




+ CONTENTS

FOCUS

Our theme for this year's annual integrated report is 'focus'. It highlights our commitment to our 2020Vision and strategy in the face of a challenging global macro-economic environment, as well as our belief that our vision and strategy will ultimately provide enhanced returns to all our stakeholders.

 See our inside back cover for more information on this year's reporting theme.

About this report

Group overview

- 6 Who we are
- 8 Where we operate
- 10 How we create value
- 12 Our business model
- 16 Letter to stakeholders
- 21 Q&A with the CEO

Creating value by responding strategically

- 26 Our operating context
- 29 Our strategy and performance
- 34 Risk management
- 42 Our key relationships

Our performance review

- 54 At a glance: Integrating our key material issues
- 56 Our alignment with the SDGs
- 58 Our key material issues
- 72 Our product review
- 80 Chief Financial Officer's Report

Governance and compensation

- 104 Our leadership
- 108 Corporate governance
- 123 Remuneration Report
- 142 Social, Ethics, Transformation and Sustainability (SETS) Committee Report

Appendices

- 146 Five-year review
- 148 Share statistics
- 150 Glossary
- 155 Notice to shareholders
- 164 Shareholder's diary
- 164 Administration
- 165 Proxy form for the Annual General Meeting
- 166 Notes to the form of proxy




IBC Forward-looking statements





How to navigate our report

Throughout our annual integrated report, the following icons are used to show the connectivity between sections:

Sappi's 3Ps

-  Prosperity
-  People
-  Planet

Referencing

-  Page
-  Online
-  Risk

Strategy

-  Achieve cost advantages
-  Rationalise declining businesses
-  Maintain a healthy balance sheet
-  Accelerate growth in higher margin growth segments

Our capitals

-  Human capital
-  Intellectual capital
-  Finance capital
-  Natural capital
-  Social and relationship capital
-  Manufactured capital

Sappi and the Sustainable Development Goals (SDGs)



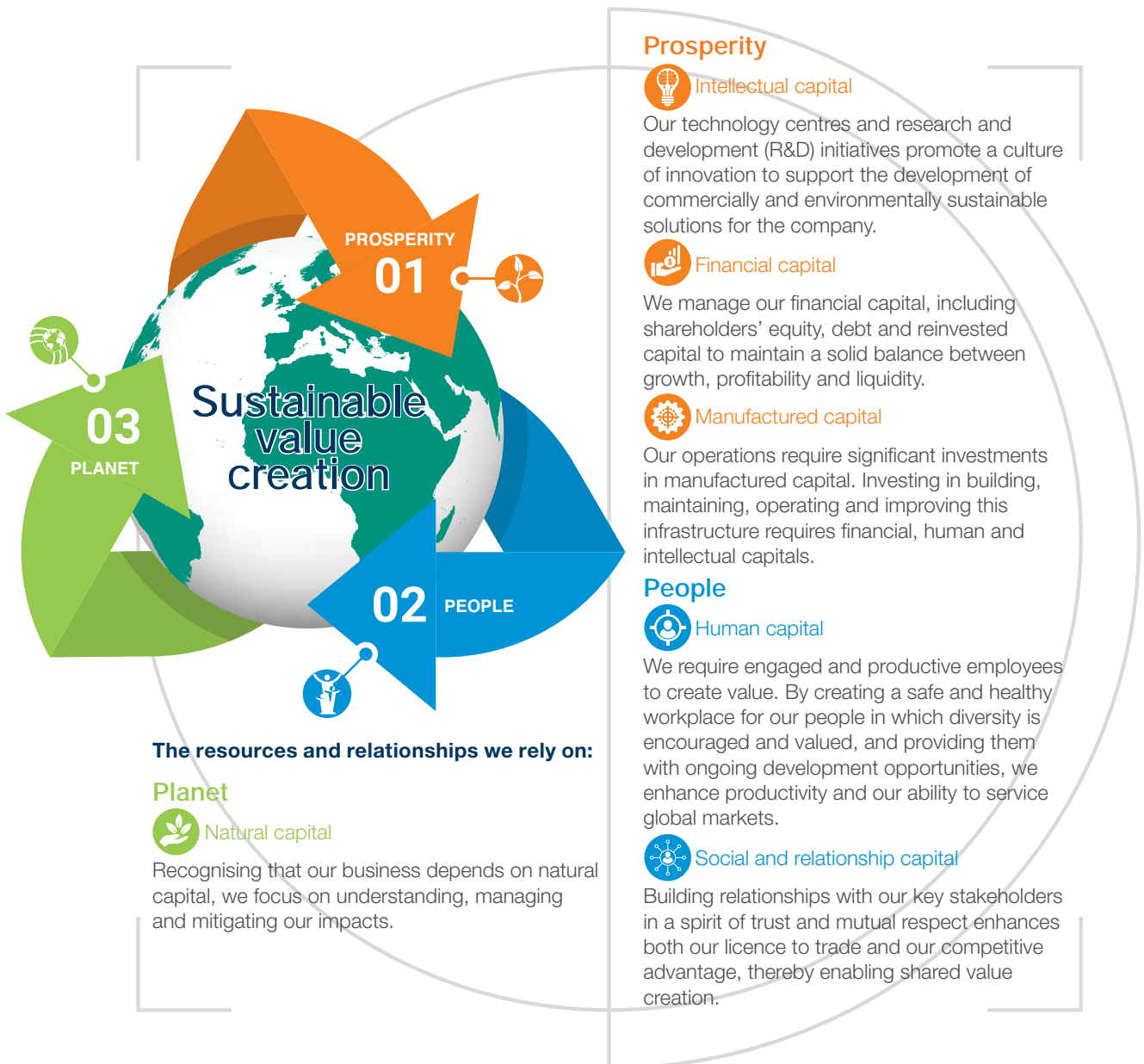
Please refer to pages 56 and 57 for more information about how we integrate the SDGs into our business.

+ ABOUT THIS REPORT

Our **annual integrated report** for the year ended September 2019 provides an overview of how we create value in terms of our strategy, mission and vision. The report deals with key opportunities and risks in our markets as well as our performance against financial and non-financial objectives, along with our priorities and expectations for the year ahead. While the report addresses issues pertinent to a wide group of stakeholders, the primary audience is our shareholders. Our global and regional sustainability reports address the wider audience in more detail on key material issues. In addition to our annual integrated report (pages 1 to 143), we have included supporting annexures (pages 144 to 166).

Integrated thinking and the 3Ps

We believe in taking an integrated approach to value creation. We understand that the long-term sustainability of our business will only be ensured by delivering sustained value for our stakeholders. In understanding our value-creation process, we take an integrated approach, considering **Prosperity, People and Planet** (the 3Ps) – an approach that is aligned with the International Integrated Reporting Council’s (IIRC) six capitals model.



+ ABOUT THIS REPORT continued



About this report

Scope and boundary

The scope of this report includes all our operations (see **Where we operate** on page 8). We aim to present information that is material, comparable, relevant and complete. The issues and indicators we cover reflect our significant economic, environmental and social impacts, and those we believe would substantively influence the assessments and decisions of investors.

The materiality of the information presented has been determined on the basis of extensive ongoing engagement with our stakeholders and has been assessed against the backdrop of current business operations, as well as prevailing trends in our industry and the global economy (see **Materiality** on page 58).

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

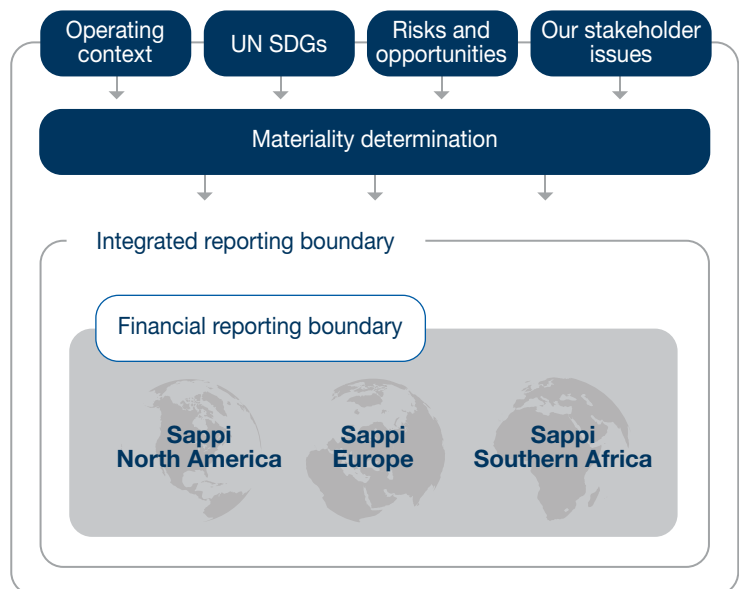
Ensuring holistic value creation

At Sappi, we take a holistic view of value creation.

