR10,175
Sappi group (weighted average)	US\$624

Sappi talent continued

Promoting diversity and inclusion

We recognise that equity and connection lie at the heart of diversity and inclusion. Our policies and programmes are intended to support and connect with different groups of individuals, including those from different backgrounds, races, ethnicities, religions, abilities, genders and sexual orientations, among others.

Under SDG8: *Decent Work and Economic Growth*, our **Thrive** (2025) target is to increase the proportion of women in management roles by 3.7 percentage points. This is reinforced by gender equity targets specific to each region. We made satisfactory progress against our gender targets in FY2023 with the group, SSA and SNA achieving their targets for the year. In SSA, we surpassed our original 2025 diversity target of 22% women in senior positions, this was increased to 30%, with a 2023 goal of 26%. We exceeded this, achieving 27%. Although SEU did not meet their FY2023 target for gender representation for senior management positions the targets for 2025 were reviewed and ambition raised from 15% to 20% by 2025 (and 25% by 2030). The progress is monitored monthly, with SEU leadership driving the process.

Sappi Europe's diversity, equity and inclusion (DEI) campaign and roll-out

Developing our DEI strategy is an ongoing company collaboration, which is why a series of training sessions were provided to our leadership team and staff throughout 2022. These sessions were designed to help people identify previously unnoticed, biased behaviours and to create awareness of the value of diverse and inclusive teams.

This year, we undertook an extensive diversity and inclusion survey that prompted responses from a quarter of the Sappi Europe workforce. The survey was designed to take a snapshot of inclusion as: fair treatment; integrating differences; decision-making; psychological safety; trust; belonging; and diversity.

From this we learnt that we are heading in the right direction (eg 82% of employees feel that they work in an organisation

that encourages diversity and inclusion), but that there is still plenty more work to do (eg only 28% of employees currently feel able to say that Sappi invests time and energy into building diverse teams).

What needs to be done?

The concrete improvements most requested by survey participants were:

- Cross-departmental initiatives to reinforce collaboration and understanding
- Making room for listening to employees
- Educating leaders.

Positive first steps have already been taken. An online training initiative – 'Bias in hiring (Diversity & Inclusion)' – has been introduced for all managers involved in recruitment and selection. In addition, a 'Leading with Emotional Intelligence' programme has been rolled out for managers.

Sappi talent continued

We also continued to make significant progress towards our 2025 Employment Equity plan and have now implemented revised stretch targets. Regarding BBBEE compliance and rating, we expect to retain a Level 1 status during the annual assessment currently underway.

In South Africa, the Employment Equity Act Amendment Bill was signed into law by the State President in April 2023. It is expected that this will become effective before the end of 2023, once the sector consultation process has been finalised. Once the consultation process is concluded and the amendments published, our National Employment Equity and Learning Committee will review our Employment Equity plan and modify it, if required, with targets submitted to the department of Employment and Labour.

Assessing employee engagement levels

Employee engagement considers the motivation, commitment, and connection employees have to their role and to Sappi. Engaged employees have a positive attitude towards the organisation and play a large role in a company's overall employee satisfaction and employee retention.

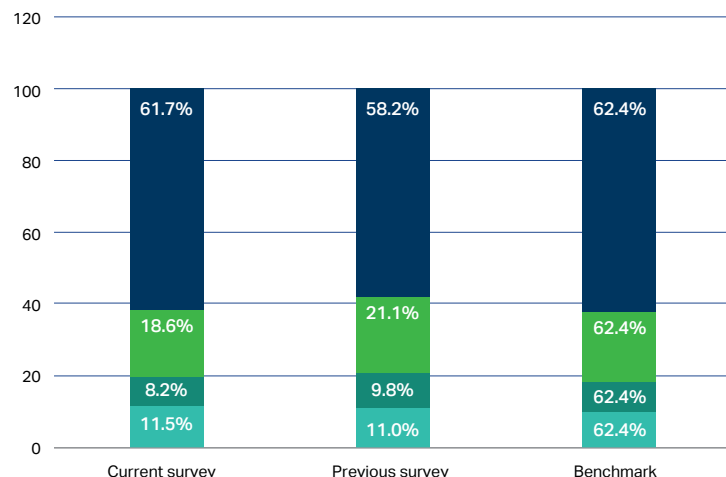
We hold an employee engagement survey every second year to gauge our people's attitudes towards Sappi and to adapt our human resource strategy when issues are identified. In FY2023, 10,890 employees shared their views with us, indicating a global response rate of 94% and exceeding our global target which is a participation rate of 85%.

Employee engagement levels by region, 2021, 2023 comparison and benchmark comparison

				Sappi Trading
Participation rate 2023	98% ↑	91% ↑	92% ↑	100% →
Participation rate 2021	96%	81%	66%	100%
Benchmark participation rate	75%	75%	75%	75%
Overall engagement 2023	83.4% ↑	79.9% ↑	71.7% ↑	93.4% ↑
Overall engagement 2021	81.5%	79.4%	71.0%	84.7%

Sappi talent continued

Overall engagement results

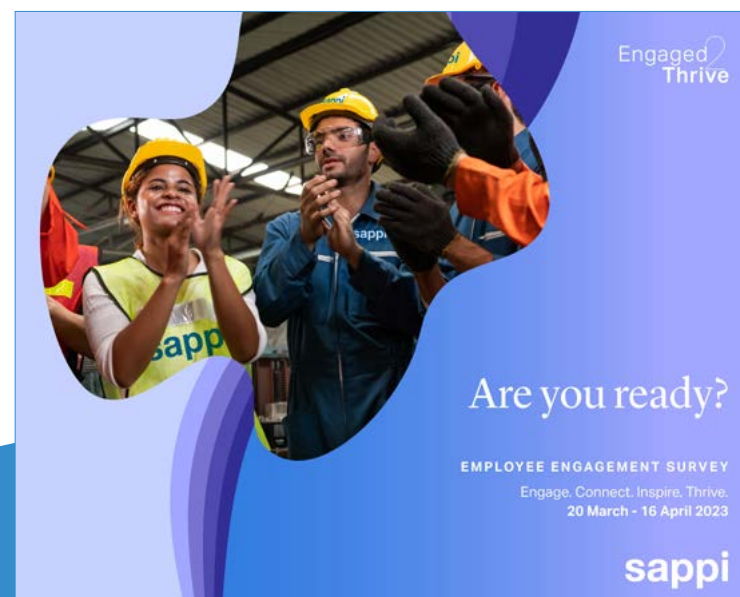


- Engaged employees** consistently exceed expectations. They are energised and passionate about their work, leading them to exert discretionary effort to drive organisational performance.
- Almost engaged employees** sometimes exceed expectations and generally passionate about their work. At times they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

In 2021, we developed a central action tracker whereby the status of action items identified in the survey is updated monthly. Comprehensive business unit-level reporting takes place quarterly and a summary of the themes and progress is provided to the senior leadership team twice a year. In addition, the close-out of engagement action items is included in the performance objectives of each line manager and supervisor across the business. A total of 85% of action items from the FY2021 survey were closed out ahead of the FY2023 survey. These relate to rewards and recognition, learning and development, department leadership, manager relationships and executive leadership. One of the key action items completed was the launch of an Anti-Bullying and Harassment policy.

The FY2023 engagement survey feedback to employees and focus groups were completed for all regions during September. For the first time all managers with six or more people reporting to them received individual feedback. Manager reports were grouped into green, red and amber with different approaches for each category.

Flowing from the FY2023 survey, 304 action items have been identified. Looking forward, the priority action item themes are career advancement, department collaboration, work-life balance, manager relationships and recognition.



Sappi talent continued

Engaged²
Thrive

Opportunities
for
value creation

The richness in data of the engagement survey will allow us to craft HR solutions specific to regions, workplaces and levels.

Engage
Verb

“establish a meaningful contact or connect with...”

2023 Sappi Employee
Engagement Survey

Labour relations

Financial materiality

Sound labour relations based on trust – one of our strategic fundamentals – are important in maintaining the smooth running of our operations and reputation, as well as enhancing productivity. These factors, in turn, drive financial value.

Impact materiality

Effective communication underpins sound labour relations. Understanding of Sappi's strategic direction and purpose helps to elevate engagement, while transparent, constructive discussions related to issues, opportunities and challenges reduces the possibility of conflict and creates a positive working environment.

How this issue links to other aspects of our business

Our global priority SDGs



Our strategic fundamentals



Drive operational excellence



Enhance trust

Our top 10 risks

1

Safety

2

Cyclical macroeconomic factors

9

Employee relations

The global forces shaping our Thrive strategy

Rising social inequality and growing social activism with increased expectations of business

Changing consumer and employee behaviour

Shifting demographics

Our highlights

Good labour relations in all regions



Labour relations continued

Background

We endorse the principles of fair labour practice as entrenched in the United Nations Global Compact and the Universal Declaration of Human Rights. At a minimum, Sappi conforms to and often exceeds the labour legislation requirements in the countries in which we operate. We promote freedom of association and engage extensively with representative trade unions. Globally, approximately 60% of our workforce is unionised, with approximately 75% of the workforce belonging to a bargaining unit.

Key developments in FY2023

Across the group, the FY2023 collective bargaining process was stable.



In **SEU**, approximately 61% of employees are members of a union and approximately 88%¹ fall within a bargaining unit. The labour relations context in Europe is complex, with one union in Germany, two each in Austria and Belgium and three each in Finland, Italy and the Netherlands. Collective labour agreements are in place at each mill until 2024.



SNA experienced a comparatively quiet labour negotiations year, with only two contract negotiations. Approximately 64% of SNA's employees are members of a union. The region has 12 collective bargaining agreements with its hourly employees, representing 63.53% of the total workforce. We reached an agreement with the United Steelworkers Union (USW) at our Allentown Sheeting Facility to keep wage increases to the industry average over the next three years. We also concluded a three-year agreement with the USW at Westbrook Mill.



Overall union representation in **SSA** continued to decline. Current membership is 43%, down from 48% in FY2022, with bargaining unit membership standing at 55.27%. Sappi recognises two unions – the Chemical, Energy, Paper, Printing, Wood and Allied Workers Union (CEPPWAWU) which is by far the largest union and the United Association of South Africa (UASA). However, engagement with other non-recognised trade unions continues, especially with the Association of Mining and Construction Union (AMCU), which currently enjoys 3% representation and is the third largest union in SSA by membership. A task team has been appointed to review the current joint-recognition agreement. It is anticipated that this process will be finalised in March 2024. In the Pulp and Paper Industry Chamber, a successful decentralised company-level bargaining process took place. In the Sawmilling sector a centralised wage negotiation process was followed and successfully concluded, while in the Forestry sector, a wage agreement over two years at company level has been reached.

In FY2022, we announced that we would give shop stewards the opportunity to have curated individual development plans, following the same process used for high-potential employees. Detailed competency assessment and development plans were compiled for 36 shop stewards.

¹ Based on manual estimates provided by SEU as there is no disclosed due to local privacy regulatory.

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 of key concern 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 instances, 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 large-scale restructuring process. The recognition agreement concluded with the majority union, the 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.

Labour relations continued

Opportunities *for* value creation

The labour market has become very competitive in all regions and the healthy relationships we have established with organised labour will help to ensure retention of critical technical skills.

Social impact

Financial materiality

Our focus on profit with purpose in alignment with our vision of a thriving world drives us in our creation of economic value for Sappi and value for society.

Impact materiality

By investing in communities, we promote socioeconomic growth and establish mutually beneficial relationships.

How this issue links to other aspects of our business

Our global priority SDGs



Our additional SSA priority SDGs



Our strategic fundamentals



Grow our business



Drive operational excellence



Enhance trust

Our top 10 risks

2

Cyclical macroeconomic factors

9

Employee relations

The global forces shaping our Thrive strategy

Deglobalisation, polarisation and increased geopolitical tensions

Rising social inequality and growing social activism with increased expectations of business

Changing consumer and employee behaviour

Shifting demographics

Our highlights

Ongoing success of Ideas that Matter initiative in SNA

Highly successful ESD programme in SSA



Social impact continued

Background

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, aligning with and supporting business priorities and needs, considering feedback from our stakeholders.

While each region has its own programmes, they conform to common themes. These include community welfare, education, environmental protection and conservation. In addition, support for activities associated with forestry continues to grow.

The underlying goals of our social impact programme are to create a stronger social licence to operate; enhance customer loyalty, attract talent and advance our priority United Nations Sustainability Development Goals (seven globally and two in South Africa).

The fact that Sappi is headquartered and listed in South Africa, coupled with the significant development needs of the country, dictates a higher focus on social impact activities in our country of origin.

We support appeals when global disasters occur, reviewing these on a case-by-case basis. We will, when appropriate, extend the appeals to staff, provide matching donation to staff contributions and encourage our business partners to make donations.

Key developments in FY2023

SNA continued with the **Ideas that Matter programme**, whereby winning design proposals celebrate the power of print design to address social issues. Since 1999, this one-of-a-kind grant initiative in the paper and packaging industry has provided over US\$14 million to support more than 500 projects that change lives, communities, the environment and ultimately, contribute to a thriving world. The aim is to support people and organisations who drive social change and who are aligned with the UN SDGs, which are integral to our own business and sustainable practices. Since 2021, entrants' submissions have been aligned with at least one of the UN SDGs, ensuring that grant applications are focused on global societal concerns.

This year, recipients' projects addressed a range of issues, including restorative justice, diversity and inclusion, intergenerational engagement, education, urban segregation and community building.

Judges consider creativity, implementation, intended impact and overall design effectiveness in their online and in-person reviews and grant allocations.

In **South Africa**, issues of poverty, unemployment and social disaffection have meant that business is expected to play a bigger role in society with high expectations to facilitate and resolve social challenges. Our response has been to shape a new role in society through shared value and social impact. By building trust and legitimacy in this manner, we are reducing the risk of disruption in our operations, establishing healthy community relationships, ensuring ease of doing business in our environment and enhancing our licence to operate. A snapshot of our social impact focus areas is set out on the following page.

The underlying goals
of our social impact
programme
are to create a stronger
social licence to operate



Social impact continued

Social impact focus areas in South Africa (further detail on those initiatives highlighted in blue is detailed on the following page)

Education

- [Early Childhood Development](#)
- Recognition of matric learners who have performed exceptionally well



Youth and skills development

- Bursaries and internal training programmes (see Sappi talent section of this report on page [118](#))
- [Sappi skills centre](#)



Environment

- Nature reserves (see Biodiversity section of this report on page [168](#))
- Sappi Rare, Threatened and Endangered Species Stewardship Programme (See Biodiversity section of this report on page [168](#))
- [Schools Eco Programme](#)
- [Trails programme](#) (mountain biking and trail running)
- Water stewardship (see discussion of Verve on page [94](#))



Community development

- Abashintshi
- [Sappi Ngodwana Aquaponics project](#)



Education

- Enterprise and supplier development
- [Sappi Khulisa](#) (including Khulisa Ulwazi training centres)



Enhance trust

Social impact continued

Details of our social impact initiatives are as follows:

- **Early Childhood Development (ECD)**
Under our ECD programme we support the education and development of ECD practitioners, to provide quality education at foundation phase level, in Mpumalanga and KwaZulu-Natal provinces. This initiative is supporting communities in terms of both learner and teacher development. Its success is highlighted by the fact that 90% of the practitioners who have completed training have demonstrated improvements in their teaching approaches.
- **Youth and skills development**
The overarching aim of the Sappi skills centres at Ngodwana and Saiccor Mills is to develop a learning campus that enriches the lives of our local community and Sappi employees by providing and elevating technical vocational skills. More specifically, we hope to empower our employees to improve their performance at work, and our community trainees to create sustainable service businesses or seek meaningful employment. We have received full accreditation as a skills development provider on the instrumentation trade at the Saiccor Skills Centre.
- **Environment**
 - We have implemented ECOS^{Study} in schools near the Saiccor Mill. This is an environmental education programme designed to improve the teaching of important environmental and sustainable development messages in the classroom and is implemented under the auspices of the Wilderness Foundation Africa. One of

the key objectives is to illustrate the importance of biodiversity conservation in direct relation to the children’s own lives, encouraging learners to take practical responsibility for rehabilitating their own environment, within the school grounds and their community

- Together with partners, we sponsored Primestars to develop an infotainment programme for high school learners from under-resourced communities to identify eco-preneurship opportunities (this programme is also related to the Saiccor Mill settlement)
- Under the Sappi Trails Programme, we made our plantations available for trail running and cycling trails. One of our flagship partners, the Karkloof Country Club in KwaZulu-Natal, now offers both members and day visitors access to more than 250 kilometres of single-track trails across our plantations. We recently partnered with uMngeni Tourism to conduct a Business Impact Study focused on Nature Based Tourism Attractions and Activities (NB^{TAA}) in the area. Direct economic impact of the NB^{TAA} supply side is placed at ZAR88 million, while the estimated combined value of the NB^{TAA} value chain is ZAR189 million from the demand side (tourists) and as much as ZAR151 million from the supply side (tourism businesses). Impressively, total direct jobs (direct employment in tourism businesses) were estimated at 513 jobs annually.