Value for Sappi is not only about delivering returns to our shareholders, it is about maximising the value of every resource along our value chain to ensure those returns are sustainable. We recognise that our sphere of influence and impact extends beyond our mill gates.

Through this lifecycle approach that harnesses the power of the circular economy, we strive to minimise our negative impacts and increase our positive impacts on People and the Planet, while securing sustainable profit margins.







We then measure our value creation in terms of our defined, holistic targets, as outlined on pages 30 to 33.



Forward-looking statements

For important information relating to forward-looking statements, refer to the **inside back cover**.

Our reporting suite

	Report	Frameworks
	Annual Integrated Report www.sappi.com/annual-reports 	<ul style="list-style-type: none"> • IIRC's Framework • Companies Act, No 71 of 2008, as amended • JSE Listings Requirements • King IV Code on Corporate Governance (King IV™¹)
	Group Annual Financial Statements www.sappi.com/annual-reports 	<ul style="list-style-type: none"> • IFRS • Companies Act, No 71 of 2008, as amended • JSE Listings Requirements • King IV
	Group Sustainability Report www.sappi.com/sustainability 	<ul style="list-style-type: none"> • GRI Standards • United Nations Global Compact (UNGC) • United Nations SDGs

For up-to-date information, please refer to our quarterly results announcements and analyst presentations (www.sappi.com/quarterly-reports)

Assurance

We obtained external assurance on selected sustainability key performance indicators in our 2019 Sappi Group Sustainability Report. The independent practitioner's limited assurance report is included in the 2019 Sappi Group Sustainability Report.

Our sustainability information is also verified by our internal audit team. Their verification process includes reviewing the procedures applied for collecting and/or measuring, calculating and validating non-financial data, as well as reviewing reported information and supporting documentation. In addition, most of our key operations undergo external verification including the Eco-Management Audit System (EMAS) in Europe, ISO 50001 energy certification in Europe and South Africa and globally, ISO 14001 environmental certification, ISO 9001 quality certification and OHSAS 18001 health and safety certification.

We are also assessed in terms of the forest certification systems we use and, in South Africa, our broad-based black economic empowerment (BBBEE) performance is assessed by an external ratings agency.

In 2019 Sappi Limited was a constituent of the FTSE/JSE Responsible Investment Index and the FTSE/JSE Responsible Investment Top 30 Index. Being included in these indexes means that our sustainability performance has been externally assessed.

Collectively, these external assessments and certifications as well as interaction with our stakeholders give us confidence that our performance indicators are reliable, accurate and pertinent. The Social, Ethics, Transformation and Sustainability (SETS) Committee is satisfied that the sustainability information presented in this report has been provided with a reasonable degree of accuracy.

For information on the combined assurance framework relevant to the disclosure in this report, and for the independent auditors' report, see **Group Annual Financial Statements** on www.sappi.com/annual-reports. This year's report does not include summarised financials. However, the full 2019 Annual Integrated Report with financials is available on www.sappi.com/annual-reports in interactive and PDF format.

Board approval

The Sappi Limited board acknowledges its responsibility for ensuring the integrity of the annual integrated report and, to the best of its knowledge and belief, the 2019 Sappi Annual Integrated Report addresses all issues material to the group's ability to create value in the short, medium and long term, and fairly presents the integrated performance of the organisation and its impact.

We believe that this report has been prepared in accordance with the IIRC Framework.

The report has been prepared in line with best practice and the board confirms that it has approved the 2019 Annual Integrated Report and authorised it for release on 13 December 2019.

Sir Nigel Rudd

Chairman

Steve Binnie

Chief Executive Officer

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+ CONTEXT

TIME
 LANDSCAPE
 SPACE **ADAPT**
 PERSPECTIVE
 PIONEER
 ENVIRONMENT
 VANTAGE
 FRAME

Persistent change, challenged assumptions, and disruption are now the norm, rather than the exception, in business and society.

Within this landscape, we have seen the demise or the value destruction of many businesses the world over.

As Sappi, just over five years ago we recognised that we would have to adapt to this changing context – intensified by the fact that our industry was undergoing profound transformation – and so we embarked on a journey of intentional evolution.

We focused not just on how to serve our customers, but on the bigger picture, based on our understanding that by capitalising on change and by being agile we would be able to contribute

to a better tomorrow. This involved redefining our strategy to draw on the power of sustainable woodfibre for a sustainable world, focused on dissolving wood pulp, paper and products in adjacent fields.

For us, it is not about being the biggest or the most visible. Rather, it is about being able to weather all storms, about being able to map out a clear path for ourselves in an uncertain landscape. That way, we will continue to ensure that we are well-matched to our environment and that we are agile and adaptive as that changes – which it invariably will.

In a globalised market that is continually changing, we continue to view adaptation to context as a strategic advantage and our key to realising our group strategy.

+ WHO WE ARE

“How we do business is as important as what we do, highlighted by our value statement.”

Our values

At Sappi we do business with integrity and courage; making smart decisions which we execute with speed. Our values are underpinned by an unrelenting focus on and commitment to safety.

Our mission

Through the power of One Sappi – committed to collaborating and partnering with stakeholders – we aim to be a trusted and sustainable organisation with an exciting future in woodfibre.

Our 2020 Vision

Sappi will be a diversified woodfibre group targeting a substantial increase in EBITDA through an expanded product portfolio with increased margins, providing enhanced rewards to all its stakeholders.

Reward

We will ensure that the economies, regions and environments in which we operate benefit from our presence. We will provide enhanced rewards for our shareholders, our employees and our other stakeholders.

People

We will create opportunities and make resources available to enable our people to grow intellectually and bring new ideas to fruition. We will also continue to invest in and support our communities.

Leadership

We will support our existing leadership teams and individuals who show promise to be tomorrow's leaders in developing agile and adaptive mindsets that enable us to meet and embrace change to be responsive to the future demands in all our roles. We will work to obtain enhanced margins across all businesses.

Manufacturing

We will continue to improve operational and machine efficiencies, and to increase the knowledge-based value of our products to use raw materials more efficiently and reduce our energy needs.

Research and development

We will focus our R&D on developing for commercialisation: speciality paper products, enhancing our dissolving wood pulp business, exploring the micro and nanoscale potential of woodfibre and biorefining—extracting biochemicals locked up in wood.

Environment

Shrinking our environmental footprint by reducing energy and raw material consumption will continue to be key to how we produce our products.

Our strategy

Through intentional evolution we will continue to grow Sappi into a profitable and cash generative, diversified woodfibre group—focused on dissolving wood pulp, paper and products in adjacent fields.

“ Sappi is a global diversified woodfibre company focused on providing dissolving wood pulp, packaging and speciality papers, graphic papers, as well as biomaterials and biochemicals to our direct and indirect customer base across more than 150 countries. ”

Paper production per year

5.7 million tons

Paper pulp production per year

2.2 million tons

Dissolving wood pulp production per year

1.4 million tons

Globally we have

12,821 employees¹

390,000ha

Owned and leased sustainably managed forests in South Africa

The wood and pulp needed for our products are either produced within Sappi or bought from accredited suppliers. Sappi sells almost as much as it buys.



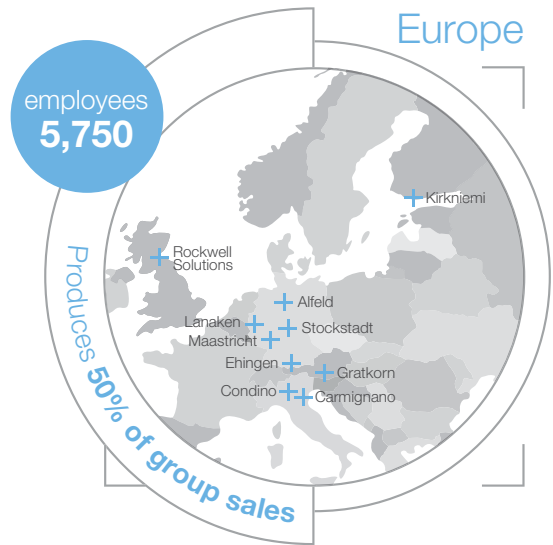
¹ Includes Corporate and Sappi Trading employees

+ WHERE WE OPERATE

Sappi Trading

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

paper mills	5
speciality paper mills	3
paper and speciality paper mill	1
other operation	1
sales offices	14



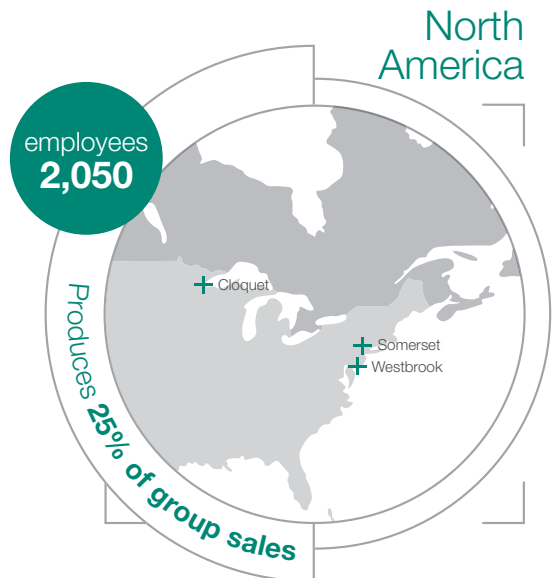
Logistics offices

Durban, New York

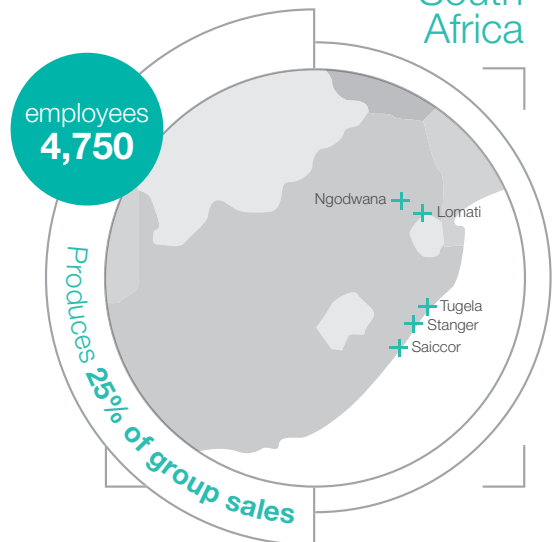
Sales offices

Bogotá, Buenos Aires, Hong Kong, Johannesburg, México City, Nairobi, São Paulo, Singapore, Shanghai, Sydney, Vienna

paper mill	1
speciality paper mill	1
paper and dissolving wood pulp mill	1
sales offices	6



South Africa



paper mills	2
dissolving wood pulp mill	1
paper and dissolving wood pulp mill	1
sawmill	1
sales offices	6

Capacity⁽¹⁾ ('000 tons)

Mills	Products produced	Paper	Pulp
Alfeld Mill	Bleached chemical pulp for own consumption		120
	Speciality paper; flexible packaging paper, paperboard, containerboard, release liner, label paper, functional papers	275	
Carmignano Mill	Speciality paper; dye sublimation paper, flexible packaging paper, inkjet paper and label paper	100	
Condino Mill	Speciality paper; dye sublimation paper, flexible packaging paper, inkjet paper and silicone base paper	60	
Ehingen Mill	Bleached chemical pulp for own consumption and market pulp		140
	Coated woodfree paper and containerboard	280	
Gratkorn Mill	Bleached chemical pulp for own consumption		250
	Coated woodfree paper	980	
Kirkniemi Mill	Bleached mechanical pulp for own consumption		300
	Coated mechanical paper	750	
Lanaken Mill	Bleached chemi-thermo mechanical pulp for own consumption		165
	Coated mechanical paper and coated woodfree paper	530	
Maastricht Mill	Coated woodfree paper and paperboard	280	
Stockstadt Mill	Bleached chemical pulp for own consumption and market pulp		145
	Coated woodfree paper and uncoated woodfree paper	445	
Total		3,700	1,120
Other operation		Capacity ⁽¹⁾ (million m ²)	
Rockwell Solutions	Coated barrier film and paper		100

(1) Capacity at maximum continuous run rate per annum.

Capacity⁽¹⁾ ('000 tons)

Mills	Products produced	Paper	Pulp
Cloquet Mill	Dissolving wood pulp		370
	Coated woodfree paper	340	
Somerset Mill	Bleached chemical pulp for own consumption and market pulp		525
	Coated woodfree paper and packaging paper	970	
Westbrook Mill	Speciality papers; casting and release paper	40	
Total		1,350	895

(1) Capacity at maximum continuous run rate per annum.

Capacity ('000)

Plantations*	Products produced	Ha	Standing tons
KwaZulu-Natal	Plantations (pulpwood and sawlogs)**	257	11,056
Mpumalanga	Plantations (pulpwood and sawlogs)**	272	16,536
Total Sappi Forests (owned, leased and contracted supply)		529	27,592

Capacity⁽¹⁾ ('000)

Mills	Products produced	Timber m ³	Paper tons	Pulp tons
Lomati Sawmill	Sawn timber	102		
Ngodwana Mill	Unbleached chemical pulp for own consumption			210
	Mechanical pulp for own consumption			110
	Kraft linerboard		240	
	Newsprint		140	
Stanger Mill	Bleached bagasse pulp for own consumption			60
	Office paper and tissue paper		110	
Tugela Mill	Neutral sulfite semi-chemical pulp for own consumption			150
	Corrugating medium		200	
Sappi ReFibre***	Waste paper collection and recycling for own consumption			135
	Total Sappi Paper and Paper Packaging		690	665
Ngodwana Mill	Dissolving wood pulp			255
Saiccor Mill	Dissolving wood pulp			800
	Total dissolving wood pulp			1,055
Total		102	690	1,720

(1) Capacity at maximum continuous run rate per annum.

* Approximately 135,000 hectares of our land is set aside and maintained by Sappi Forests to conserve the natural habitat and biodiversity found there.

** Plantations include owned and leased areas as well as projects.

*** Sappi ReFibre collects waste paper in the South African market which is used to produce packaging paper.

HOW WE CREATE VALUE



Forests

Our 100% Forest Stewardship Council™ (FSC™)¹-certified plantations in South Africa give us a low-cost woodfibre base on which our business depends and are thus a key pillar of competitive advantage. Our leading-edge tree improvement programmes aim to grow better trees faster, thereby ensuring this advantage is maintained and enhanced.

¹ Sappl licence number: FSC-N003159

**SA plantations
100%
FSC certified**



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.

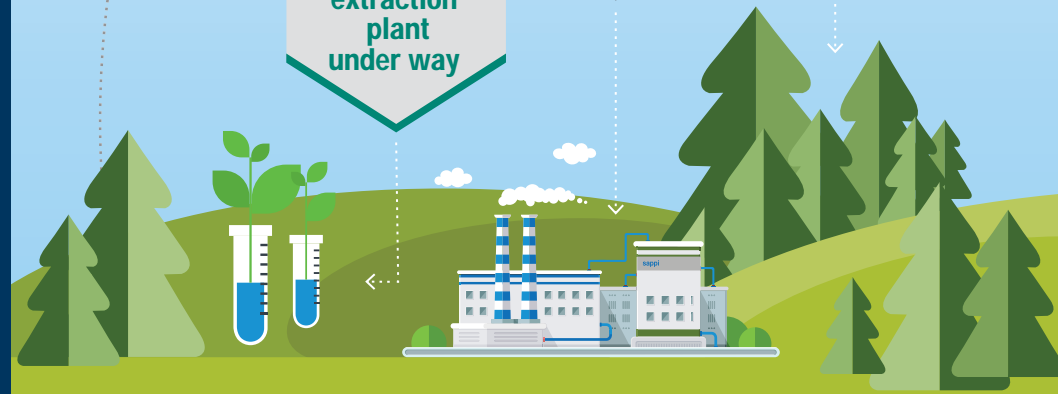


Bioproducts

We are unlocking the chemistry of trees and meeting the challenges of a carbon-constrained world by establishing a strong position in adjacent businesses including: nanocellulose, sugars and furfural, lignosulphonates, biocomposites and bio-energy. Extracting more value from each tree is strengthening our core business model.

Acquisition of Matane Mill improved pulp integration

Phase 2 of our sugar extraction plant under way



We take an integrated approach to value creation. Guided by our values, our **six value streams** enable the delivery of our mission.

1

Our values

Act with integrity

We strive to consistently deliver goods and services of the highest standards; doing the right thing the right way.

Be courageous

We take full responsibility for all our decisions and actions; operating with conviction and without hesitation.

Make smart decisions

We strive to be easy to do business with and have a 'can-do' attitude, always looking for the better, faster route to create value for all.

Execute with speed

If something is worth doing it is worth doing quickly, right the first time and never cutting corners.

See page 6.