- **Community development**
 - The Abashintshi project involves motivating young people from the rural communities living in and around our operations across KwaZulu-Natal to mobilise their communities to take charge of their own futures, in line with the asset-based community development (ABCD) model. The programme began with 18 young volunteer men and women in 2015. Key to the programme is the engagement with youth, as we had previously engaged primarily with traditional leaders and councillors. Before the Abashintshi start working in their communities, they undergo a selection process that identifies youngsters who have successfully completed their high school studies and have leadership potential. They then embark on week-long training courses which are held every month over a period of two years and which focus on life skills and self-development. After training, the Abashintshi return home and impart their knowledge to members of their communities
 - The Sappi Ngodwana Aquaponics Project involves farming tilapia, a highly nutritious fish in addition to growing fruit and vegetables. The fish, together with products from our production kitchen under the Eland’s Valley Craft Preserves brand, will be offered for sale in the first quarter of 2024 at the Ngodwana Farm Stall. We’ll also be selling fresh produce that differs from that offered by the nearby informal vendors.

- **Enterprise and supplier development (ESD)**
 - In FY2018 we analysed our spend in forestry and mill operations to identify suitable ESD opportunities. We then mapped our local communities and scoped supply chain and community business opportunities. This included the unbundling of contracts and setting-aside of suitable business opportunities. We identified potential SMEs and classified them according to their capacity building needs, with some needing a higher level of intervention than others. To address identified gaps, we appointed third-party service providers and are also working with partners to act as technical mentors to provide the necessary capacity building.
 - Our ESD programme has made a significant impact within Sappi’s local communities in terms of procurement spend and job creation. In FY2023, we spent just over ZAR316 million with SMEs, exceeding our annual target by ZAR160 million. In the process, 587 jobs were sustained. Over and above the ZAR316 million procurement spend by Sappi with SMEs, through collaboration with Sappi’s established contractors, a total of ZAR27 million was spent with SMEs by contractors through a sub-contracting arrangement and further ZAR712,000 invested in SME training and development interventions.

Corporate social investment spend	FY2023
SEU	€100,000
SNA	US\$417,500
SSA	ZAR54 million

Social impact continued

Sappi Khulisa: Celebrating 40 years of success

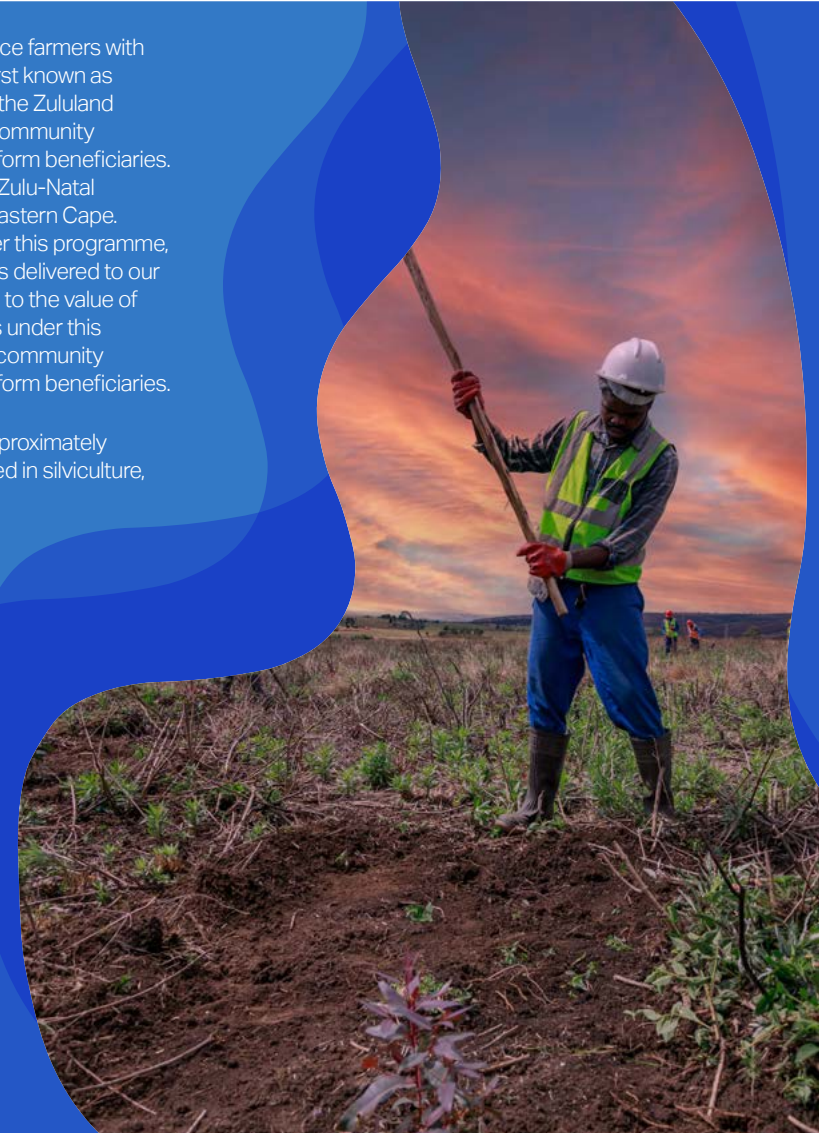
Our Sappi Khulisa tree-farming scheme, initiated in 1983 is a good example of positive social impact and shared value: It is an integral part of our woodfibre supply chain, enhancing security of fibre supply, while uplifting rural communities by equipping them to become sustainable participants in the forestry value chain.

Initially, the programme focused on supporting subsistence farmers with access to 1 hectare (ha) to 20 ha of land to grow trees. First known as Project Grow and starting with only three beneficiaries in the Zululand South area, in 2013, Sappi Khulisa expanded to include community forestry projects and forestry projects handed to land-reform beneficiaries. Today the project stretches from the far north of the KwaZulu-Natal province to the far south and into Mpumalanga and the Eastern Cape. Today the total area managed is 37,269 ha. In 2023, under this programme, 318,116 tons of timber worth some ZAR332,6 million was delivered to our operations. Since 1995, a total volume of 5,187 906 tons to the value of ZAR3,334 billion has been purchased from small growers under this programme. In 2013, Sappi Khulisa expanded to include community forestry projects and forestry projects handed to land-reform beneficiaries.

Currently, the programme involves 4,143 growers and approximately 942 small, medium and micro enterprises who are involved in silviculture, harvesting, loading, short and long-haul activities.

We offer training at three Khulisa Ulwazi ('Growing knowledge') to all value chain participants, including land reform beneficiaries and covers all aspects of forestry, including core operational skills as well as safety, legal compliance and business management. During 2023, Ulwazi trained 471 individuals on 20 different courses that speak to forestry business management courses.

Shortly after year-end, this initiative was honoured with the Trialogue strategic CSI Award, based on developmental impact.



Social impact continued

Social Engagement in SEU

Supporting Ukrainian refugees in Poland

As part of Sappi Europe's implementation of our Global Safety Awareness Month, we donated to the charity ASPIRE Education Hub for the second year. The Education Hub is an initiative started by two institutions which joined forces to support Ukrainian teenagers displaced by the war in their homeland and now living in Kraków, Poland. ASPIRE, the representative body of Kraków's IT and Business Services Companies, is mobilising the private sector to provide support and Ignatianum Jesuit University is bringing their deep expertise to provide overall responsibility for delivery of the programme and the educational offering.

Using facilities within company offices, the Education Hub provides a network of safe, welcoming, well-equipped social spaces. Classroom and online activities are also organised – aimed at helping to normalise life and support integration for teenagers, young adults and mothers.

Supporting youth in our local communities

At our Kirkniemi Mill, our staff came together this year to donate EUR10,000 to local charities. The funds were raised when staff pledged their own rewards which had been generated through continuous improvement savings at the mill. Through this collective effort, the mill provided equal sponsorship to five local charities which all prioritise youth. From support to local sports clubs, organisations focused on the improving the wellbeing of children and a school for children with special needs, the mill continues to invest in local communities and the next generation. Since 2016, employees have donated a total of EUR92,500.

Gratkorn Mill's fun run for a good cause

At our Gratkorn Mill, over 110 employees and their relatives participated in the annual mill fun run on 21 September 2023. The 5.5km run combined the joy of moving together with a good cause. Thanks to the great commitment of all participants and those involved, EUR3,500 was raised and donated to MOKI Steiermark – a non-profit organisation (NPO) and provider of mobile home healthcare for children throughout Styria, the region in Austria where our mill is located.

Sharing paper-making insights with the community

To further engage our community during 2023, we joined forces with the Centre of Science Activities in Graz, Austria to share our insights on the paper production process with museum visitors. How does the beech log become a book? At Gratkorn Mill, we know, because various types of paper have been produced at the mill for over 400 years. The exhibition enables visitors to gain insights into the activities behind the scenes of paper production. The interactive, multi-media exhibition is designed to give people a new appreciation for paper, how it's produced and even inspire future careers. School classes visiting the exhibition can participate in a competition where they can win exclusive mill tours.

Global Safety Awareness Month

May-June 2023

sappi | safety



Helping hands

Did you know that there are more than 1.6m Ukrainian refugees in Poland? That includes over 200,000 children of school age.

This Global Safety Awareness Month, Sappi Europe has, for the second year, donated to the charity ASPIRE. The ASPIRE education hub is an initiative started by Ignatianum Jesuit University to support Ukrainian refugees in Krakow (and whom our Krakow office have been additionally supporting).

Using facilities within company offices, the Education Hub provides a network of safe, welcoming, well-equipped social spaces. Classroom and online activities are also organised – aimed at helping to normalise life and support integration for teenagers, young adults and mothers.

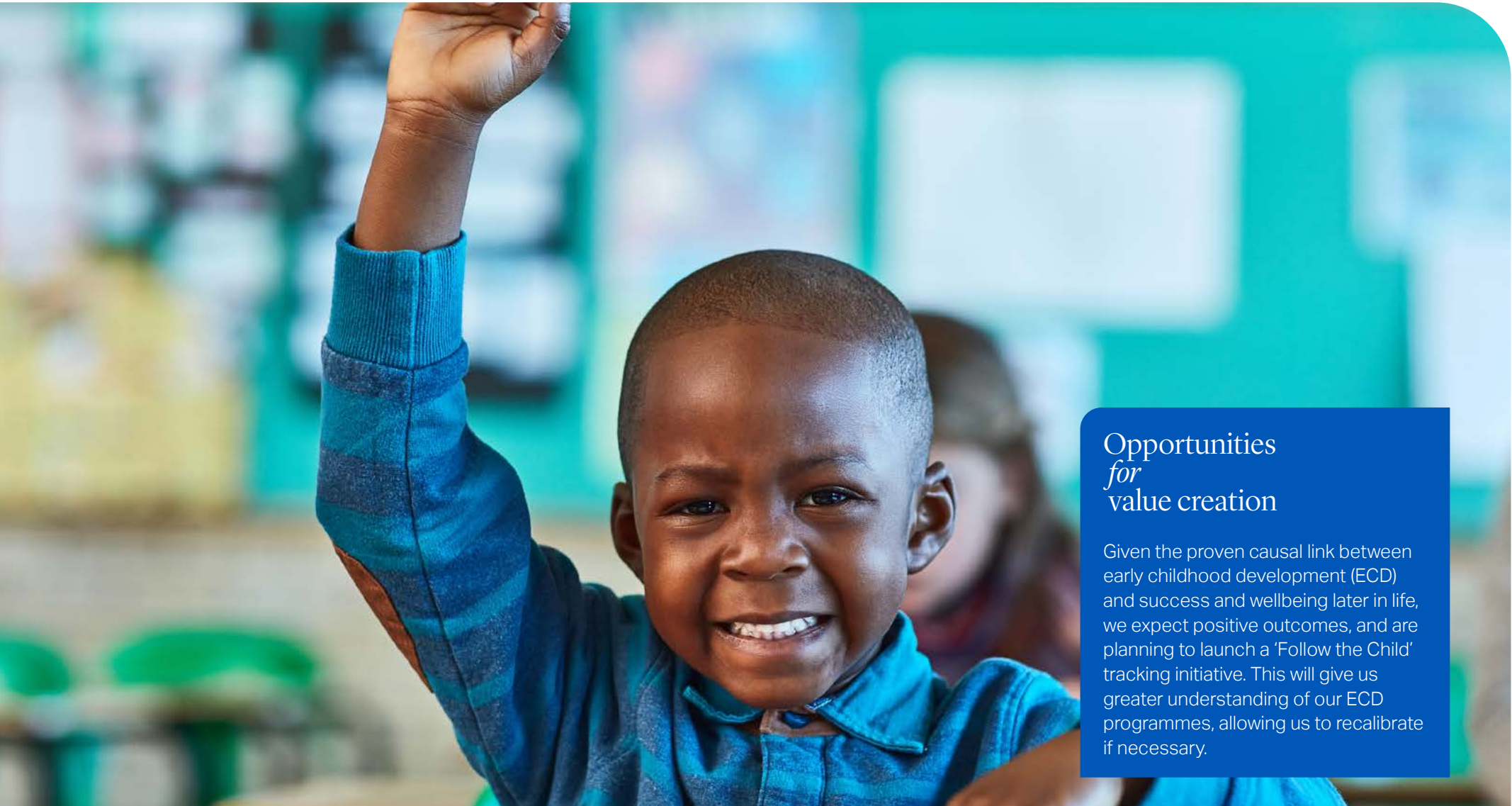
Our donation was made on behalf of all Sappi Europe employees, and we look forward to seeing this initiative flourish and help more refugees.

To hear more about the Aspire Education hub, please watch this short video: <https://www.youtube.com/watch?v=AfRoQG38s6Y>

To read more on the Aspire Education hub, you can visit the website: <https://educationhub.pl/>



Safety starts with me



Opportunities
for
value creation

Given the proven causal link between early childhood development (ECD) and success and wellbeing later in life, we expect positive outcomes, and are planning to launch a ‘Follow the Child’ tracking initiative. This will give us greater understanding of our ECD programmes, allowing us to recalibrate if necessary.

GROWTH

Our management approach to Planet

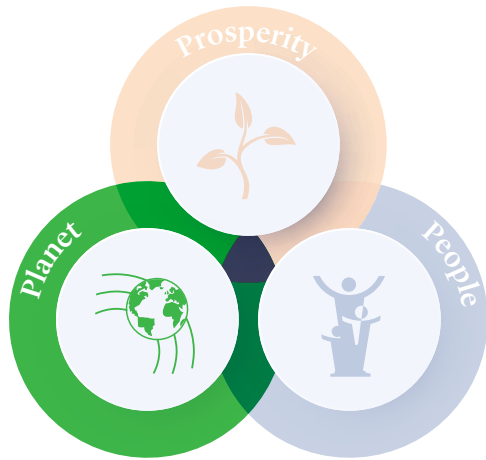
We are bold in our role as a natural resource company, providing solutions from renewable woodfibre which are viable alternatives to fossil-based products. Our longstanding approach to treading more lightly on the Planet is based on leading by example. We do so by the extracting the full potential of trees and woodfibre in line with our commitment to circular ecosystems and economies.

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 benefiting waste
- Saving water and energy at every stage 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
- Implementing transparent practices by using internationally recognised, independently verified certification systems including the Forest Stewardship Council™ (FSC™ N003159); Programme for the Endorsement of Forest Certification (PEFC/01-44-43) and the Sustainable Forestry Initiative® (SFI®), as well as ISO 9001, ISO 14001, and in Europe, the Eco Management and Audit System (EMAS) and ISO 50001 in Europe and South Africa. Our 400,000 hectares of owned and leased plantations in South Africa, are both FSC and PEFC certified
- Having environmental targets in place in each region and at global level. Progress towards targets is reported to management teams in each region regularly, quarterly to the Global Sustainable Development Council (GSDC) and to the Social, Ethics, Transformation and Sustainability (SETS) Committee three times a year.

Our management approach to Planet continued



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.

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 innovative technology and upgrade mill processes as these become feasible.

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 comprehensive approach to protecting the environment, beginning with the responsible procurement of wood that is grown and harvested sustainably and sourced only from well-managed forests and plantations.

Tracking key metrics and benchmarking performance

Our E4 Cluster tracks key metrics in the following areas of mill operations: energy, effluent, emissions, solid waste and general environmental issues. To map the environmental impacts of our mills, the Cluster produces and distributes a questionnaire addressing over 80 parameters on environmental performance to all our operating units.

Sappi's mills are required to complete quarterly E4 questionnaires, and to report information relating to energy, emissions, effluent and solid waste. The data is compiled in a database and provides a clear picture of the environmental performance of each mill in the group since 2000. Using the information, comparisons can be made between processes across the group and within the industry. The benchmarking allows the cluster to support management in exploring the reasons for unsatisfactory performance as we transfer the attributes of efficient processes to the less efficient ones.

At the request of management, Internal Audit reviews the reported E4 Cluster data for Sappi Limited for each fiscal year.

In 2020, in line with our **Thrive** strategy, we established **Thrive** (2025) global goals in addition to regional goals to deal with specific issues. We began tracking and reporting on progress against these goals in FY2021. View our performance in FY2023, (pages 10 – 11 and 14 – 16).

Leading by example

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.

At the heart of our business is a
renewable, recyclable
natural resource –
woodfibre

Our management approach to Planet continued

Our 2023 performance at a glance

Year-on-year

**Our products
are:**



Recyclable

**Many of our
products are:**



Compostable



Biodegradable

Specific Scope 1
and Scope GHG 2
emissions
increased by
16.1%

Specific process
water extracted
increased by
27.9%

Specific TSS in
effluent
improved by
4.9%

Specific particulate
matter emissions
reduced by
14.2%

Solid waste sent
to landfill
improved by
3%

Sustainable woodfibre

Financial materiality

To meet our **Thrive** business strategy and maintain returns to shareholders, we need to secure a reliable supply of sustainably sourced woodfibre that enables us to offer products to our customers around the world that carry no risk of deforestation or forest degradation. This is particularly important not only given stakeholder concerns, but also within the context of legislative requirements such as the new EU Deforestation Regulation (EUDR). (Refer to the box on page 142.)

Impact materiality

By ensuring forests and plantations are sustainably managed through high levels of certification and prioritising traceability, we can help to combat climate change and enhance the ecosystems services that contribute to greater levels of economic, social and environmental wellbeing.

How this issue links to other aspects of our business

Our global priority SDGs



Our strategic fundamentals



Grow our business



Drive operational excellence



Enhance trust

Our top 10 risks

4

Sustainability expectations

5

Climate change

7

Supply chain disruption

The global forces shaping our Thrive strategy

Climate change and climate transition

Resource scarcity and growing concern for natural capital

Our highlights

Progressing PEFC-endorsed South African Forestry Assurance Scheme (SAFAS) forest certification in South Africa

Meeting our performance against our fibre certification target within the context of challenging global markets

Sustainable woodfibre continued

Background

There are two key sustainable woodfibre issues: high levels of traceability and certification, together with a steady supply of woodfibre which are linked to specific regional and global targets available here.

High levels of traceability

Our high levels of certification and traceability are important for our customers who require deforestation-free supply chains. In FY2023, 75%^{LA} (2022: 77%)* of all the wood-based raw material supplied to Sappi's mills originated from FSC or PEFC (including SFI) certified forests. In each of our three regions the share of certified woodfibre supplied in FY2023 was respectively: SEU 86% (2022: 87%), SNA 55% (2022: 59%) and SSA 83% (2022: 85%).



information

Information on the origin and tree species of any delivery within a certified CoC is accessible at any point along the supply chain.

* The quantity of the total certified chips procured by Matane for Q4 was incomplete at the time of reporting

All Sappi's manufacturing sites using wood-based raw material are FSC and/or PEFC Chain of Custody (CoC) certified, and we trace all woodfibre procured back to its source.

Wood and pulp suppliers are required to provide evidence that all woodfibre is sourced from controlled, non-controversial sources in accordance with the FSC Controlled Wood standard, as well as PEFC Due Diligence requirements, and disclose wood origin data and tree species at least annually and/or upon request. Sappi's mill-specific wood origin declarations are publicly available on www.sappi.com .

Sappi's procurement teams in North America and South Africa, together with our wood procurement partners in Europe (proNARO, Sapin, Papierholz Austria, Metsä) are responsible for tracking the origin of our wood supply. Third-party audits conducted by independent certification bodies ascertain that CoC-processes are in line with FSC's and PEFC's requirements, and that certified inputs and outputs are duly tracked and recorded. SNA conducts supplier site inspections on all stumpage sales and a sampling of such inspections on open market/gate wood purchases. SSA uses tracking technology including the ForceLink application to trace loads from the wood depot, with mobile technology allowing foresters to inspect timber stands/plots and verify sources with time and location stamps.

Sappi Verve's partnership with our customer Birla on 'Green Track' blockchain technology provides a forest-to-garment traceability solution for brand owners. The solution was made possible with the use of Birla's blockchain technology, coupled with Sappi's comprehensive database on wood origin for our dissolving pulp operations in South Africa and the USA.



Sustainable woodfibre continued

Key developments in FY2023

Expanding certification

Our efforts to expand sustainable forestry practices and certification include:

Working closely with a variety of programmes dedicated to providing logger education, including SFI Implementation Committees, Maine Forest Products Council, Maine Tree Foundation, Minnesota Logger Education Programme, Minnesota Forest Industries and numerous academic programmes where we provide financial and in-kind support.
Continuing to promote the SAFAS (Sustainable African Forestry Assurance Scheme) in South Africa, which is endorsed by the Programme for the Endorsement of Forest Certification (PEFC) and which we helped to develop. SAFAS, incorporates a Value Based Platform (VBP) approach to make forest certification more accessible especially to small landowners by assessing integrated risks across landscapes. Using the VBP approach, Sappi has assessed eight grower groups (including a cluster group of 38 individual small growers) representing 8,930 hectares for certification readiness.
Promoting certification through our group FSC scheme for small and medium-sized growers in South Africa. In FY2023, the scheme had 40 members representing a planted area of 44,300 hectares and 384,300 tons delivered to Sappi’s mills. Members of the scheme are paid a premium for certified fibre.
Expanding certification training through the launch of an Introduction to Forest Certification course on the new Sappi Advance training platform.
Merging Matane Mill’s PEFC and FSC CoC single-site certificates into SNA’s existing multi-site CoC Certificates. Benefits include the ability to share unused PEFC credits from USA-based sites with Matane to support future sales, system simplification, a reduction in the number of individual Sappi certificates and cost-efficiency savings with reduced audit demands on Matane staff.
Engaging with certification systems and stakeholders (see information box).

information

In May 2023, together with 550 other certificate holders, forest sector actors, customers, NGOs, and other stakeholders from 38 countries around the globe, Sappi participated in the annual SFI conference. This was held, for the first time, in collaboration with PEFC International during the annual PEFC week and 28th General Assembly in Vancouver, Canada. We welcomed the unique opportunity to take up platinum sponsorship and network with global certificate holders and stakeholders who share our commitment to advancing sustainability through forest-focused collaboration.

Under the theme ‘Forest, People, and Nature Positive’, the conference offered the opportunity to network with a broad range of forest sector leaders from across the globe and to discuss the most pressing issues facing our planet. Sessions covered:

- **Nature-positive solutions:** The way organisations use data, science, and impactful collaborations to advance forest-positive and nature-positive solutions
- **Climate-smart forestry:** How strategies from the public and private sectors can advance climate resiliency, including implementing SFI’s new climate-smart forestry requirements
- **Indigenous rights and reconciliation:** Case studies related to indigenous reconciliation in the forest sector and the advancement of indigenous rights
- **Supply chain leadership:** Environmental, Social, and Governance (ESG) expectations in the supply chain and how PEFC and SFI certifications and programmes are being leveraged to advance sustainability while meeting investor and customer expectations
- **Diverse and resilient workforce:** Engagement with a younger generation and workforce leaders to understand best practices in retention, recruitment, and advancement and how SFI’s education programme, Project Learning Tree, is moving the needle on this topic
- **Urban and community forests:** The role of urban and community forests in building sustainable communities while advancing human health and wellbeing and delivering on climate resiliency.

PEFC is the leading global alliance of national forest certification systems. Its over 55 national members are independent, national organisations that develop and implement the PEFC system within their country. SFI, which is the leading forest certification system in the United States and Canada, is endorsed by PEFC. There are 140 million hectares of SFI-certified forests in the US and Canada.

Sustainable woodfibre continued



information

The EU's new deforestation regulation

The European Union's Deforestation Regulation (EUDR), which came into force in June 2023, aims to minimise deforestation and forest degradation. It states that relevant products placed on the EU market, or exported from the EU, must demonstrate that their supply chains have not contributed to the destruction of forests around the world.

What's Sappi doing?

Sappi is firmly committed to zero deforestation and thus shares the aims of the EUDR. With the new regulation leaving several important issues related to its practical implementation open, Sappi is collaborating with other stakeholders and peers to ensure a robust yet workable implementation of the regulation. We are working together especially within the community of Confederation of European Paper Industries (CEPI) to build a common understanding and approach to EUDR across the value chain.

Forest certification systems will, of course, continue to play a key role in helping to oversee and validate supply chains. Sappi already has in place measures to ensure that its supply chains are deforestation-free – which is why, Sappi's mills are certified in most cases by both PEFC and FSC Chain of Custody. We also employ our own due diligence systems to monitor woodfibre sourcing. Everything that enters our mills must at least meet the requirements of the FSC Controlled Wood Standard and PEFC Controlled Sources.

Maintaining robust woodfibre supply

A steady supply of woodfibre is maintained through our certified wood procurement partners (Sapin, proNARO, Papierholz Austria and Metsä) in SEU; in SNA through our direct interaction with private land and forest owners and in SSA through the high level of self-sufficiency (60% in FY2023) generated by our own plantations. Our Sappi Khulisa enterprise and supplier development (ESD) programme and work with land reform beneficiaries also help to enhance security of fibre supply.

Sappi Forests at a glance

2023:
10,000 people (950 direct),
45 entrepreneurial businesses



Seedlings

57.5 million

43 million
saplings provided
to own plantations

14.5 million
saplings provided
to projects/farmers



Planting

21,574ha/annum



Sustainable harvesting

4.25 million
wwt/annum in
FY2023

23.4 million
trees per annum



Extraction

4.25 million
wwt/annum

23.4 million
trees per annum



Delivery

5.35 million
tons delivered to Sappi's mills,
including purchased wood



40 million tons
CO₂e sequestered

Landholding

261,210ha plantable

138,784 natural

399,996 total owned and leased

132,751ha contracted

Sustainable woodfibre continued

Sappi Forests' overarching objective is efficient, sustainable supply of fit-for-purpose fibre into our mills. We achieve this by:

Growing our own seedlings

Under our world-leading tree improvement programmes, we have spent many years developing material with high genetic gain, as well as developing tools that allow us to characterise the genetic diversity in our breeding populations to improve forest productivity. We use genomic selection based on genome-wide markers associated with commercial traits to predict performance and thus select favourable individuals.

This advantage is maintained through the **supply of seedlings from our own nurseries** to our plantations – 43 million in FY2023. We also sold a further 14.5 million seedlings to other growers, and significantly increased external seed sales. Although we had previously planned to upgrade our Richmond Nursery in FY2023, we recently took the decision to refurbish this nursery and expand our other three commercial operations – namely the Clan, Escarpment and Ngodwana Nurseries. At year-end, construction work at both Clan and Ngodwana Nurseries was approximately 30% complete. Work at these nurseries and at Escarpment and Richmond Nurseries expected to be completed in the first half of FY2024.

Part of the refurbishment process is to bring in efficiency improvements aspects, better hygiene measures, ergonomic improvements and expanded use of solar PV. We are targeting an efficiency improvement of 7-8%. In another effort to drive efficiency improvements, we are currently producing 70% of all hardwood cuttings in Ellepot trays. Biodegradable, paper based Ellepots do not need to be removed at planting, thereby speeding up transplanting and reducing root damage.

Optimal utilisation of landholding production capacity

In FY2023, we reduced our **temporarily unplanted (TUP) land** to an all-time low of 3.2% against a global benchmark of 4%. This is significant, as a 1% reduction in TUP area on plantations equates to an addition of more than 45,000 tons per annum to the sustainable harvest. It also enhances carbon sequestration and storage.

To ensure long-term soil fertility and the productivity of later rotations, we are increasingly moving to mulching, rather than burning, before planting a new rotation. While the mulching option is more expensive, there are significant benefits, ranging from retention of soil moisture and soil organic carbon (SOC) to the prevention of erosion and compaction. Our research indicates that it provides an increase of an additional 29% of white wet tons (wwt) at harvesting. In FY2023, we increased the area mulched by 1.72%, bringing the cumulative total to 9.86% across all our landholdings.

Health of growing trees is measured through continuous evaluation of trees by growth rate, age, utilisation efficiency, annual measurement programme using a pre-harvest measurement of 20,000 hectares per annum as well as an airborne laser scan of an entire plantation conducted every second year and using trends and drivers, eg permanent sample plot programmes and actual versus planned yields per compartment.

Ensuring the right species mix

Given that Sappi's landholdings span different climatic zones, our tree breeding objective is to develop a **hybrid variety/family as well as pure species alternatives** for every Sappi site. Breeding initiatives comprise two key areas:

- Eucalyptus pure species and pine breeding which focuses on:
 - Breeding and improving commercial pure species and pine hybrids
 - Developing pure species for use as hybrid partners
 - Maintaining species genetic diversity as a back-up for future challenges
 - Introducing and testing new species with potential
- Eucalyptus hybrid breeding is tasked with:
 - Rapid development of commercial hybrid varieties
 - Maintaining a full pipeline of future varieties
 - Developing and testing new hybrid combinations.

Hybrid breeding gives us the opportunity to combine characteristics which cannot easily be obtained in a single species and enhance plant adaptability, particularly as hybrids can grow on sites where pure species parents cannot grow adequately. We have moved beyond two-way to three-way and four-way hybrids, as well as backcrosses.

Breeding for water use efficiency and superior genotypes

Available water is the main driver of tree growth in South African industrial plantations. Our climate change scenario modelling indicates a high level of drought risk for South Africa and changes in precipitation patterns that would negatively impact growth rates for our plantations. Against this backdrop, our breeders are developing genotypes that produce more wood with less water. The Eucalyptus genotypes that are currently planted such as *Eucalyptus dunnii*, *E. grandis* x *E. nitens* hybrids and *E. grandis* x *E. urophylla* hybrids have much higher water use efficiency (WUE) than pure *E. grandis* that was planted in the past.

Sustainable woodfibre continued

Ongoing genetic tree improvement achieved through breeding initiatives needs to be captured and deployed in operational planting programmes. Research is conducted on methods of improving and developing vegetative propagation protocols in order to amplify production of superior genotypes within our nursery operations and sustain plant quality. Breeding efforts are also supported using the latest molecular genetic approaches through collaboration with the Forest Molecular Genetics Programme based at the University of Pretoria and through development of tissue culture propagation methods.