2

Our inputs

Our integrated approach to sustainable development acknowledges that we depend on Prosperity, People and the Planet to thrive. We rely on certain inputs to create value.

See page 13.

3

Our value streams

The value streams set out above indicate the manner in which we create value and serve our customers, meeting their needs today, tomorrow and well into the future.

See above.

4

Our strategy

Our ability to deliver sustained value depends on the successful execution of our strategy.

See page 30.

Dissolving wood pulp



Dissolving wood pulp (DWP) is a truly sustainable raw material. Our customers transform our DWP into products which meet the needs of people around the globe every day. Products which enable fashion, household comfort, personal beauty and hygiene, as well as a healthy lifestyle.

110,000 tpa expansion at Saiccor Mill 40% complete

Packaging and speciality papers



Our customers use our packaging and speciality papers to add value to niche markets, enable product differentiation and offer environmentally conscious consumers an alternative to fossil-fuel based packaging. Our focus on innovation helps our customers to meet and anticipate the challenges of changing market dynamics.

Sales volumes increased 12% year-on-year

Graphic papers



While the digital age has impacted on the use of paper, our graphic papers continue to meet the needs of consumers and marketers around the world. They rely on paper for a tactile, emotional experience no other communication medium can replicate.

Paper's haptic qualities enhance marketing and branding

Our mission

All our activities aim to realise our mission:

Through the power of One Sappi — committed to collaborating and partnering with stakeholders — we aim to be a trusted and sustainable organisation with an exciting future in woodfibre.

5

Our outcomes

While we acknowledge that our business activities have both positive and negative outcomes, we strive to maximise the positive consequences of our value streams in terms of Prosperity, People and Planet.

See pages 14 and 15.

6

Our key relationships

Ongoing engagement with our stakeholders conducted in a spirit of trust and mutual respect enables more tangible business value creation.

See page 42.

7

Our global sustainability goals

Monitoring and reporting transparently on our ambitious Prosperity, People and Planet targets aligns with our 2020Vision and One Sappi strategic approach.

See our **Group Sustainability Report**. [View Report](#)

+ UNDERSTANDING OUR BUSINESS MODEL


In an **increasingly interdependent society**, the way we operate must reflect the **connected nature of Prosperity, People and Planet**.

There is a growing recognition of the necessity for a more circular global economy, as we move away from a 'take, make, dispose' model of production to a more regenerative economic system aimed at minimising waste and making the most of scarce resources.

At its heart, our business model is circular and interconnected. And we continue to find ways to maximise the circular nature of our activities.



While we have laid out our value creation process in two dimensions, we understand that the overarching reality is circular.

 See pages 10 and 11, and 13 to 15.

Value for Sappi is not only about delivering returns to our shareholders, it is about maximising the value of every resource along our value chain to ensure those returns are sustainable.

We are also committed to positively impacting the communities we rely on and support the principles of the UNGC and the UN SDGs, which are focused on reshaping the world around us to create a more sustainable one.

1

+ Inputs

The resources and relationships we rely on

PROSPERITY



Financial, intellectual and manufactured capitals



- 18 production facilities:
 - Eight paper mills
 - Four speciality paper mills and one other operation
 - One paper and speciality paper mill
 - Two dissolving wood pulp and paper mills
 - One dissolving wood pulp mill, and
 - One sawmill

- Biomass plant under construction
- Fuel rod demonstration plant
- Nanocellulose demonstration plant
- Sugar demonstration plant – now in its second phase
- Acquisition of Matane Mill in Canada

- Total assets: **US\$5.6 billion**
- EBITDA: **US\$687 million**, a decline of **10% year-on-year**
- Cash and cash equivalents: **US\$393 million**
- R&D spend: **US\$42 million**

PEOPLE



Human and social and relationship capitals



- 12,821 employees
- US\$525 average training spend per employee
- Ongoing stakeholder engagement
- US\$4.1 million invested in corporate social responsibility

PLANET



Natural capital



- Access to 529,000 ha plantations, of which approximately:
 - 255,000 ha are owned or leased, and
 - 139,000 ha are contracted supply
 - 135,000 ha is set aside and maintained by Sappi Forests to conserve the natural habitat and biodiversity found there.
- 2,621 MW energy purchased
- 2,011 MW energy generated on site
- Energy intensity: **22.84 GJ/adt**
- **289 million litres of water** extracted for all purposes
- **34.17 m³/adt specific** process water extracted

+ OUR BUSINESS MODEL



+ Outputs 2 What we produce

- 7.6 million tons of saleable production
- Profit down by 15%
- Net debt down by 4%
- New products to meet changing customer expectations and market trends

- **Productivity: 4.00 hours worked/adt** saleable production (2018: 3.63 hours)
- **Internal global awards** (Technical Innovation Awards and CEO Award for Excellence), together with **regional awards, drive excellence and innovation**

- **Waste: 1.5 million tons of waste**, of which 377,422 tons sent to landfill
- **Emissions: 4.4 million tCO₂e** absolute direct (Scope 1) GHG

PLANET



High levels of wood certification = competitive advantage

PEOPLE



US\$525 average training spend per employee

- ✗ Four fatalities
- ✓ We play an active role in South Africa's transformation agenda and are classified as a Level 2 BBBEE contributor
- ✓ In South Africa our operations provide employment for approximately 9,250 contractor employees

PROSPERITY



Matane Mill acquisition = high yield pulp at lower costs

- ✓ Our investors received US\$92 million in dividends
- ✓ Our high levels of innovation give our customers a competitive edge in global markets – we collaborated closely with specialist packaging converter and a global FMCG company to support the launch of a new confectionery snack bar wrapped in recycled paper

+ Outcomes 3 The impacts of our operations

- Positive ✓
- Negative ✗
- Neutral —
- Earth kind ♻️
- 52.9% renewable energy, of which 66.4% own black liquor
- ✓ Training of smallholders to educate them on more sustainable forestry practices
- 95% of water drawn returned to the environment
- ✓ Impact on GHG emissions offset by carbon sequestration
- ✓ 74.8% of fibre used certified
- ✓ World-leading tree improvement programmes have led to shorter growth times and enhanced fibre gain

+ Actions to enhance outcomes

4

The impacts of our operations



- Tight management of working capital and postponement of discretionary capital expenditure to mitigate the impact of uncertain market conditions
- Investment in R&D to ensure cutting-edge solutions for customers
- Ongoing diversification of our product portfolio into higher margin segments



- Continued investment in embedding a safety culture across the group
- Focus on entrenching transformation in our South African operations to support inclusive growth
- Investment in training and development of our employees
- Strong governance; Code of Ethics training
- Group Supplier Code of Conduct rolled out to suppliers and review process initiated



- Increased energy self-sufficiency by 5.4% over five years due to focus on reducing purchased energy
- Participated in initiatives to enable certification for small growers
- Adjusted our tree breeding strategy to mitigate the impacts of climate change
- Participated in industry consortium to test blockchain technology
- Together with other forestry companies, initiated a detailed climate change mapping project with the Global Change Institute (GCI) at the University of the Witwatersrand

- ✓ Globally, we contributed US\$131 million to government taxation
- ✓ We paid US\$989 million to employees as salaries, wages and other benefits
- ✓ Lenders of capital received US\$95 million as interest
- ✓ We invested US\$438 million to grow the business
- ✗ Downtime at certain mills

- ✓ Our specialised sustainable packaging solutions: preserve and protect, convey information and offer convenience
- ✓ Acquisition of Matane Mill – opens up opportunities as part of a global organisation

- ✓ One-third of owned and leased plantations set aside for biodiversity conservation
- ✗ Negative impact on plantation biodiversity at stand level (not plantation level)
- ✓ DWP used for clothing and household textiles, baby wipes and wet wipes – reducing environmental impact
- ✓ Lighter-weight packaging products – reduction of carbon footprint
- ✓ Expanded packaging portfolio offers customers and consumers more sustainable alternatives to fossil-fuel based packaging (plastics)
- ✓ Ecosystem services benefit various stakeholders

+ LETTER TO STAKEHOLDERS

from the Chairman and Chief Executive Officer



Sir Nigel Rudd
Chairman



Steve Binnie
Chief Executive Officer

Operating review

Market conditions across Sappi's major product categories were challenging throughout the year. Dissolving wood pulp (DWP) market prices in China fell US\$273/ton and reached historical lows by year-end, despite global demand growth of more than 6%. We experienced prolonged weakness in global graphic paper markets, while demand for some of our packaging and speciality grades was also under pressure. Uncertainty as a result of the ongoing trade wars and slower economic growth in various geographies were the major drivers of the volatility encountered during the year.