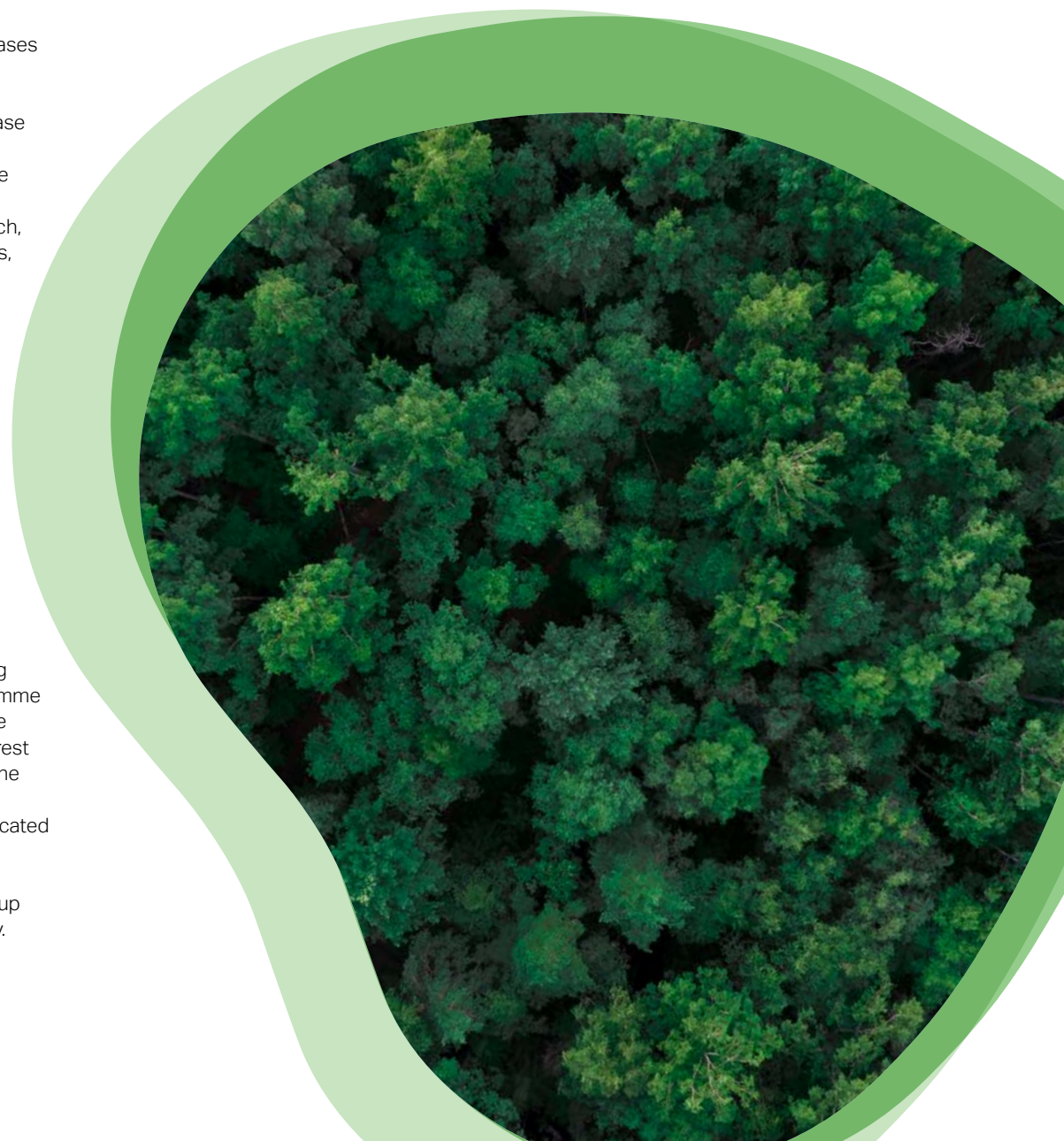
Breeding for pest and disease tolerance

Like other land-based crops, trees are susceptible to pests and disease. As in other parts of the world, invasions of non-native insect pests in South Africa are increasing due to increased trade. In addition, our climate change scenario modelling suggest that mean annual temperatures in South Africa will likely increase between 3-7°C. A general impact of increased temperature on insect pests is increased reproduction and survival rates as well as increased geographic range, which will significantly increase the risk of pest infestation in the future. We counter this by

breeding for resistance to pests and diseases as well as superior wood properties and enhanced resilience to frost and drought. Our land management and pest and disease programmes conduct research on stress detection, climate change predictions, site classification to improve site-genotype matching, risk mapping, nutritional research, site resilience, biological control measures, as well as national pest and disease surveys.

Further detail on Sappi Forests' response to climate change is discussed on page  154 of this report.

We belong to the South African Institute for Commercial Forestry Research and are a founding member of the Tree Protection Co-operative Programme (TPCP) based in the Forestry and Bio-technical Institute at the University of Pretoria. Through the TPCP we also belong to and support the funding of the internationally collaborative programme Biological Control of Eucalyptus Pests. We belong to and support the work of the Forest Molecular Genetic Programme based at the University of Pretoria; Camcore, an international, non-profit organisation dedicated to the conservation and utilisation of subtropical and tropical tree species; the Eucalypt Pest and Pathogen Working Group and the South African Institute of Forestry.



Sustainable woodfibre continued

Enhancing breeding efficiency through purity of hedge stock

The right genetics on the right site leads to sustainable gains and relies upon an efficient and accurate deployment pipeline.

Misidentification of genetics is a common problem in agricultural, horticultural and forestry nurseries, since most varieties are indistinguishable with the naked eye. In 2022, a GN (*Eucalytus grandis* x *Eucalyptus nitens*) hybrid variety was dying in field. The cause of death; *Teratasphaeria destructans*,

an aggressive leaf blight pathogen. DNA samples from diseased compartments revealed contamination with a susceptible variety which was traced back to mother stock hedges in the nursery.

To mitigate risk without hampering plant supply, a two-step hedge replacement strategy was devised. Hedges of all high-risk contaminated varieties were removed immediately and are being replaced by cuttings harvested from DNA confirmed hedges. Additional control measures have been put in place to ensure purity going forward. These include the use of different colour cuttings trays, specially trained staff and clear segregation of duties within teams. Follow-up DNA sampling will take place before cuttings are produced from new hedges. This large-scale hedge replacement was used as an opportunity to redesign the layout of varieties, keeping the same type together in bays to reduce the chance of mix-ups and improve operational efficiency through location batching.



Sustainable woodfibre continued

Opportunities *for* value creation

Based on the success of our use of bagasse as a fibre source, we are looking at non-woodfibre sources such as grasses, cereal straws, maize stalks and bamboo. The Sappi Technology Centre in Tshwane, South Africa has evaluated wheat straw and were able to produce good quality pulp with comparable yield and bleachability to bagasse, under the same cooking and bleaching conditions. The wheat straw pulp also demonstrated certain key strength properties, including tensile, burst and tear strength.

Following trials at Stanger Mill, we are now assessing other alternative plants that could be grown close to the mill in collaboration with Khulisa farmers. This offers opportunities not only in terms of expanded fibre sources, but also in the form of expanded income generation for Khulisa farmers. Alternatives like Bana Grass and Elephant grass are still being sourced for further testing.

Renewable energy and climate change

Climate materiality:

Climate change has the potential to have a significant impact on our woodfibre supply. In both Europe and Southern Africa, the changing climate is impacting the health and resilience of the forests and plantations from which we source woodfibre. Increased drought, floods, wind, pest and disease outbreaks and wildfires are all accelerating risks and potentially, higher costs. In addition, the urgent need to address GHG emissions affects our operations globally. Tackling climate change is one of the biggest and most daunting challenges of our time – and we are committed to taking positive action by mitigating both physical and transitional risks.

Renewable energy:

According to the United Nations, fossil fuels – coal, oil and gas – are by far the largest contributor to global climate change, accounting for over 75% of global greenhouse gas emissions and 90% of all carbon dioxide emissions. While we recognise the need to increase our use of renewable energy, our business is highly capital intensive and implementing additional and modified machinery that facilitates the use of renewable energy takes time and money. Nevertheless, we are committed to meeting our science-based GHG emission reduction targets (approved by the SBTi in FY2022). We have identified capital projects within our existing five-year plan as well as further longer-term interventions, to facilitate the required emissions reduction. The global capital expenditure between FY2021 – FY2030 required to achieve the targets is estimated to be US\$60-70 million per annum. While significant, these costs should be considered within the context of the competitive advantage created by reduced greenhouse gas emissions and higher levels of renewable energy.



Renewable energy and climate change continued

Impact materiality

The use of fossil fuels and climate change have negative impacts on ecosystems, water, biodiversity and human health. It's our responsibility to decrease our use of fossil fuels, the emission intensity of our products and do our part towards climate change mitigation.

A separate document detailing our alignment with TCFD can be found here <https://www.sappi.com/files/2023-sappi-tcf-reportpdf>

How this issue links to other aspects of our business

Our global priority SDGs



Our strategic fundamentals



Grow our business



Drive operational excellence



Enhance trust

Our top 10 risks

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Sustainability expectations

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Climate change

6

Evolving technologies and consumer preferences

The global forces shaping our Thrive strategy

Climate change and climate transition

Resource scarcity and growing concern for natural capital

Our highlights

SNA continues to operate with a high level of renewable energy – 78% in FY2023

Ongoing decarbonisation and renewable energy projects in SEU

Launch of the Sappi Chair in Climate Change and Plantation Sustainability at the University of the Witwatersrand

Project at Saiccor Mill to generate steam from pellets made from wood shavings and other wood waste left over from the mill's manufacturing processes



Renewable energy and climate change continued

Background

Over the last five years, total GHG **emissions in our mills have been decreasing steadily**. The increased use of renewable energy, more efficient self-generation of electricity and efficient energy management all contributed significantly to the decrease in GHG emissions.

Our **decarbonisation plans** were accelerated in June 2022 by the approval of our science-based GHG emission targets, where we have committed to reduce Scope 1 and 2 GHG emissions by 41.5% per ton of product by 2030 from a 2019 base year. We have also committed that 44% of our suppliers (by spend) will have science-based targets by 2026.

Regrettably, in FY2023 our emission intensity increased significantly. The rise can be attributed to a significant reduction in energy efficiency associated with the high levels of production curtailment that was required throughout the year due to challenging market conditions. The fluctuating start-stop operations and the need to maintain equipment heating during cold winter months, even when production was halted, significantly hampered our operational efficiencies. Although there was a 13% reduction in absolute Scope 1 and Scope 2 emissions compared to the previous year, this reduction is primarily a reflection of the reduced annual production. Despite the poor performance relative to our targets, we remain confident that our decarbonisation strategy and capital investment programme is on track to deliver our 2025 and 2030 commitments.

A few years ago, we began to use **scenario planning** to help us plan for a climate-constrained world. In terms of **physical risks**, Sappi Forests worked with the Global Change Institute (GCI) at the University of the Witwatersrand in Johannesburg and other industry members to identify six representative climate change models.

To conduct physical climate change scenarios in our mills, we used Representative Concentration Pathways (RCPs):

- 2.5 (a low climate change scenario, involving aggressive mitigation actions to halve emissions by 2050)
- 4.5 (a moderate climate change scenario involving strong mitigation actions to reduce emissions to half of current levels by 2080)
- 8.5 (a high climate change scenario representing continuation of business as usual with emissions at current rates).

Transition risk is assessed in terms of scenarios involving nationally determined contributions (NDCs) and their associated time frames. Each country in which we have manufacturing operations, as well as the EU region, has submitted NDCs to the United Nations Framework Convention on Climate Change (UNFCCC). Various scenarios within the parameters of key regulatory developments are also assessed against the backdrop of various issues (for example, our own decarbonisation plans and possible carbon taxes to drive behavioural change, reputational impact if site emissions reduction plans do not align with the relevant NDC) and the related opportunities such as health benefits.

We have also been using an **internal carbon price** (within the capital evaluation process) to ensure that the impact of carbon emissions for all capital investments is understood. The internal carbon price is embedded in our cost calculations of capex and opex projects as a financial indicator.



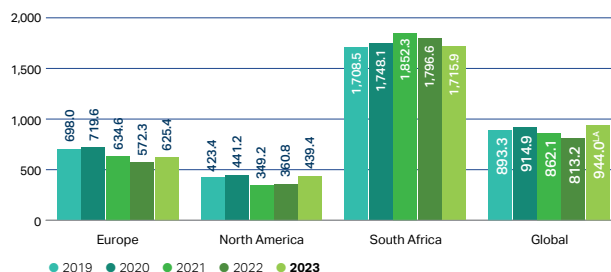
Please refer to Our 2023 Planet indicators on <https://www.sappi.com/2023GSDR-Planet-indicators> for the graphs in this section together with other graphs detailing:

- Specific NO_x emissions
- Specific SO_x emissions
- Specific particulate matter emissions
- Absolute emissions related to the above.

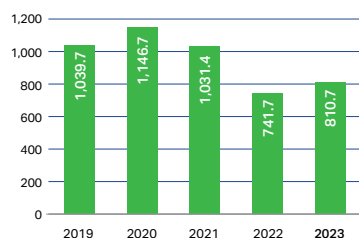


Renewable energy and climate change continued

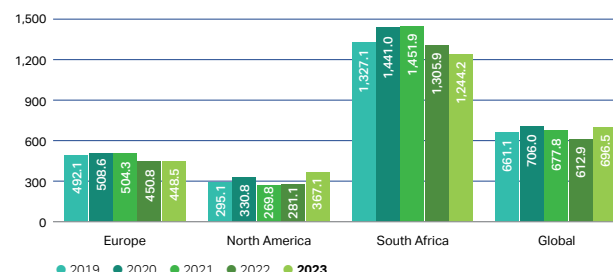
Total specific GHG emissions (Scope 1 and 2) (kg CO₂e/adt)



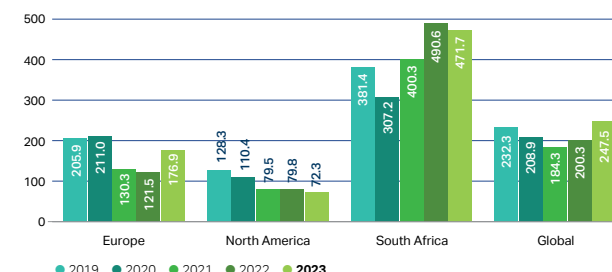
Specific GHG (Scope 1 and Scope 2) emissions per revenue (kg CO₂e/US\$ million)



Direct emissions (Scope 1) (kg CO₂e/adt)



Indirect emissions (Scope 2) (kg CO₂e/adt)

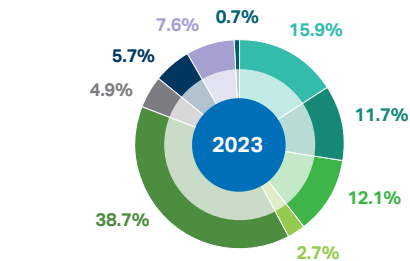


Globally there was an increase. In **SEU** the situation was stable. The increase in **SNA** was attributable to reduced black liquor generation and wood-room generated bark, together with production curtailment. In **SSA**, emissions at Saiccor and Stanger Mills decreased. The noticeable decrease at Saiccor is attributed to less coal consumption due to the expansion project and less heavy fuel oil (HFO) required. The decrease at Stanger Mill is attributed to reduced coal consumption due to improvement in operations with regards to changes to air to fuel ratio hence decreasing remaining carbon in ash as well as condition-based soot blowing and cleaning.

Globally there was an increase. In **SEU** the increase was attributable to increased purchased power at Maastricht Mill and the outsourcing of the gas turbine at Carmignano Mill which led to an increase in imported power (Scope 2) and decrease in Scope 1. In **SNA**, the decrease was due to lower purchased power demand due to market curtailment. In **SSA**, there was a slight decrease at both Lomati and Saiccor Mills – the latter was less reliant on bought-in power.