The company continued the strategy of recent years to diversify its product portfolio into higher margin segments and position it for future growth. The recent projects to increase capacity at each of the DWP mills and convert capacity at Somerset and Maastricht Mills towards packaging boosted sales volumes in each of these segments during the year, thereby lessening the impact of weak graphic paper markets. Early in the fourth quarter we announced the acquisition of the Matane pulp mill, which will increase the pulp integration of our packaging businesses, and lower costs. The acquisition was subsequently completed on 03 November 2019.

As market conditions weakened, working capital was tightly managed

and discretionary capital expenditure was postponed or reduced to decrease debt levels.

The group's earnings before interest, tax, depreciation and amortisation (EBITDA) excluding special items was US\$687 million, declining 10% year-on-year as a result of weak graphic paper demand and declining DWP prices. Operating profit excluding special items for the year was US\$402 million compared to US\$480 million in the prior year.

We continued our efforts to improve safety across all our operations in the past year. All three regions have safety programmes aimed at creating an environment where there are no injuries. We do not accept that injuries and accidents are inevitable and remain committed to Project Zero with improved personal behaviour and making safe choices, enforcing compliance and leadership engagement. We are pleased to report that our North American operations achieved their best own-employee lost-time injury frequency rate (LTIFR), while being disappointed with an increase in that metric in both Europe and South Africa. Regrettably we must report four contractor fatalities in South Africa during the year. Our target is zero injuries, and we believe we can achieve this with enhanced procedures, training and most importantly, behaviour.

“ The company continued the strategy of recent years to diversify its product portfolio into higher margin segments and position it for future growth. ”

We built on our commitment to be an ethical corporate citizen with an ongoing communication and training campaign following our roll out of the revised Code of Ethics in 2016. This code recognises that we are a global company, operating in many different countries and jurisdictions. Presenting a coherent and consistent culture of the highest integrity is a core value of the group. We must ensure we interact ethically and honestly with our staff, customers and other stakeholders. How we do business is never a short-term consideration but should rather contribute to our long-term sustainability. For our code to be effective, we must live our core values of doing business with integrity and courage; making smart decisions which we execute with speed.

The year started strongly for DWP markets, with pricing above long-term averages for the first six months. Thereafter, the combination of the impact from global trade wars on Chinese textile markets, excess viscose staple fibre (VSF) capacity and a weaker Renminbi exchange rate drove DWP prices to historical lows, impacting profitability in this segment. The weak paper pulp prices and demand dynamics kept many swing producers in the DWP market, further exacerbating the situation.

The packaging and speciality papers segment had a mixed year. The trend towards paper based packaging in consumer segments was positive. Stable South African containerboard demand was offset by higher paper pulp prices at the start of the year which negatively impacted margins, as well as the slower-than-expected ramp-up of newly converted machines at Somerset and Maastricht Mills. The slower European economy also adversely impacted the market for certain consumer speciality grades.

Global graphic paper demand declined by nearly 7% in the past nine months. In European and United States markets, demand declines exceeded 10%, impacted by a general weakening in economic activity, high inventory levels, secular demand trends and the rapid series of price increases in 2018. This necessitated 268,000 tons of production downtime during the year. However, in the second half of the year, the segment started to benefit from a reduction in input costs, particularly paper pulp, helping to mitigate the impact of lower volumes.

Strategic review

Calendar 2019 was the fourth year of our strategic 2020Vision and was one in which we expected to make further progress in improving profitability and

cash generation via the shift into faster growing and more profitable segments. This was supported by our investments to convert Somerset PM1 and the Maastricht Mill to paperboard, and the DWP debottlenecking projects at Cloquet, Saiccor and Ngodwana Mills. As described above, however, market conditions for each of our major segments deteriorated in 2019 and attaining our 2020 financial goals became more challenging.

Our strategy encompasses the following four main objectives:

Achieve cost advantages – We will work to improve operational and machine efficiencies, maximise procurement benefits and optimise business processes to lower costs

Rationalise declining businesses – Recognising the decreasing demand for graphic papers, we continuously balance paper supply and demand in all regions to strengthen our leadership position in these markets, realising their strategic importance to the group and maximising their significant cash flow generation. Where possible we will convert paper machines to higher margin businesses

Maintain a healthy balance sheet – This will reduce risk and improve our strategic flexibility

+ LETTER TO STAKEHOLDERS continued

Accelerate growth in higher margin growth segments – We will invest in expanding our paper packaging grades, enhancing our DWP portfolio and extracting value from our biorefinery stream.

The strategic objectives are supported by our value statement: At Sappi we do business with integrity and courage; making smart decisions which we execute with speed. Our values are underpinned by an unrelenting focus on and commitment to safety.

Initiatives and actions undertaken to support our strategic objectives are outlined below.



Achieve cost advantages

Reducing both variable and fixed costs throughout the business is integral to maintaining or improving margins and the sustainability of our operations. This is especially true in commodity businesses where we face declining demand, such as graphic papers. In the past year, we set ourselves the target of a US\$60 million reduction in third-party expenditure compared to 2018 through efficiency and raw material use improvements as well as delivering savings through various procurement initiatives. We are pleased to report that savings of US\$87 million were realised, which helped offset declining paper volumes and DWP prices. In 2020 we are targeting a further US\$54 million in savings. In 2019 we began the Saiccor Mill 110,000 ton expansion. This project, due to be completed towards the end of 2020, will improve our energy and chemical recovery, lowering variable costs for the full mill by an estimated ZAR300/ton. We also invested US\$30 million for upgrades to the Gratkorn Mill, resulting in improved efficiency and lower costs. As mentioned above, we acquired the Matane high-yield pulp mill post-year-

end and this acquisition, along with some small pulp mill debottlenecking projects in Europe during 2020, will help improve the paper pulp integration of our packaging and speciality papers business, lowering our cost base and reducing the volatility of earnings through the pulp cycle.



Rationalise declining businesses

Graphic paper demand in Europe and North America remains in long-term structural decline. This was exacerbated in 2019 by general economic conditions and as a consequence of a rapid series of price rises in 2018 as a result of then record high paper pulp prices and the impact that had on input costs. Maintaining operating rates and lowering costs are key to our strategy to maximise cash generation in these markets. As noted we had to take 268,000 tons of production downtime in the last nine months of the year which negatively impacted the profitability of the graphic paper business.

In 2018, we converted PM1 at the Somerset Mill. The capacity of the machine was expanded, and it now has the flexibility to produce both coated graphics paper and paperboard products used in the folding carton and food service markets. During 2019, we ramped up production of paperboard grades on this machine as we qualified the various products with a range of customers. In 2020 we expect to continue increasing paperboard volumes, gradually filling the machine as graphic paper sales volumes decline.

In Europe we focused on cost reduction and our go-to-market strategy – Sappi&You – which has enabled us to be a preferred supplier in coated woodfree grades in particular and has seen us increase both direct sales and market share in a declining

market. In 2018, we converted the Maastricht Mill to focus predominantly on paperboard packaging grades in support of our existing packaging and speciality papers business in Europe. In 2019, we began the conversion of PM8 at Lanaken to enable the machine to make either coated woodfree (CWF) or coated mechanical (CM) paper. This will allow the transition from CM to CWF production on that machine over the next three years and align our CM capacity with demand. We also made investments at Eningen Mill to enhance its packaging and speciality papers offering and will be doing the same at Alfeld Mill in 2020. In combination, these projects will replace 200,000 tons per annum of graphic paper with a similar volume of packaging and speciality grades.

In South Africa, our exposure to declining markets is limited to newsprint, where we are the last local producer, and office paper.



Maintain a healthy balance sheet

The decline in profitability of the business in 2019 due to factors noted above, along with a large and committed capital expenditure pipeline during the year has resulted in the net debt to EBITDA leverage ratio increasing from 2.1 to 2.2 times over the course of the year, below our target leverage ratio of 2.0 times. With the completion of the Saiccor expansion project in 2020, capital expenditure levels will remain elevated, but we have reduced discretionary capital expenditure in 2020 to limit the rise in debt levels as far as possible.

In 2019, we refinanced the 2022 Euro bonds with a new seven-year Euro bond at a rate of 3.125%, our lowest ever rate. We now have no significant maturities due before 2023 and we are comfortable with the maturity profile of our debt. Net finance costs may rise

slightly to between US\$70 million and US\$80 million as the net debt increases in the coming year. We proactively amended the leverage covenant on our European revolving credit facility in the fourth quarter at no additional cost to give us more headroom in the coming two years, and allow us to complete current capital projects without putting the business at unnecessary risk.