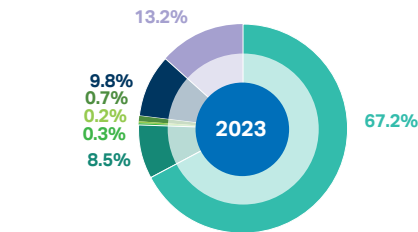
Renewable energy and climate change continued

Fuel sources (%)



● Purchased coal
 ● Purchased natural gas
 ● Fossil energy in purchased power
 ● Other fossil fuel
 ● Own black liquor
 ● Own biomass (mostly bark)
 ● Purchased biomass
 ● Renewable and nuclear energy in purchased power
 ● Other renewable fuel

Renewable and nuclear energy breakdown (%)



● Own black liquor
 ● Own biomass (mostly bark)
 ● Own biogas
 ● Own generated hydro electricity
 ● Combusted sludges
 ● Purchased biomass
 ● Renewable and nuclear energy in purchased power
 ● Own liquid biofuel



SEU

- In August 2023, our Kirkniemi Mill in Finland threw the switch on renewable energy, inaugurating its new facilities for the use of biofuels made up of biomass residues such as bark, sawdust and wood chips, mostly sourced locally. This will reduce by 90% direct fossil greenhouse gas emissions produced by the mill – the equivalent of 230,000 tons of carbon dioxide every year
- Following on from the modernisation of a boiler at Gratkorn Mill in Austria in 2022, the transition towards more renewable energy evolved throughout the year. The mill's share of renewable energy rose from 41% in 2022 to 56% in 2023. To continue the transition, phase 2 of the project was approved and initiated in 2023 that will further grow the mill's capacity to receive, handle and store biomass
- Looking beyond 2025 in Europe, this year we launched an energy study to investigate future options for steam and power production at Alfeld, Condino and Ehingen Mills. The pre-feasibility study is also looking at disposal and utilisation options for bark, wood and sludge residue streams across several mills. The aim is to increase the share of renewable and clean energy in line with our decarbonisation strategy, while ensuring that the mills maintain capacity, uses biomass residues efficiently and meet all compliance requirements. The final report is due in the spring of 2024.



SNA

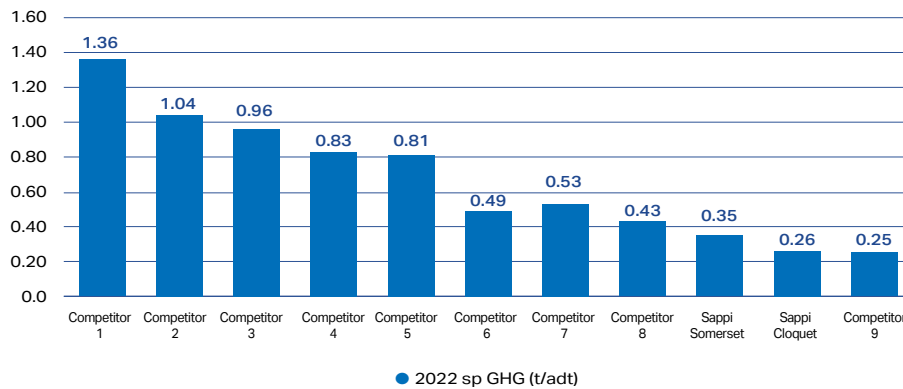
In this region, we operate with 78% renewable energy, delivering best-in-class emissions in both the packaging and graphic paper categories. In the states where we operate, the power grids are mandated to increase the percentage of renewable power, which will continue to advantage our mills beyond Scope 1 and into Scope 2 renewable power.

In the SNA region, we operate with
78% renewable energy,
 delivering best-in-class emissions in both the
packaging and graphic paper
categories

Renewable energy and climate change continued

SNA's world-class assets deliver best-in-class emissions in the packaging category

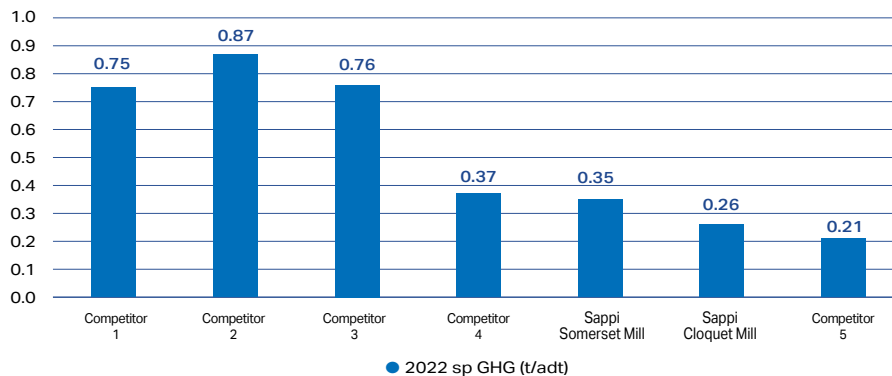
Specific Scope 1 GHG emissions (t/adt)



Data sources:
GHG emissions: EPA FLIGHT surveyed 10/26/2023
Capacity: RISI Mill Asset database surveyed 06/21/2023

SNA's mills are among the lowest for mill emissions in the graphic papers category

Specific Scope 1 GHG emissions (t/adt)



Data sources:
GHG emissions: EPA FLIGHT surveyed 10/26/2023, UPM Blandin purchases steam and power from Rapids Energy Center power plant.
Blandin specific GHG emissions based on Rapids Energy GHG emissions reported
Capacity: RISI Mill Asset database surveyed 06/21/2023



SSA

The decarbonisation of our South African assets is more challenging than in our other operating regions. While we have a relatively high level of renewable energy integration within the region due to our black liquor and biomass fuel sources, we are not fully self-reliant (50% of Sappi SA's energy is currently derived from renewable sources, with 46% from own black liquor). We thus need to purchase energy from the national utility provider, Eskom, which is predominantly based on coal. Given that there is currently very little renewable energy available for purchase within the country, our decarbonisation roadmap for the region assumes that we will have to invest in our own renewable energy assets.

Accordingly, we have taken the following steps:

- We are actively exploring opportunities to enter into Private Partnership Agreements (PPA) with independent renewable energy providers who have been granted licences under the Renewable Independent Power Producer Programme (REIPPP)

- We have established a joint venture known as **uMkhomazi Fuels at Saiccor Mill** incorporating a ZAR80 million cycle plant generating steam from pellets made from wood shavings and other wood waste left over from the mill's manufacturing processes. These would normally be sent to landfill. Under the joint venture, climate mitigation actions include the avoidance of 57,000 tons of annual landfill waste, resulting in savings of approximately ZAR15 million per annum. In addition, 322,000 tons of CO₂ emissions will be averted over a 10-year period by diverting landfill organic waste and 62,457 tons of CO₂ emissions annually through fossil fuel substitution. It is also estimated that 68 full-time and 49 part-time jobs will be created from the local communities.

Renewable energy and climate change continued

Responding to climate change on Sappi's plantations

Temperatures over the South African interior are projected to rise at about 1.5 to 2 times the global rate, with significant implications for our plantations. In addition to hotter, drier conditions, we expect shifting seasons with later summer rainfall, which will make our planting season shorter. We also anticipate that weather will become more extreme and that droughts and floods, as well as wind, snow and hail will intensify.

In response, we have developed climate-smart management practices. Our Sappi Forests' scientists have developed high levels of expertise in assessing the impact of climate change on our plantations in South Africa – our most vulnerable assets to physical climate change impacts. Their knowledge is supplemented by our strong partnership with the Global Change Institute (GCI) at the University of the Witwatersrand in Johannesburg. We have worked with the latter and other industry members to identify six representative climate change models and downscaled these to local conditions at a finer resolution for years between 1960 and 2100.

The data were further processed to various beneficial products to inform on a range of factors, including drought, heat and fire risk. Sappi further processed the forecast climate data, in-house, by algebraically adjusting the basic weather forecasts to a year 2000 baseline. Summarised data products are available at a Sappi Forests block and compartment level and can be visualised on the Sappi Map Centre Climatic Data Web Application.

In addition to the initiatives and programmes such as our work related to drought-resistant genotypes described under *Sustainable fibre* on page [140](#), through an industry initiative, we also maintain a solid base of permanent sample and long-term soil monitoring plots, with the plot coordinates stored on our GIS database.

These help us to monitor climate change based on geology, temperature zone and water availability. This enables us to keep track of forest litter, soil physical and chemical properties, allowing for early detection of site changes.

Key developments in FY2023

A significant development in FY2023 was the launch of the **Sappi Chair in Climate Change and Plantation Sustainability at the University of the Witwatersrand (Wits)** in Johannesburg.

Professor Mary Scholes, who is an internationally recognised authority on tree physiology and climate change and who is affiliated with the research platform in the Wits School of Animal, Plants and Environmental Sciences, will act as the Research Chair. Through the Research Chair, Professor Scholes will identify critical research needs and develop research outputs related to climate change. The Chair will further focus on developing and mentoring young academics and researchers, through the funding for a post-doctoral fellow as well as bursaries for a Master's and an Honours student.

Given increasing global pressure to account accurately for greenhouse gas emissions from forests, land and agriculture, Professor Scholes will also lead the development of capacity to manipulate and interpret climate modelling data.

Our initial sponsorship of the Research Chair will run until 2026. Climate change is one of the university's eight research priorities. Sappi and other industry members already have an association with the Wits Global Change Institute related to climate change modelling (see above) which began in 2020.

Given that forestry is a long-term crop, we need to know well in advance where to direct our resources and investment. The work by Wits will facilitate this by providing more accurate climate models and replicable, workable methodologies.

Fertiliser quantities used in our plantations are very low compared with other agricultural land uses. Fertiliser is generally only applied at planting when *Eucalyptus* trees are planted (pine trees are not normally fertilised) with the aim of stimulating early seedling growth. The small quantities applied do not alter site nutrition but rather provide limited localised nutrition. This assists with rapid establishment of seedlings and early canopy closure resulting in weed suppression and increased tree growth. Fertiliser is locally placed next to each tree and covered by soil to limit losses.

We have been conducting trials to optimise fertiliser prescriptions and to possibly reduce the quantity of nitrogen fertiliser that is applied through nutrient exclusion trials. This is an important step on our climate-smart journey, given that nitrogen-based fertilisers contribute to greenhouse gas (GHG) emissions.

Temperatures over the South African interior are projected to rise at about
1.5 to 2 times the global rate

Renewable energy and climate change continued

Managing pests and disease within the context of climate change

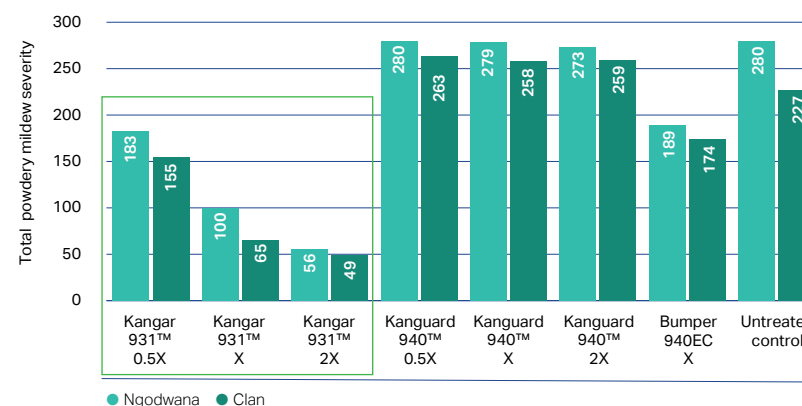
Given the rapidly accelerating pace of climate change, more pests and diseases are appearing more often, with large land areas to monitor and manage. We are rapidly transforming from Integrated Pest Management (IPM) to Precision Pest Management (PPM) through collaboration with internal and external research partners. In addition to early detection through remote sensing, this involves using micro-climate epidemiological data and biological controls.

Nurseries are highly susceptible to pest and disease outbreaks due to the presence of warm, humid conditions to enhance tree growth. Nursery practices alone are not always sufficient to restrict pest and disease outbreaks to below economic threshold levels. It is, therefore, necessary to have access to reliable pesticides for use in outbreak situations.

Two fungal pathogens that cause regular disease outbreaks in nurseries are *Quambalaria eucalypti* and *Sphaerotheca pannosa* (powdery mildew).

In collaboration with the Timber Industries Pesticides Working Group, we initiated several pesticide trials in 2021 and 2022 to identify products in different resistance groups. These included trials of several biological pesticides and biological control products. Efficient control of powdery mildew was obtained using a garlic-based product, while the use of two biological control agents, in combination with products to enhance root health and productivity, showed high potential in reducing *Quambalaria* levels.

Powdery mildew severity (total scores) after three product applications (trial determination)



Reduction in powdery mildew by a garlic-based product (in block) on affected on GN hedges with no reduction in untreated hedges (control right).

Renewable energy and climate change continued



Opportunities *for* value creation

In South Africa we are looking into biodiesel opportunities in KwaZulu-Natal province.

Water stewardship

Financial materiality:

Direct use of freshwater is vital in our manufacturing operations and for our nurseries in South Africa. Our 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; pulp cooking, washing and screening; and paper machines; process cooling, generating steam for process use and onsite power generation. In terms of indirect use, both our plantations in South Africa and the forests from which we source woodfibre are dependent on rainfall.

To sum up: Water is integral to achieving our long-term strategic business objectives. All our mills use and treat water in accordance with comprehensive environmental permits. These play a key role in achieving our strategy of growing our business, sustaining our financial health and enhancing trust. To drive operational excellence, water management is included in our operational environmental management plans, which are reviewed and updated annually. Operational excellence is also based on water-related risks – both internal and external developments, together with climate change trends – and opportunities being built into our opex and capex plans and overall long-term strategic objectives.



Water stewardship continued

Impact materiality

Climate change is exacerbating both water scarcity and water-related hazards (such as floods and droughts), as rising temperatures disrupt precipitation patterns and the entire water cycle. This is impacting socioeconomic growth, food security and health. Recognising the pressure on a finite resource that is core to our processes, we focus on identifying opportunities to save water throughout our pulp and paper-making production process, recycling extensively within these processes and improving the quality of the wastewater (effluent) we discharge. Globally, 93% of our water intake is treated and returned to the watershed from which it came.

How this issue links to other aspects of our business

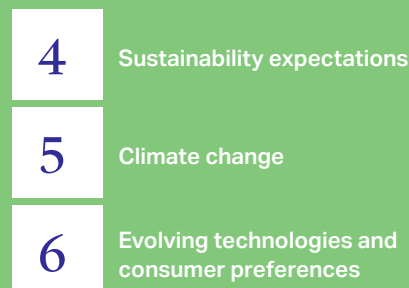
Our global priority SDGs



Our strategic fundamentals



Our top 10 risks



The global forces shaping our Thrive strategy

Climate change and climate transition

Resource scarcity and growing concern for natural capital

Our highlights

Group Water Stewardship policy approved

Cloquet Mill honoured with 2023 AF&PA Leadership in Sustainability Award for Water Management

Water reduction projects implemented at SEU mills

Total water withdrawal decreased by 8% year-on-year in FY2023 and by 7% over five years

Water stewardship continued

Background

Total water withdrawal includes water from rivers, own storage dams, groundwater from boreholes and potable water. Globally, total water withdrawal decreased by 8% year-on-year in FY2023. This was largely due to the production curtailments that were taken in SEU and SNA due to poor market conditions. Our water use is typically lower in Europe where the share of more water intensive pulp production compared to total production is lower than in North America and South Africa.

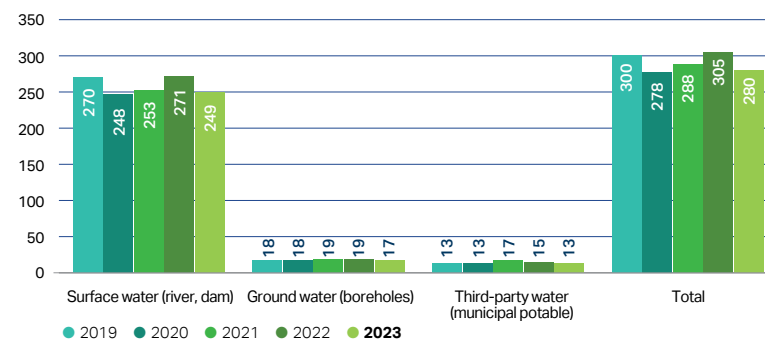
Most of our mills are situated in the vicinity of rivers from which they draw water. This withdrawal, which accounts for largest percentage of water use, is subject to licensing conditions in each area where we operate. Water management is included in our operational environmental management plans, which are reviewed and updated annually.

Water is recycled and reused up to 10 times throughout our mills and requires different levels of treatment depending on its use. Our mills have primary, secondary and tertiary effluent treatment processes according to requirements. We treat effluent to remove dissolved substances to eliminate phosphates, nitrates, oxygen demanding pollutants etc. Solid materials collected in the various treatment stages are dewatered yielding a sludge which is typically used as a fuel for energy production. Once the water is treated, it is returned to surface water sources. In FY2023, 93% our water intake was returned.