Accelerate growth in higher margin growth segments

After debottlenecking the Saiccor and Ngodwana DWP Mills in 2018, in the second half of 2019 we completed the upgrades to the Cloquet Mill, adding a further 30,000 tons of DWP production capacity. As mentioned above, we initiated the 110,000 ton expansion project at Saiccor during the year. Apart from additional sales volumes, this will decrease unit production costs for the mill's entire output, introduce new technology, reduce the environmental footprint and future-proof manufacturing systems. Current market conditions, with record low prices, viscose customers under significant pressure and an excess of DWP capacity make a further significant expansion difficult to justify in the near term. We continue to evaluate various options, however, as robust demand growth from our major customers and pressure on the textile industry for more sustainable solutions increases.

Following the acquisition of the paper mill assets of the Cham Paper Group and the completion of the Somerset PM1 and Maastricht Mill conversions in 2018, the packaging and speciality segment volumes grew by 12% in 2019. With increasing sales volumes on the converted machines and the related improvement in sales mix and production efficiencies, profitability of the segment will improve, aided by

lower purchased paper pulp prices and the increased pulp integration as a result of initiatives noted above. The pressure on fast-moving consumer goods companies to embrace alternative packaging solutions that are more renewable, recyclable and reusable is encouraging joint R&D efforts to provide these solutions. Many of our packaging products are ideally placed to take advantage of this accelerating demand and we have made good progress in the last year in launching new products and solutions for our customers. The technology acquired through Rockwell Solutions in 2017 is now ready to be rolled out to additional machines in the group in future years, allowing us to capture more of this market.

Sappi Biotech continues to make progress in developing new and innovative products, ideally suited to a world looking for more sustainable chemical and material solutions. We continue to grow our lignin business and have made significant progress to enter higher-value lignin markets in the near term. The demonstration plant adjacent to our Ngodwana Mill has allowed us to test and optimise xylose sugars extraction technology on an industrial scale for markets such as xylitol and furfural. We are pursuing various options to develop projects in these markets. Pending successful commercial arrangements, this may result in final product technology scale-up and ultimate construction of commercial xylose or furfural plants at our mills in the United States or South Africa. Our cellulose nanofibrils and cellulose microfibrils development is ongoing, with exciting co-development and product acceptance progress made in our paper business as well as with firms in the coatings and cosmetics industries. We are furthermore running development trials with our fibre composite product alongside automotive producers.

Sustainability

Since developing our 2020Vision, sustainability has become increasingly more prominent in our strategic thinking as climate change, governmental, societal and brand owner pressure mount and technological change brings new opportunities and risks. Sappi has always focused on the sustainable management of our operations, focused on increasing efficiency and maximising value from our sustainable natural resources. We have also recognised that we need to be more proactive in our dealings with various stakeholder groups and become a trusted partner to these groups to pursue growth opportunities, while managing the risks inherent in this more complex operating environment. Sustainability will become a key component of our 2025 strategy, more deeply integrated into the overall business strategy.

Looking forward

The markets we operate in are expected to remain challenging in the coming year, and profitability is likely to be negatively impacted as a result. DWP pricing in particular will have a significant impact on earnings as this segment is a major contributor to our profit and cash flow generation. We have responded by reducing our capital expenditure in the past year and for the next; and other than the 110,000 ton expansion of Saiccor Mill which is currently under way, we have not committed capital to any material project. We have reduced working capital, amended debt covenants, targeted further cost reductions and are evaluating various options for our paper machines in Europe to lower fixed costs and match capacity to demand.

DWP pricing remains under significant pressure, having declined to historical lows of US\$638/ton at the time of

+ LETTER TO STAKEHOLDERS continued

writing this report, US\$306/ton lower than a year ago. We believe that current pricing is below the cash cost of production for a significant proportion of global supply and is therefore unsustainable over any prolonged period. Underlying demand for DWP is still growing at rates consistent with our long-term forecasts. A recovery in DWP prices is likely to be prompted by a recovery in VSF prices, which have been depressed by excess VSF capacity and a weak Chinese textile market.

In the packaging and speciality papers segment, we are making good progress with customer acceptance in the United States and European markets and the ramp-up of volumes continues, aided by the shift from plastic to paper in many packaging categories. However, the slowing South African economy will probably impact domestic demand for containerboard in the coming year.

Global graphic paper markets continue to show weakness from a combination of economic factors and ongoing shift to digital media. Pricing has declined only marginally over the past quarter, and as paper pulp prices in Europe and North America approach those prevalent in China, margins should be maintained.

Capital expenditure in 2020 is expected to decrease to US\$460 million as we complete the Saiccor 110,000 ton expansion project and some smaller European pulp mill debottlenecking projects. Payment of the adjusted Matane net acquisition price of approximately US\$158 million will be made in the first quarter of the coming financial year, funded via a new term loan.

Due to current very weak pricing in the DWP market and with paper markets yet to show signs of a sustained recovery in demand, we expect EBITDA in the first quarter of fiscal 2020 to be below that of 2019.

Appreciation

Our wide groupings of stakeholders contributed in many ways to our business in the past year. We appreciate their ideas, constructive criticism and support, which guided our thinking and actions. This support and guidance are invaluable in these difficult market conditions.

To our customers who have supported us in all our different markets, and with whom we increasingly collaborate to provide relevant products and services that generate sustainable value for all parties, we thank you.

Our employees have continued to demonstrate belief in our strategy and a commitment to the business in these challenging markets. Their initiative, resourcefulness and drive towards our One Sappi vision make it clear that our values and ethics are embedded in the organisation. We also thank them for their hard work.

Our gratitude goes to our board for their continued commitment to the group, sharing their valuable insights and encouragement while holding us to the highest ethical standards to enable us to execute our strategy.

We welcomed Mr Brian Beamish, Mr James Lopez and Ms Janice Stipp to the board as independent non-executive directors during the year.

Earlier this month we announced the retirement of Mr John McKenzie (Jock), lead independent non-executive director, and Ms Karen Osar, independent non-executive director effective from the end of December 2019. Jock McKenzie was appointed to the board in September 2007. He was a member of the HR and Compensation Committee from 2007, and chaired the Social, Ethics, Transformation and Sustainability Committee until his appointment as lead independent director in 2016 and then member of the Nomination and Governance Committee. Karen Osar was appointed to the board in

May 2007 and has been a member of the Audit and Risk Committee. She also served as Chairman of the North American Audit Committee from 2007 to 2016. We thank them both for their significant contributions over many years.

In conclusion, we value the support of our shareholders as we work to enhance our sustainable long-term shareholder returns. We look forward to their participation at the annual general meeting (AGM) on 05 February 2020.



+ Q&A WITH THE CEO

Steve Binnie



“The need to develop more environmentally friendly solutions, derived from renewable materials, will drive increasing market share for viscose, which is derived from dissolving wood pulp.”

Q Debt levels increased last year while profitability declined, resulting in higher leverage – what is Sappi doing about this?

As market conditions worsened and the outlook for a recovery faded, we took decisive action on a number of fronts to minimise the rise in debt levels and lessen the impact of the increased leverage. At the start of the year, capital expenditure in 2019 was expected to be US\$590 million. Through a careful process of re-evaluating the priority and timing of various projects, total spend for the year was reduced to US\$471 million. We have also adjusted down our expansionary capital spending plans for 2020, effectively reducing this to projects under way or already committed. Maintenance, safety and environmental spend were unaffected as we seek to ensure the sustainability of the company. Production downtime was taken as required in the graphics paper segment in order to minimise inventory levels and working capital, resulting in strong cash generation in the latter part of the year.

We continuously evaluate opportunities to extend debt maturities and lower finance costs. We refinanced the 2022 Euro bond early in the year, lowering the interest charge and extending maturities. This has meant we have a comfortable liquidity position, with no major maturities due before 2023, a low average interest rate and flexible liquidity from cash on hand and undrawn revolving credit facilities. In the fourth quarter, we renegotiated the leverage covenant for our European revolving credit facility and some of our bank term debt, due to current market uncertainty and particularly with regards DWP pricing, to provide further headroom. This renegotiation resulted in increased headroom over the expected peak leverage periods, moving the maximum leverage level from 3.75 times net debt:EBITDA to 4.5 times.

+ Q&A WITH THE CEO continued

Q You acquired the Matane Mill just after year-end while deliberately reducing capital expenditure levels – what was the rationale?

Our packaging and speciality operations in the United States and Europe are typically less in integrated pulp than our graphic paper business, and this brings higher pulp cost and volatility in earnings through a pulp cycle. Additionally, our paperboard machines benefit from using high-yield pulp, where supply is more constrained than for kraft hardwood or softwood pulps. We thus had a medium-term strategy to build our own high-yield pulp mill at Somerset to lower costs for our packaging businesses, reduce volatility in earnings and secure this key raw material. Matane Mill was a major supplier of high-yield pulp – when it came onto the market, we weighed up the benefits of purchasing a mill at significantly less than replacement cost and securing a key raw material against the desire to reduce leverage. We believe we purchased the mill at an attractive valuation, and the acquisition will benefit our growing packaging and speciality business. Our internal consumption of pulp from the mill will increase as we ramp up paperboard production at both Somerset and Maastricht Mills in coming years. However, we will continue to supply the high-yield market.

Q Dissolving wood pulp prices, a key determinant of Sappi's profitability, declined by almost a third since the end of last year. Does this change your outlook for this critical key segment of the business?

We believe the fundamental attractiveness of the DWP market remains intact. As global textile demand grows, driven by population growth, fashion and rising wealth in developing economies, the need to develop more environmentally friendly solutions, derived from renewable materials that do not threaten food security or aquatic systems, will drive increasing market share for viscose, which is derived from dissolving wood pulp. Despite the challenges in the past year, VSF demand still grew by 6%, with pricing influenced by a confluence of factors largely external to the dissolving wood supply and demand dynamics. Weakening economies in various parts of the world, the impact of United States/China trade tariffs on textile production and sales and the rapid increase in VSF capacity over the past two years have led to a situation where VSF mills are running at very low operating rates and depressed VSF selling prices are forcing DWP prices lower. With no alternative outlet due to the concurrently weak paper pulp market, DWP swing producers have now become price takers. We believe that these circumstances will steadily change as the current situation is unsustainable as a large proportion of VSF mills and a significant proportion of DWP mills are generating cash losses at prevailing pricing levels.

Q Global graphic paper demand has declined at a pace not seen since 2009 – how has this impacted the business?

The decline in global graphic paper demand has been driven by a number of factors, including an economic slowdown in various parts of the world, the rapid series of price rises implemented in 2018 as a result of high paper pulp prices, and continuation of the secular impact of a shift from paper to digital. Additionally, in contrast to prior years when industry closures of higher-cost machines matched demand declines and kept operating rates high, in 2019 the pace of closure slowed. Further closures are only likely to occur in the second half of 2020. In response to the more than 10% reduction in demand for our major graphic paper products in the past year, we took 268,000 tons of production curtailment on our paper machines across the United States and Europe. The conversion of Somerset PM1 and Maastricht Mills in 2018 to paperboard grades helped lessen the impact of weak demand as we effectively reduced our graphic paper capacity by some 130,000 tons in the past year. As we ramp up in the coming year, this will further alleviate the impact from potential further declines in graphic paper markets. Market share gains in some grades helped our operating rates in the past year relative to the industry. Additionally, we started the review of our paper machines in Europe to determine whether and which paper machine we may need to close if the supply/demand imbalance in the industry remains. In North America, we plan to ramp up packaging volumes at Somerset Mill to relieve pressure from soft graphic paper demand.

Q

Governments and civil society are increasingly calling on business to do more to limit emissions and energy use to minimise climate change. What is Sappi doing in this regard?

Climate change, water scarcity, resource efficiency, minimising waste or pollution and job creation are key environmental, social and corporate governance (ESG) priorities for Sappi, albeit with different emphasis in different parts of the world. As a company that uses a renewable natural resource as raw material, we are faced with both opportunity and a duty of care in how we manage our operations and how we maximise the benefit or value we can derive from this resource while minimising the related costs or trade-offs. Although much of our energy generation and consumption is renewable, we still directly or indirectly depend on fossil fuels, particularly in South Africa. The investment at Saiccor Mill to expand capacity includes a change in technology that will allow us to recover more energy from our process and improve our water use efficiency. We are also investigating opportunities to improve energy efficiency at all our mills globally to improve our specific energy use and emissions. Unfortunately, in the last year, many of these metrics increased as lower graphic paper demand and downtime taken translated into a loss of efficiency as energy consumption does not decline linearly in these situations. The only solution to this challenge is to increase machine utilisation. Without a recovery in demand or significant market share gains, we may have to close a paper machine, which we are currently investigating as described above. In the coming year, we will be undertaking work in line with the global initiatives, Task Force on Climate-related Financial Disclosures (TCFD) and Science Based Targets (SBT) to better understand and quantify the risks and opportunities of climate change and what will be required to bring our long-term emissions profile in line.

Q

The strategic shift in capacity from graphic paper to packaging and speciality papers in the past year seems to have resulted in lower margins than previously indicated for that segment. Why is this?

The conversion from graphic papers to paperboard grades at Somerset and Maastricht Mills was technically successful, but the customer qualification and acceptance process took longer than originally envisaged. This has impacted the ramp-up of volumes and the mix of products sold. Lower operating rates and downtime related to the weaker graphic paper market also impacted negatively on raw material use and machine efficiency with related cost impacts. Lastly, high paper pulp prices at the start of the year and the low pulp integration levels of our packaging mills affected margins for much of the year. However, as pulp prices declined, we recorded a good improvement in segmental margins for the fourth quarter and the outlook in 2020 is for a sustained recovery in margins.



INSPIRE
EXPLORE DISRUPT
IMPLEMENT
+ INNOVATE CREATE
EXECUTE
ENVISION IMPACT
DARE

As the world's population grows and becomes increasingly urbanised, so challenges related to inequality, resource scarcity and climate change have raised expectations to promote greater social equity, make more and better with less; extract more value from resources and continuously reduce environmental footprint.

We are making strides: In 2016, Japanese researchers discovered a type of bacteria, *Ideonella sakaiensis*, that eats non-biodegradable plastic. Now researchers have engineered a mutant version of the plastic-munching bacteria that is 20% more efficient.

Initially they hoped to get a clearer picture of how the new mechanism evolved by tweaking the enzyme in the lab. What they got instead was a mutant enzyme that degrades plastic even faster than the naturally occurring one. The researchers have said that they will continue to

improve it through protein engineering and evolution.

At Sappi, innovation is hard-wired into our DNA. While a key focus is on innovative products that help to mitigate the global challenges described above, for us it is not just about products or services.

Our culture of innovation promotes the evolution of old ideas, exploration of new ones, as well as the readiness to collaborate and ability to commercialise new ideas quickly. It informs our approach to commerce, consumption and community. It is apparent in our marketing initiatives, in understanding our stakeholders' needs and expectations, in our training and development initiatives, ongoing drive to tread more lightly on the Planet and in the pioneering socio-economic upliftment programmes we have established across communities.

+ OUR OPERATING CONTEXT

Our external operating environment presents risks and opportunities, impacts our ability to generate value and informs our response to our stakeholders as well as our approach to material matters. Below we set out the key developments in our operating context in 2019 and our response.

Slowing global growth and trade tensions

Developments	Our response
The global economy in 2019 is on course for its weakest year of growth since the financial crisis. The International Monetary Fund is expecting global growth to slow to 3.0% this year, down from 3.2% in July 2019.	In South Africa, shortly after year-end we announced our intention to make investments totalling up to ZAR14 billion over the next six years in our South African operations. We took commercial downtime at certain mills in 2019 and began a review of our assets in Europe and North America.
Slow global growth has been exacerbated by the ongoing trade wars between the United States of America on the one side and Europe and China on the other, which have impacted the global economy.	We have DWP sites in the United States of America and South Africa. Asia is the biggest market for our DWP and one of our major customers has a production site in China. However, we can supply this customer and others in the same country from our Saiccor and Ngodwana Mills in South Africa which currently have respective capacity of 800,000 and 250,000 tons per annum.

Regulatory and environmental issues

Developments	Our response
Belgium, Germany, Latvia, Poland and the United Kingdom impose fees on manufacturers that place packaging in the market to promote recyclability . More countries are considering introducing similar fees.	Sappi Europe has formed an internal recyclability task force with representatives across R&D, new business development, sustainability as well as innovation and marketing. Sappi North America initiated similar work focused on increasing packaging recyclability.
The European Union's climate and energy framework promotes decarbonisation by setting 2030 targets for greenhouse gas emissions to decline by at least 40% below 1990 levels, renewables to deliver 32% of our energy and efficiency to improve by 32.5%.	Sappi Europe is leading the process of developing decarbonisation plans for each mill in Europe, while Sappi North America and Sappi Southern Africa are focusing on mills in their respective regions.
In South Africa, carbon tax was introduced on 01 June 2019. Our liability from implementation to the end of September is estimated at around ZAR20 million (some ZAR60 million per annum).	We, together with other industry members, are working with consultants appointed by the Department of Environmental Affairs on the rules for recognition of carbon in harvested wood products.
Parts of South Africa are still suffering from the effects of a devastating drought .	We achieved our specific water use target in South Africa and have funded the rehabilitation of water infrastructure in villages close to our areas of operation.