In South Africa, which is a semi-arid region with high inter- and intra-seasonal precipitation variability, we have a 2025 target to reduce specific water use by 23% from base year 2019 (44.5m³/adt).

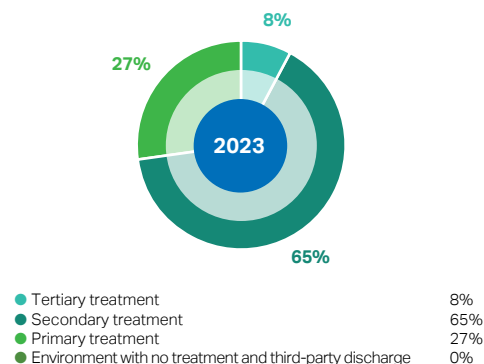
With the help of external consultants, we have conducted climate change scenarios for our mills, with water stress being one of the climate hazard indicators used. The scenarios, compiled with data from Global Change Institute (GCI) at the University of the Witwatersrand in Johannesburg used a 2020 baseline, with scenarios to 2030 and 2050, in line with our strategic decarbonisation goals. Sappi Forests has also conducted scenario analysis which indicates higher levels of water stress than previously thought. However, we have anticipated the situation for many years now, given that forestry crops are long-lived, with rotation periods of 10 years for eucalypts and 20 years for pines. In addition, it takes more than 20 years to develop a new hybrid tree variety. Accordingly, our business strategy has evolved to focus more intensely on tree improvement research to breed trees for drought resistance and match tree species to the unique water qualities of sites.

Total water withdrawal by source (mil m³/annum)

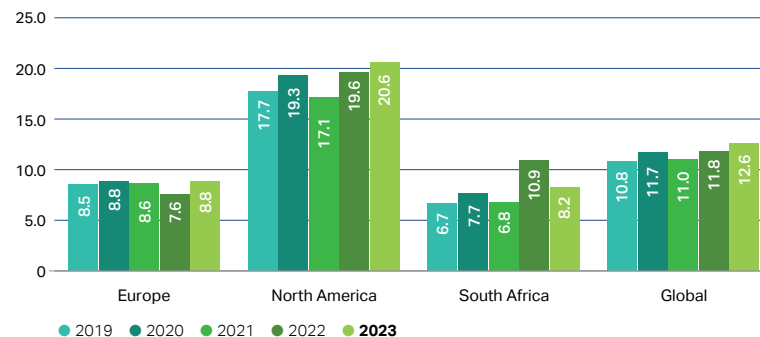


Water stewardship continued

Level of total water discharge treatment (%)



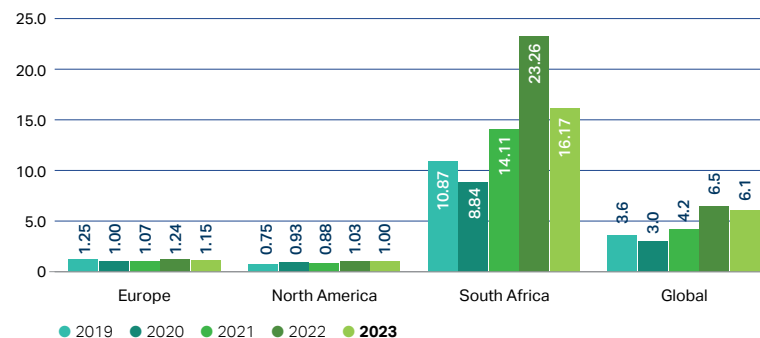
Specific chemical oxygen demand (COD) (kg/adt)



Globally there was an increase. In **SEU** and **SNA**, absolute COD decreased while specific COD increased due to commercial downtime. In **SSA**, there was a decrease. This was due to lower bagasse volumes at Stanger Mill. Tugela Mill also showed a decrease. Saiccor Mill has been excluded from this parameter as it is the only mill in the group to use the sulphite pulping process in the production of dissolving pulp. (Both Ngodwana and Cloquet Mills use the prehydrolysis kraft pulping process.)

We have a 2025 target to reduce specific water use by **23%** from base year 2019 (44.5m³/adt)

Specific total suspended solids (TSS) (kg/adt)



Globally there was a slight decrease. In **SEU**, the decrease was mainly due to the debottlenecking of the sludge press and the magnesium oxide project in Gratkorn Mill's bleaching section. In **SNA**, absolute TSS reduced, however, on a specific basis the magnitude of the reduction was less significant due to market curtailment. In **SSA** the decrease was due mainly to a reduction at Saiccor Mill.

Water stewardship continued

Key developments in FY2023

The SETS Committee approved our Group Water Stewardship policy. The policy recognises that access to clean water and sanitation is a global human right as recognised by the United Nations General Assembly. It also acknowledges that our manufacturing operations are dependent on water and we do have an impact on our primary water sources, rivers and dams, as well as on the receiving bodies into which we discharge wastewater. The policy outlines our commitments and actions to guide our actions as responsible water stewards.

We use the **WWF Water Risk Tool** to classify the location of our mills in water-stressed areas. According to the tool, in 2023, we had three operations situated in high water-stressed areas, based on water withdrawal locations and sources. These sites represent 18% of global production.

Our 110,000 tpa capacity expansion project at **Saiccor Mill** was commissioned in FY2022. New technology employed at the mill incorporates improved washing technology to optimise water and energy efficiency.

Sappi Europe continued to make progress on water stewardship throughout the year with a specific focus on the **completion of projects at Kirkniemi and Alfeld Mills**. At Kirkniemi Mill in Finland, we incorporated two new state-of-the-art online measurement systems into our wastewater treatment plant to enhance monitoring of the mill's wastewater treatment processes. The first system installed measures

phosphorus levels after the water had been treated. This allows continuous assessment of the wastewater's condition, enabling us to fine-tune nutrient dosing with greater precision. The second system enabled chemical oxygen demand (COD) measurement, which assesses wastewater quality and the water treatment plant efficiency. At Alfeld Mill, two projects were completed in 2023 that will reduce water consumption. By implementing an additional cooling circuit to the cooling unit at PM5, the cooling system can now run year-round and reduce the need for continual additions of fresh water for cooling. This is expected to save an additional 216,000 cubic metres of water a year. The second project at the mill involved modernising the control system for the cooling equipment used in the coating stations on PM3 avoiding water overflow and wastage. This new system now manages pneumatic flaps that automatically regulate the water volume within the setup. Tests have shown that up to 1,000 cubic metres of freshwater can be saved daily with the system.

Shortly after year-end, SNA was recognised for its Cloquet Mill Effluent TSS Reduction project, designed to find a new chemical treatment programme to reduce the TSS (total suspended solids) and biological oxygen demand (BOD) substances in the mill's effluent discharge.

As a result of the project's success, Cloquet Mill achieved immediate and consistent reduction in TSS and BOD of 41%, and 5% respectively.

The programme involved three phases between 2015 and 2022. Phase I and Phase II focused on introducing a coagulant to the clarifier and reducing chemicals needed for pH control for the paper mill clarifiers, thereby decreasing TSS. Phase III, finalised in 2022, addressed the old programme chemistry, which was not effective for both clarifiers due to the chemistry differences in the two separate influent streams. To remedy this, the mill trialled three new chemical programmes with three different vendors to find a coagulant that worked in both systems, leading to the current resolution. Since the start of Phase I in 2015, the mill's TSS has reduced by half.

Sappi Forests announced collaboration in an innovative project to test the simulation of reduced rainfall on various genotypes, together with a tree physiology and genomic study to investigate how these aspects interact with drought tolerance and recovery. This project at the Shaw Research Centre, was approved by Forestry South Africa for Sector Innovation Funding – to be matched 50% by industry funding. The first phase of the project involves using eight genotypes with controlled irrigation within a nursery tunnel structure.

We use the
WWF Water Risk Tool
to classify the location of
our mills in water-stressed
areas.

Water stewardship continued

Opportunities *for* value creation

Under South African legislation, commercial forestry is defined as a stream flow reduction activity and thus a water use licence for planting is required, even though our plantations are not irrigated. Research indicates that commercial forestry accounts for only 3% of South Africa's water use, while irrigation/agriculture account for 60%.

We continue to engage with national and local government and communities to accelerate afforestation in KwaZulu-Natal and the northern region of the Eastern Cape. Development in the rural areas of these provinces is limited and expansion of plantations in these regions would promote socioeconomic development in line with the South African Government's ambitions and the Forestry Sector Masterplan.

Circular bioeconomy and minimal waste

Financial materiality:

Establishing a more sustainable production and consumption model in which raw materials are kept longer in production cycles and can be used repeatedly, therefore generating much less waste has both environmental and economic benefits.

Impact materiality:

Minimising waste and promoting sustainable use of natural resource through smarter product design, longer use and innovative waste minimisation, can help solve other complex challenges such as climate change and biodiversity loss, with positive benefits for people and the planet.

How this issue links to other aspects of our business

Our global priority SDGs



Our strategic fundamentals



Grow our business



Drive operational excellence



Enhance trust

Our top 10 risks

4

Sustainability expectations

5

Climate change

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Evolving technologies and consumer preferences

The global forces shaping our Thrive strategy

Move towards a circular economy

Climate change and climate transition

Resource scarcity and growing concern for natural capital

Our highlights

Successful waste sludge project at Carmignano Mill

SSA mills are actively pursuing beneficiation opportunities specifically for ash, fibre sludge and biomass with a beneficiation increase of 5% in FY2023, year-on-year, and reduction of specific waste to landfill of 12%



Circular bioeconomy and minimal waste continued

Background

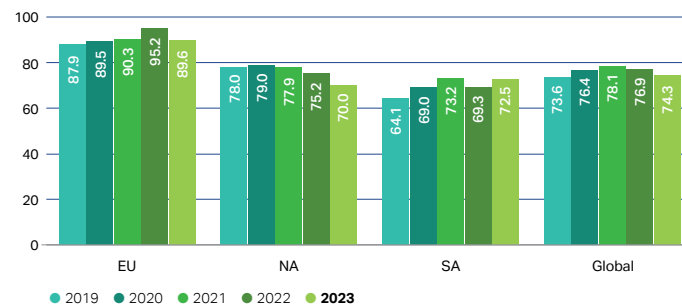
In line with our strategic focus on extracting the full potential of trees and woodfibre, we operate according to circular economy principles by using resources efficiently and reducing waste generation, from manufacturing processes through to end-of-life product recycling. With investments in research and development (R&D) and new product development, Sappi's innovation continually strives to create new products and value from woodfibre and side streams. Not only does this work improve resource use, but in many cases, it also generates products that have superior sustainability credentials to the conventional products that they replace.



Please refer to Our 2023 Planet indicators on <https://www.sappi.com/2023GSDR-Planet-indicators> for these and other graphs detailing:

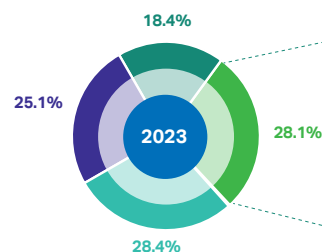
- Total weight of waste by type and disposal method
- Specific landfilled waste

Waste diverted from disposal (%)



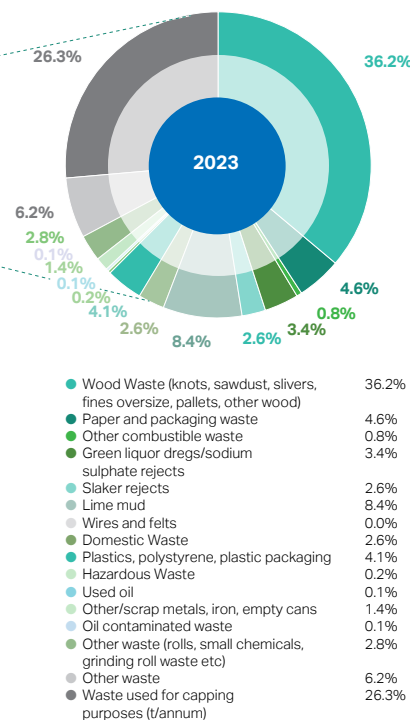
Globally there was a slight decrease. In **SEU**, the decrease was due to a six-month standstill at the coal boiler at Gratkorn Mill (now converted to biomass). In **SNA**, reduced pulp production meant a decrease in bark production and incineration, thereby reducing the percentage of waste benefited. In **SSA** there was a slight increase as Saiccor Mill found an external offset for bark and wood waste, while Ngodwana Mill benefited and sold more fibre sludge and ash.

Global breakdown of solid waste types in Sappi (%)



● Bark (from own operations)	28.4%
● Sludge (from pulp and paper mill and biological treatment)	25.1%
● Boiler ashes	18.4%
● Other	28.1%

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



Circular bioeconomy and minimal waste continued

Key developments in FY2023

In 2023, **Carmignano Mill** in Italy took significant steps towards having its wastewater treatment sludge valued as a by-product suitable for manufacturing products. The sludge, which is produced during the wastewater treatment process, will be used by a Hungarian company – Greecon Solutions. Their specialty lies in utilising recyclable materials to create products for a range of insulation applications, including moisture, fire and – in this particular instance – sound. In the coming months, a share of Carmignano's sludge waste will be converted into filler for insulation panels.

Initial trials to assess the feasibility of the project proved a success, and in the coming months 30% of the mill's sludge waste, approximately 1,000 tons a year, will be shipped to Hungary to be made into acoustic insulation panels.

This is not the first time that one of our mills has found effective use for sludge. In 2020, our Condino Mill in Italy found a way to repurpose their own sludge by partnering with a local company manufacturing thermal insulation for buildings.

SEU continued to help lead and direct the work of the **4evergreen alliance**, a cross-industry association of over 100 members representing the entire lifecycle of fibre-based packaging – from forests to producers, designers, brand owners and recyclers. 4evergreen's overarching goal is to achieve a 90% recycling rate for fibre-based packaging in Europe by 2030 (a significant increase from the current 82.5%). Four key targets underpin this goal:

That the fibre-based industry recognises and uses 4evergreen's Recyclability Evaluation Protocol and its Circularity by Design guideline.

That separate collection streams are available for all fibre-based packaging types including those used in household, out-of-home and on-the-go consumption.

That all paper for recycling is sorted according to the paper and board categories specified in the EN643 standard.

That 100% of collected fibre-based packaging is recycled.

In 2022, 4evergreen launched the beta version of its new Recyclability Evaluation Protocol for fibre-based packaging (part one for standard mills). Companies can use the tool together with the Confederation of European Paper Industries' (CEPI's) Recyclability Test Method to gauge how easy it will be to recycle a particular piece of packaging in a standard mill. Updates and additional versions are due shortly. The alliance has also developed a Circularity by Design Guideline to help ensure that new packaging is easy to collect, sort and recycle. A third set of guidelines aims to improve how fibre-based packaging is collected and sorted, to both increase the rate of recycling and to ensure the quality of the collected material.

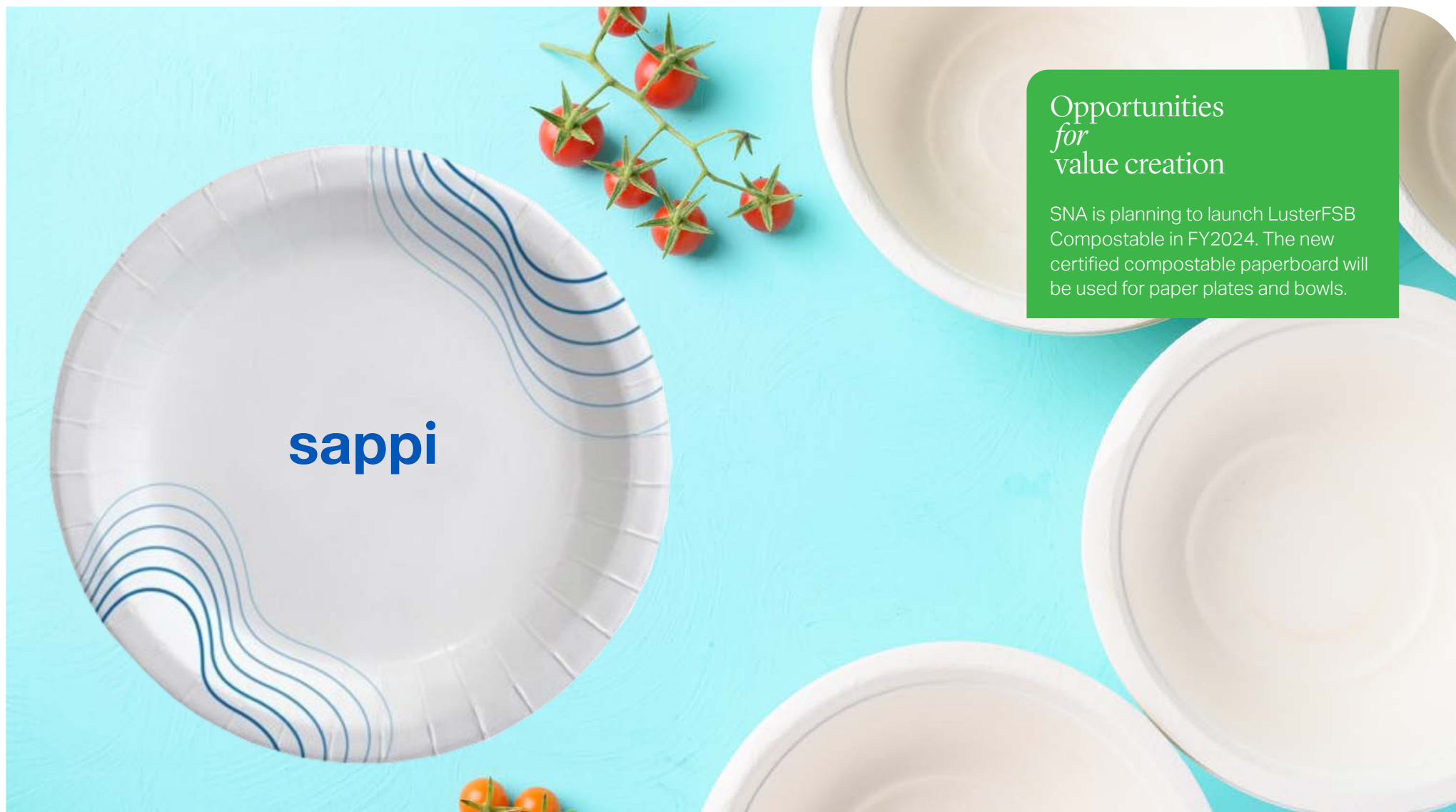
We will continue to play a key role in the alliance going forward, as this helps to drive our sustainability agenda.

In South Africa, Ngodwana and Tugela Mills continued to use **recovered paper and board** – approximately 16% each. Much of this is supplied by Sappi ReFibre, SSA's secondary fibre division, which sources used paper products from an extensive network of agents across the Southern African region as well as from waste producers. The recovered board and paper are used to supplement virgin fibre in the manufacturing of packaging paper grades. Stanger Mill uses a certain percentage of bagasse (sugar cane waste residue) in the manufacture of paper products and going forward, this has now also been used to produce moulded fibre products (discussed further on page [101](#)).

Other circularity developments include our involvement in an initiative to develop proof of concept for a circular fashion model (page [93](#)), the moulded fibre product discussed in the paragraph above and the biofuel pellets project at Saccor Mill.

In South Africa, Ngodwana and Tugela Mills continued to use recovered paper and board – approximately 16% each

Circular bioeconomy and minimal waste continued



Biodiversity

Financial materiality

Sappi's view is that nature and biodiversity-related risks are financial risks and must be seen as a strategic risk management priority which, if handled correctly, is a source of competitive and commercial advantage.

Impact materiality

People around the world are reliant on the ecosystem services that nature provides including pollination, carbon sequestration, erosion control, flood and storm protection, disease control and soil quality. Ecosystem services are essential for human health and survival, from freshwater to food and fuel.

How this issue links to other aspects of our business

Our global priority SDGs



Our strategic fundamentals



Grow our business



Drive operational excellence

Our top 10 risks

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Sustainability expectations

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Climate change

The global forces shaping our Thrive strategy

Move towards a circular economy

Climate change and climate transition

Resource scarcity and growing concern for natural capital

Our highlights

SFI Maine Committee wins the 2023 SFI Implementation Committee Achievement Award

Expansion of the Sappi Rare, Threatened and Endangered Species Stewardship Programme



Biodiversity continued

Background

Given that we are a renewable resource company, biodiversity is the foundation of our business. We promote healthy ecosystems in the forests and plantations from which we source woodfibre and biodiversity indicators are incorporated into the internationally acknowledged, independent forest certification systems we use.

Key developments in FY2023

The SFI Maine Committee, of which Sappi is an active member and supporter, was honoured with the **2023 SFI Implementation Committee Achievement Award**. The committee was selected for its collaborative leadership in addressing key enhancements to the SFI Forest Management and Fibre Sourcing Standards related to climate-smart forestry, fire resilience and forests of exceptional conservation value. In terms of the latter, the Maine Committee worked with the Maine Natural Areas Programme, the Maine Department of Inland Fisheries and Wildlife, and Maine's Certified Logging Professionals programme to assess forests of exceptional conservation value – a new requirement of the SFI Fibre Sourcing Standard. The assessment produced a map of these forests and a list of nearby towns. A video explaining steps to take if forestry activities intersect with forests of exceptional conservation value was developed and shared broadly with Maine's community of loggers, foresters, and landowners. The list of forests of exceptional conservation value will be revisited annually.

Our **Thrive** 2025 target is to enhance biodiversity in **important conservation areas (ICAs)** on our plantations by 10% by 2025. There are approximately 156 sites on Sappi-owned land classified as ICAs adding up to about 38,320ha of a diverse range of habitats including grasslands, wetlands, riverine areas and natural forest patches. Essentially, ICAs are areas that are important at the local level and are classified using a systematic conservation planning approach. Criteria that are 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.

Our 2023 assessment of our ICAs showed a 7% improvement. To assist in moving towards achieving the set biodiversity improvement target, Sappi has developed an ICA project 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.

Key actions identified to enhance biodiversity include:

- Implementing alien weed control
- Examining the burning regime to ensure that it is at the appropriate frequency, depending on fire risk
- Managing cattle
- Implementing erosion control measures such as stream crossing upgrades and identified erosion features within ICAs.

Progress on implementation of identified actions is monitored annually.

The Sappi Rare, Threatened and Endangered Species Stewardship

Programme expanded with the addition of three new trees. The background to this programme is as follows: *Warburgia salutaris*, (the pepper-bark tree or 'isibhaha' in isiZulu), has long been one of the most highly prized tree species in the Southern African traditional healthcare sector, but was overharvested. In 2014, Sappi joined an initiative to propagate the trees and distribute them to communities living around the Kruger National Park (KNP) to take the pressure off the few remaining wild trees. We also began using our tree breeding and production expertise to propagate pepper-bark trees from cuttings for distribution to rural communities. This project has enjoyed immense success with over 130,000 seedlings grown to date in 2023, with approximately 95,000 saplings surviving after placement. Interest in the project has resulted in assistance being given to Zimbabwe and eSwatini in their attempts to raise the numbers

of their trees to a state of sustainability, as well as the extension of the project to areas in South Africa where the tree once occurred in the natural vegetation of the regions.

Trees are supplied at no cost to appropriate communities to protect the few remaining known wild populations. It is hoped that these populations will regenerate themselves naturally once not under direct threat and stress from humans. The project has allowed for an easy working template for endangered trees that are a challenge to grow, but that play a key role in traditional medicine – according to the World Health Organisation in 2023, at least 80% of Africa's population rely on traditional medicine for their basic health needs. The next phase of the project, after consultation with local communities and conservation agencies, focuses on *Prunus africana* (African Cherry), *Ocotea bullata* (Black Stinkwood) and *Curtisia dentata* (Assegai tree).

The seven proclaimed nature reserves on our land, which total 6,350ha. fall under, or are part of, South Africa's Biodiversity Stewardship Programme managed by the South African National Biodiversity Institute (SANBI). Through these areas, we make a significant positive contribution in safeguarding biodiversity, with the nature reserves and the network of other large open areas providing critical ecological corridors in the landscape. We continued to work with the provincial and conservation authorities to proclaim an **eighth nature reserve** on our land to protect a critically endangered butterfly, the Karkloof Blue Butterfly.

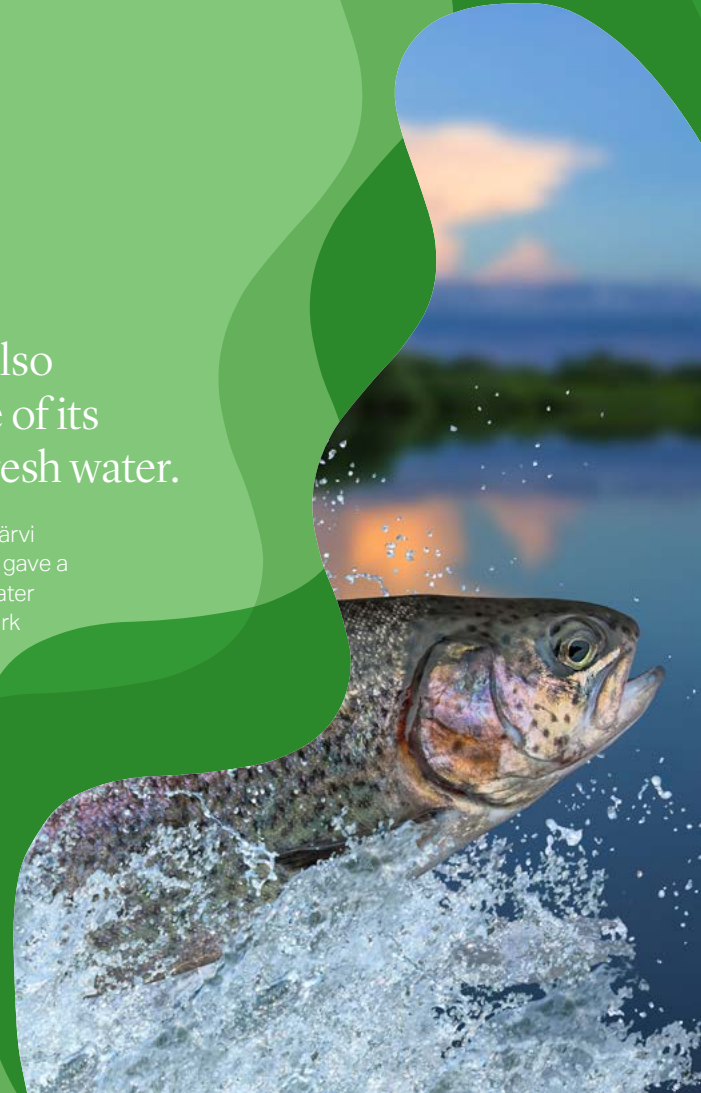
Biodiversity continued

Revitalising threatened aquatic species in Finland

Kirkniemi Mill has continued providing support to the project Lohikalat Karjaanjokeen (translated as ‘salmons to Lake Lohjanjärvi’) in 2023. The long-standing ambitious project involves building fish passages to restore salmon stocks and freshwater pearl mussel populations in the Mustionjoki River, which is part of the Karjaanjoki watershed. Flowing from Lake Lohjanjärvi to the Gulf of Finland, the Mustionjoki River is important for salmon migration and provides a habitat

for the mussels. The watershed also provides Kirkniemi Mill with one of its most important raw materials, fresh water.

In 2023, the mill participated in organising the Lake Lohjanjärvi seminar where the project was presented. The mill director gave a presentation about the mill's operations, describing how water protection has always been a very important part of the work at the mill. Through our continued support to revitalising biodiversity in the Karjaanjoki watershed, we highlight our commitment to protecting, preserving and improving water in the communities we call home.



Biodiversity continued



Opportunities *for* value creation

In 2024, a formal reassessment of all ICAs will provide an updated rating to be compared with the initial assessment rating in 2021-2022, thereby giving us a more accurate overview of the success – or lack thereof – of our interventions.

Our planet indicators

Air emissions

	GRI reference	Unit	2019	2020	2021	2022	2023
NO _x	305-7	kg/annum	11,024,920	9,784,051	9,913,230	10,555,399	11,980,180
		kg/adt	1.7	1.7	1.6	1.6	2.4
SO _x		kg/annum	10,030,272	10,858,503	13,591,003	13,004,256	15,219,372
		kg/adt	1.5	1.9	2.2	2.0	3.1
Particulate matter		kg/annum	2,909,061	6,190,461	3,327,250	5,482,422	3,521,928
		kg/adt	0.4	1.1	0.5	0.8	0.7

Our planet indicators continued

GHG emissions

	GRI reference	Unit	2019	2020	2021	2022	2023
Scope 1	305-1a	million kg CO ₂ eq/annum	4,421	4,078	4,269	4,079	3,474
	305-4	kg CO ₂ eq/adt	661.1	706.0	677.8	612.9	696.5
Scope 1 emissions from	305-1b						
CO ₂		million kg CO ₂ eq/annum	4,099	3,763	3,961	3,772	3,169
CH ₄		million kg CO ₂ eq/annum	264	261	254	253	253
N ₂ O		million kg CO ₂ eq/annum	58	54	53	53	52
Biogenic emissions	305-1c	million kg CO ₂ eq/annum	7,074	6,803	6,622	6,877	6,730
Scope 2	305-2a	million kg CO ₂ eq/annum	1,553	1,207	1,161	1,333	1,234
	305-4	kg CO ₂ eq/adt	232.3	208.9	184.3	200.3	247.5
Scope 3	305-3a	million kg CO ₂ eq/annum	3,977	3,365	3,512	3,784	3,472
	305-4	kg CO ₂ eq/adt	594.7	582.6	557.7	568.7	695.9
Scope 3 emissions from	305-3d						
Purchased goods		million kg CO ₂ eq/annum	1,829	1,404	1,491	1,675	1,554
Capital goods		million kg CO ₂ eq/annum	11	–	–	–	–
Fuel and energy-related activities		million kg CO ₂ eq/annum	924	817	983	984	838
Upstream transport		million kg CO ₂ eq/annum	1,113	1,048	953	1,041	993
Waste		million kg CO ₂ eq/annum	81	82	72	71	69
Business travel		million kg CO ₂ eq/annum	7.2	2.7	0.6	2.6	6.7
Employee commuting		million kg CO ₂ eq/annum	12.5	12.2	11.9	11.2	10.6
Total specific GHG emissions (Scope 1 and 2)	305-4	million kg CO ₂ eq/annum	5,974	5,285	5,429	5,411	4,709
		kg CO ₂ eq/adt	893.3	914.9	862.1	813.2	944.0 ^{LA}
		kg CO ₂ eq/US\$ million	1,039.7	1,146.7	1,031.4	741.7	810.7

Our planet indicators continued

Water and effluents

	GRI reference	Unit	2019	2020	2021	2022	2023
Process water extracted¹	Own measure	m ³ /annum	231,916,239	215,411,083	220,689,614	229,361,378	219,989,082
		m ³ /adt	34.7	37.3	35.0	34.5	44.1
Water withdrawal by source	303-3a						
Surface water		m ³ /annum	270,074,169	247,517,140	252,542,848	271,081,060	249,024,177
Ground water		m ³ /annum	17,568,103	17,625,043	18,651,590	18,942,446	17,082,980
Third party		m ³ /annum	12,669,958	12,602,513	16,635,673	14,903,148	13,498,544
Total withdrawal	303-a	m ³ /annum	300,312,230	277,744,696	287,830,111	304,926,654	279,605,701
		m ³ /adt	44.9	48.1	45.7	45.8	56.1
Water withdrawal by source from water-stressed areas²	303-3b						
Surface water		m ³ /annum	–	–	–	56,277,224	46,342,044
Ground water		m ³ /annum	–	–	–	413,931	387,251
Third party		m ³ /annum	–	–	–	–	–
Total water withdrawal from water-stressed areas²	303-3b	m ³ /annum	–	–	–	56,691,155	46,729,295
	Own measure	m ³ /adt	–	–	–	8.5	9.4
	Own measure	%	–	–	–	18.6	16.7
Water discharge by destination	303-4a						
Seawater		m ³ /annum	45,809,312	38,938,588	45,926,521	48,720,138	48,838,544
Surface water		m ³ /annum	206,362,692	193,204,557	199,844,189	214,905,615	186,943,894
Third party water		m ³ /annum	23,486,763	22,675,103	24,017,649	24,834,269	23,521,506
Groundwater		m ³ /annum	–	–	–	–	–
Total water discharge	303-4a	m ³ /annum	275,658,766	254,818,248	269,788,359	288,460,022	259,303,945
		m ³ /adt	41.2	44.1	42.8	43.3	52.0

Our planet indicators continued

Water and effluents continued

	GRI reference	Unit	2019	2020	2021	2022	2023
Water discharge by destination in water-stressed areas²							
Seawater	303-4c	m ³ /annum	–	–	–	–	–
Surface water		m ³ /annum	–	–	–	49,288,436	39,108,843
Third-party water		m ³ /annum	–	–	–	–	–
Groundwater		m ³ /annum	–	–	–	10,251	9,381
	303-4a	m ³ /annum	–	–	–	49,288,436	39,108,843
Total water discharge in water-stressed areas²	Own measure	m ³ /adt	–	–	–	7.4	7.8
	Own measure	%	–	–	–	17.1	15.1
Water discharge by level of treatment							
Discharge to a third party without treatment	GRI clause 2.4.2	m ³ /annum	26,979	24,280	27,875	28,760	26,429
Primary treatment		m ³ /annum	64,178,344	56,252,506	67,395,510	72,863,518	69,081,013
Secondary treatment		m ³ /annum	188,297,171	178,602,866	179,352,223	189,431,971	169,652,824
Tertiary treatment		m ³ /annum	23,156,273	19,938,596	23,012,751	26,135,773	20,543,680
		m ³ /annum	24,653,463	22,926,448	18,041,753	16,466,632	20,301,758
Total water consumption³	303-5a	m ³ /adt	3.7	4.0	2.9	2.5	4.1
		%	8.2	8.3	6.3	5.4	7.3
	303-5a	m ³ /annum	–	–	–	7,402,720	7,620,452
Total consumption³ in water stressed areas²	Own measure	m ³ /adt	–	–	–	1.1	1.5
	Own measure	%	–	–	–	2.4	2.7

Notes

¹ Process water refers to water used for the manufacturing process only. Process water excludes non-contact cooling water (SEU and SNA), water to the community, irrigation water, unused water back to the source, water for mill domestic use, and water sold to municipalities and third parties.

² The water risk status of associated basins is based on the WWF Water Risk Filter for physical risk(s). Physical risk(s) comprise water scarcity, flooding, water quality and ecosystem status. Reported figures for water stress allocation is based on the seven different aspects integrated within the Water scarcity parameter (aridity index, water depletion, baseline water stress, blue water scarcity, available water remaining, drought frequency probability, and projected change in drought occurrence).

³ The term Water consumption refers to the withdrawal portions that are no longer available for use by the ecosystem or local community due to incorporation into products, generated into waste or due to release into the atmosphere through evaporation, and is therefore not returned back to surface water, groundwater, seawater or a third party over the course of the reporting period.

Our planet indicators continued

Effluent quality

	GRI reference	Unit	2019	2020	2021	2022	2023
COD ¹	303-2	kg/annum	64,015,359	60,614,493	61,989,786	70,271,171	53,315,640
		kg/adt	10.8	11.7	11.0	11.8	12.6
TSS	303-2	kg/annum	23,953,736	17,301,899	26,577,986	42,753,637	30,439,890
		kg/adt	3.6	3.0	4.2	6.5	6.1

Note

¹ Saccor Mill has been excluded from this parameter as it is the only mill in the group to use the sulphite pulping process in the production of dissolving pulp. (Both Ngodwana and Cloquet Mills use the prehydrolysis kraft pulping process.)

Waste

	GRI reference	Unit	2019	2020	2021	2022	2023
Total specific solid waste to landfill (on-site and off-site)	Own measure	kg/adt	65.1	60.0	52.1	51.1	73.6 ^{LA}
Waste generated by type							
Hazardous	306-5b	t/annum	1,871	2,704	2,024	1,183	918
Non-hazardous	306-5c	t/annum	1,650,054	1,476,964	1,502,469	1,475,337	1,431,247
Total	306-5a	t/annum	1,651,925	1,479,668	1,504,492	1,476,520	1,432,165
% hazardous waste		%	0.11	0.18	0.13	0.08	0.06
Waste beneficiated	306-4a	t/annum	1,216,430	1,130,927	1,175,721	1,135,061	1,064,482
	Own measure	%	73.6	76.4	78.1	76.9	74.3

Our planet indicators continued

Energy

	GRI reference	Unit	2019	2020	2021	2022	2023
Total energy consumption within organisation	302-1	GJ/annum	147,857,277	136,801,840	140,630,797	147,179,507	130,777,595
		MWh/annum	41,071,466	38,000,511	39,064,110	40,883,196	36,327,110
Breakdown of energy consumption within organisation							
Purchased fossil fuels	302-1a and b	GJ/annum	51,753,227	48,197,364	50,578,703	49,259,353	40,544,844
Purchased renewable fuels		GJ/annum	6,836,264	5,425,584	4,727,212	4,804,701	7,598,652
Own renewable fuels		GJ/annum	63,402,979	62,292,505	61,002,814	63,726,975	59,364,623
Purchased power consumption		GJ/annum	12,157,209	10,376,515	10,941,866	12,070,060	9,792,137
Purchased steam consumption		GJ/annum	631,042	511,673	525,749	579,353	296,443
Own renewable power (hydro)		GJ/annum	330,291	277,064	251,322	191,488	159,467
Energy intensity	302-3	GJ/adt	22.1	23.7	22.3	22.1	26.2
Reduction of specific energy consumption	302-4	GJ/adt	(0.4)	1.6	(1.4)	(0.2)	4.1
Renewable and clean energy	Own measure	%	53.5	53.8	54.9	55.0	57.9

COURAGE

Glossary

General definitions

AGM – Annual General Meeting.

AF&PA – American Forest and Paper Association.

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.

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

black liquor – The spent cooking liquor from the pulping process which arises when pulpwood is cooked in a digester thereby removing lignin, and other extractives from the wood to free the cellulose fibres. The resulting black liquor is an aqueous solution of lignin residues 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 higher brightness fine paper production.

CDP – Carbon Disclosure Project.

casting and release paper – Embossed paper used to impart texture 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 (CM) – Coated paper made from groundwood pulp which 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 consisting of pigments and binders, acts as a filler to improve the printing surface of the paper.

coated woodfree paper (CWF)

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

CoC – Chain of Custody.

COP26 – The 26th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP26), that took place in Glasgow, Scotland in November 2021.

COP27 – The 27th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP27), that took place in the Egyptian city of Sharm el-Sheikh in November 2022.

COP28 – The 28th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP28), that took place in Dubai, United Arab Emirates (UAE) in November/December 2023.

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

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

DP market price – Market price for imported hardwood dissolving pulp into China issued daily by the CCF Group.

EIA – Environmental impact assessment.

EPR – Extended producer responsibility.

ESD – Enterprise and supplier development.

ESG – Environmental, social and corporate governance.

Eskom – Eskom is the South African national electricity public utility.

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.

Glossary continued

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

FSA – Forestry South Africa.

Forest Stewardship Council™ (FSC™) – A global, not-for-profit organisation dedicated to the promotion of responsible forest management worldwide. (FSC™N003159) <https://www.fsc.org>

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.

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

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

GRI – Global Reporting Initiative.

GSDC – Group Sustainability Development Council.

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

high-yield pulp – Pulp that has a higher yield from wood logs than pure chemical pulps. High-yield pulp is processed either through mechanical processes or combined mechanical chemical processes such as Matane high-yield bleached chemi-thermo mechanical pulp (BCTMP).

ISO – The International Organisation for Standardisation.

JSE Limited – The main securities exchange in South Africa.

KPI – Key performance indicator.

kraft paper – Packaging or other 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 which commits signatories to reducing their emission of GHG 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.

lost-time injury frequency rate (LTIFR) – Number of lost-time injuries x 200,000 divided by man hours.

lost-time injury severity rating (LTISR) – Number of days lost x 200,000 divided by actual man hours.

managed forest – Naturally occurring forests that are harvested commercially.

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 is derived from further processing cellulose to a smaller size fraction or nano scale. These engineered celluloses open up opportunities for advanced, planet friendly solutions in place of environmentally harmful products.

natural/indigenous forest – Natural forests include old growth and primary forests as well as managed forests where most of the principal characteristics and key elements of native ecosystems such as complexity, structure, wildlife and biological diversity are present.

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.

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.

OTC – Over-the-counter trading of shares.

Own measure – Is a term that refers to any internal reporting preferences that are currently not required by the GRI topic disclosures. These figures can be absolute, percentages of totals or intensity ratios. For example, intensity ratios are obtained by dividing the absolute value (numerator) by the organisation-specific metric, air dry ton (the denominator).

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.

Glossary continued

Programme for the Endorsement of Forest Certification (PEFC) – An

international non-profit, NGO dedicated to promoting sustainable forest management (SFM) through independent third-party certification. PEFC works by endorsing national forest certification systems and is represented in 49 countries through national organisations such as SFI® in North America.

<https://www.pefc.org>

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.

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

release paper – The backing paper for self-adhesive labels.

R&D – Research and development.

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

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

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

Sappi Dissolving Pulp – The business unit within Sappi which oversees the production and marketing of DP.

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

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

SBS – Solid bleached sulphate board.

SBTi – The Science Based Targets initiative (SBTi) is a partnership between Carbon Disclosure Project (CDP), the United Nations Global Compact (UNGC), World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). The objective of SBTi is to drive ambitious climate action in the private sector by enabling companies to set science-based GHG emissions reduction targets. SBTi provides technical assistance and expert resources to companies who set science-based targets in line with the latest climate science and provides companies with independent assessment and validation of decarbonisation targets.

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.

SDGs – see UN SDGs.

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 programme.

<https://forests.org/>

TCFD – Task Force on Climate-related Financial Disclosures.

TNFD – Taskforce on Nature-related Financial Disclosures

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

ton – Metric ton of 1,000 kg.

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

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.

Transnet – Transnet is the state-owned South African rail, port and pipeline company.

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.

UN SDGs – United Nations Sustainable Development Goals.

Glossary continued

Verve – Brand name for Sappi dissolving pulp.

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

WBCSD – World Business Council For Sustainable Development.

woodfree paper – Paper made from chemical pulp.

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

General financial definitions

acquisition date – The date on which control in respect of subsidiaries, joint control in respect of joint arrangements and significant influence in associates commences.

associate – An entity over which the investor has significant influence.

basic earnings per share – Net profit for the year divided by the weighted average number of shares in issue during the year.

commissioning date – The date that an item of property, plant and equipment, whether acquired or constructed, is brought into use.

compound annual growth rate (CAGR) – The mean annual growth rate of an investment over a specified period of time longer than one year.

control – An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

diluted earnings per share – Is calculated by assuming conversion or exercise of all potentially dilutive shares, share options and share awards unless these are anti-dilutive.

discount rate – This is the pre-tax interest rate that reflects the current market assessment of the time value of money for the purposes of determining discounted cash flows. In determining the cash flows the risks specific to the asset or liability are taken into account in determining those cash flows and are not included in determining the discount rate.

disposal date – The date on which control in respect of subsidiaries, joint arrangements and significant influence in associates ceases.

fair value – The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

financial results – Comprise the financial position (assets, liabilities and equity), results of operations (revenue and expenses) and cash flows of an entity and of the group.

foreign operation – An entity whose activities are based or conducted in a country or currency other than that of the reporting entity.

functional currency – The currency of the primary economic environment in which the entity operates.

group – The group comprises Sappi Limited, its subsidiaries and its interest in joint ventures and associates.

joint arrangement – Is an arrangement of which two or more parties have joint control.

joint venture – Is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

operating profit – A profit from business operations before deduction of net finance costs and taxes.

presentation currency – The currency in which the financial results of an entity are presented.

qualifying asset – An asset that necessarily takes a substantial period (normally in excess of six months) to get ready for its intended use.

recoverable amount – The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs of disposal and its value-in-use. In determining the value-in-use, expected future cash flows are discounted to their net present values using the discount rate.

related party – Parties are considered to be related if one party directly or indirectly has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or is a member of the key management of Sappi Limited.

share-based payment – A transaction in which Sappi Limited issues shares or share options to group employees as compensation for services rendered.

significant influence – Is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control of those policies.

Non-GAAP financial definitions

The group believes that it is useful to report certain non-GAAP measures for the following reasons:

- These measures are used by the group for internal performance analysis
- The presentation by the group's reported business segments of these measures facilitates comparability with other companies in our industry, although the group's measures may not be comparable with similarly titled profit measurements reported by other companies, and
- It is useful in connection with discussion with the investment analyst community and debt rating agencies.

These non-GAAP measures should not be considered in isolation or construed as a substitute for GAAP measures in accordance with IFRS.

Glossary continued

asset turnover (times) – Sales divided by total assets.

average – Averages are calculated as the sum of the opening and closing balances for the relevant period divided by two.

black economic empowerment (BEE) charge – Represents the IFRS 2 non-cash charge associated with the BEE transaction implemented in 2010 in terms of BEE legislation in South Africa.

capital employed – Shareholders' equity plus net debt.

cash interest cover – Cash generated by operations divided by finance costs less finance revenue.

current asset ratio – Current assets divided by current liabilities.

dividend yield – Dividends per share, which were declared after year-end, in US cents divided by the financial year-end closing prices on the JSE Limited converted to US cents using the closing financial year-end exchange rate.

earnings yield – Earnings per share divided by the financial year-end closing prices on the JSE Limited converted to US cents using the closing financial year-end exchange rate.

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

EPS excluding special items – Earnings per share excluding special items and certain once-off finance and tax items.

fellings – The amount charged against the income statement representing the standing value of the plantations harvested.

GAAP – Generally accepted accounting principles.

headline earnings – As defined in Circular 1/2019, issued by the South African Institute of Chartered Accountants in March 2021, which separates from earnings all separately identifiable remeasurements. It is not necessarily a measure of sustainable earnings. It is a Listings Requirement of the JSE Limited to disclose headline earnings per share.

inventory turnover (times) – Cost of sales divided by inventory on hand at balance sheet date.

net assets – Total assets less total liabilities.

net asset value per share – Net assets divided by the number of shares in issue at balance sheet date.

net cash (utilised) generated – Cash flows from operating activities less cash flows from investing activities.

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

net debt to total capitalisation – Net debt divided by capital employed.

net operating assets – Total assets (excluding deferred taxation and cash and cash equivalents) less current liabilities (excluding interest-bearing borrowings, lease liabilities and overdraft).

NPV – Net present value.

ordinary dividend cover – Profit for the period divided by the ordinary dividend declared, multiplied by the actual number of shares in issue at year-end.

ordinary shareholders' interest per share – Shareholders' equity divided by the actual number of shares in issue at year-end.

price/earnings ratio – The financial year-end closing prices on the JSE Limited converted to US cents using the closing financial year-end exchange rate divided by earnings per share.

revolving credit facility (RCF) – A variable line of credit used by public and private businesses.

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

ROE – Return on average equity. Profit for the period divided by average shareholders' equity.

RONOA – Return on average net operating assets. Operating profit excluding special items divided by average net operating assets.

SG&A – Selling, general and administrative expenses.

special items – Special items cover those items which management believe are material by nature or amount to the operating results and require separate disclosure. Such items would generally include profit or loss on disposal of property, investments and businesses, asset impairments, restructuring charges, non-recurring integration costs related to acquisitions, financial impacts of natural disasters, non-cash gains or losses on the price fair value adjustment of plantations and alternative fuel tax credits receivable in cash.

total market capitalisation – Ordinary number of shares in issue (excluding treasury shares held by the group) multiplied by the financial year-end closing prices on the JSE Limited converted to US cents using the closing financial year-end exchange rate.

trade receivables days outstanding (including securitised balances)

– Gross trade receivables, including receivables securitised, divided by sales multiplied by the number of days in the year.



PATIENCE