The rise of populism, social disruption and Generation Z

Developments	Our response
<p>Globally, there have been mass protests about climate change. In South Africa, there have been marches to protest gender-based violence (GBV) which has now come under the national spotlight.</p> <p>Close to many of our operations in South Africa, sporadic protests and incidents of violence took place, the result of a disaffected population protesting about lack of service delivery and job opportunities – the official unemployment rate is 29%, with the unofficial rate significantly higher and youth being most affected.</p>	<p>The Sustainability Council is reviewing how to integrate the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD) into our climate change response. A target for gender equity will form part of our 2025 sustainability goals. We continue to raise awareness about gender-based violence across the organisation through our employee wellbeing programme.</p> <p>Our ZAR14 billion investment commitment (described earlier) will help to create direct and indirect jobs. In addition, we continue to promote participation in the forestry value chain through our Sappi Khulisa enterprise development programme which encompasses community tree farming. The total area managed currently is 34,139 hectares. In 2019, under this programme, 425,001 tons of timber (2018: 483,359 tons) worth some ZAR382 million (2018: ZAR387 million) was delivered to our operations. Since 1995, a total volume of 4,221,941 tons to the value of ZAR4.2 billion has been purchased from small growers under this programme.</p> <p>We have intensified our enterprise and supplier development (ESD) drive by establishing a separate ESD department that identifies procurement opportunities and oversees mentoring programmes and capability training. A total of 129 small, medium and micro-enterprises (SMMEs) have been assessed and trained by our partners and 28 SMMEs have been integrated into the value chain across the business.</p> <p>We have established skills centres at Ngodwana and Saiccor Mills that provide training for our own employees and also target unemployed youth with the overarching aim of stimulating SMME growth.</p>
<p>According to Bloomberg, Generation Z-ers account for 32% of the global population in 2019. This generation want companies to have a positive purpose that improves the world in some way. They are also more digitally connected than any previous generation.</p>	<p>The fact that our business is based on woodfibre, a renewable resource sourced from sustainably managed forests and plantations that help to mitigate the impacts of global warming, is widely communicated across social media. So too is our shared-value approach to doing business.</p>

Creating value by responding strategically

+ OUR OPERATING CONTEXT continued

Increasing consumer and brand owner concerns about sustainability-related issues

Creating value by responding strategically

Developments	Our response
<p>According to the United Nations Environment Programme (UNEP), every year an estimated 8 million tons of plastic land up in the oceans and between 60% to 90% of the litter that accumulates on shorelines, the surface and the seabed comprises plastic. The most common items are cigarette butts, bags, and food and beverage containers.</p>	<p>We are taking advantage of anti-plastic sentiment by increasing capacity in packaging papers, particularly recyclable packaging. (See page 61 for details of our collaborative work to support the launch of a new confectionary snack bar wrapped in recyclable paper.)</p> <p>Sappi North America solicits direct brand owner feedback through the Sustainability Customer Council, strengthening positioning against plastic end use.</p>
<p>Concerns about the impact of fast fashion on natural resources, particularly deforestation, are driving a move to ethical fashion.</p>	<p>Forest certification systems with third-party verified forest management and chain-of-custody processes ensure that responsible forest management practices are implemented in the forest and that woodfibre from certified forests can be identified throughout the supply chain. Globally, in 2019, 74.8% of fibre supplied to our mills was certified.</p>
<p>In terms of global warming, scientists officially pronounced July 2019 the warmest month the world has experienced since record-keeping began over a century ago. Alaska's sea ice melted for the first time in recorded history. Climate change activism around the world has accelerated.</p>	<p>Trees and forests play an integral role in the global carbon cycle. By sequestering carbon dioxide from the atmosphere and storing it in forest biomass and soils, forests store vast amounts of carbon and release oxygen back into the atmosphere. Harvesting managed semi-natural forests in a sustainable manner in line with internationally recognised forest certification systems as Sappi does, promotes growth and carbon uptake. So too does balancing harvesting with continual replanting and regrowth, as in our plantations in South Africa. Sappi North America highlights its superior carbon footprint compared to other key players in graphics and packaging through the EQ tool which resides on our e-commerce platform.</p>
<p>Biodiversity loss is unprecedented: The Intergovernmental Science Policy Platform on Biodiversity and Ecosystem Services (IPBES), the first intergovernmental report of its kind, finds that around 1 million animal and plant species are now threatened with extinction, many within decades, more than ever before in human history.</p>	<p>It is in our own interests to promote biodiversity in the forests and plantations from which we source woodfibre, discussed in more detail in Key material issues on page 71. Sappi North America has invested in Forest in Focus, a platform using United States Department of Agriculture (USDA) forest inventory data to assess and promote forest health, including biodiversity.</p>

+ OUR STRATEGY AND PERFORMANCE

Our strategy

Through intentional evolution we will continue to grow Sappi into a profitable and cash generative, diversified woodfibre group – focused on dissolving wood pulp, paper and products in adjacent fields.

Achieve cost advantages

- What this means**
- Continuously improve **cost position**
 - Continue to maximise **global benefits**
 - Best-in-class **production efficiencies**

How we performed

- Continuous improvements in all regions to reduce cost per ton
- Maximised the benefits of One Sappi to achieve further savings
- US\$88 million savings achieved

2020 objectives

- Advance with continuous improvement projects in all regions – US\$54 million target
- Maximise operating rates on all machines
- Integrate Matane pulp mill into Sappi and achieve cost advantages

Rationalise declining businesses

- What this means**
- **Maximise production** at low-cost mills
 - Continuously **balance paper supply and demand** in all regions
 - Continue to **transition** graphic papers capacity to **higher margin** and **growing** packaging and speciality papers

How we performed

- Carouselled production to the lowest cost mills
- Balanced supply and demand on graphic paper with good capacity management and growing market share in coated woodfree paper (CWF)
- Ramped up production significantly on packaging and speciality papers

2020 objectives

- Balance graphic paper supply and demand
- Continue to transition from graphic paper capacity to packaging and speciality papers
- Investigate paper machine options in Europe

Maintain a healthy balance sheet

- What this means**
- Maintain net **debt/EBITDA ~2x**
 - Continuously improve **working capital**
 - Continue to **monitor** bond market for **opportunities**

How we performed

- Net debt/EBITDA at 2.2x
- Effective working capital management, resulting in improved cash flow
- Refinanced the 2022 bond by raising EUR450 million at 3.125% maturing in 2026

2020 objectives

- Optimise capex and working capital
- Manage net debt to contain leverage ratio

Accelerate growth in higher margin growth segments

- What this means**
- Grow dissolving wood pulp (DWP) capacity, matching **market demand**
 - Continue to expand and grow packaging and speciality papers in all regions, **targeting 25%** of **group EBITDA** by 2020
 - Commence commercialisation of **biotech opportunities**

How we performed

- Invested to grow DWP capacity at Saiccor, Cloquet and Ngodwana Mills
- Speciality conversions in Europe and North America completed and strongly ramping up to target, currently 18.3%
- Growth in lignin sales and advancing other biotech opportunities to commercialisation

2020 objectives

- Further advance packaging and speciality papers to target 25% of group EBITDA
- Conclude Saiccor Mill DWP expansion in 2020
- Commercialise biotech opportunities

OUR STRATEGY AND PERFORMANCE continued

Measuring our progress

Guided by our strategy, we measure our progress holistically against our mission, collaborating and partnering with stakeholders as we strive to be a trusted and sustainable organisation with an exciting future in woodfibre.

Key strategic objectives



Achieve cost advantages



Maintain a healthy balance sheet



Rationalise declining businesses



Accelerate growth in higher margin growth segments

Creating value by responding strategically

Our strategic performance indicators	Why is this important?	Self-assessment of 2019 performance	Link to strategic objectives								
<p>ROCE (%)</p> <table border="1"> <tr><th>Year</th><th>ROCE (%)</th></tr> <tr><td>2017</td><td>18.0</td></tr> <tr><td>2018</td><td>14.6</td></tr> <tr><td>2019</td><td>11.5</td></tr> </table>	Year	ROCE (%)	2017	18.0	2018	14.6	2019	11.5	<p>Return on average capital employed, or ROCE, is an important measure that assesses long-term profitability by comparing how effectively assets are performing with how these assets are financed</p> <p>Ⓜ Linked to executive remuneration.</p>	<p>■</p> <p>2020 objectives</p> <p>Complete Saiccor Mill expansion on time and on budget</p>	<p>Link to 3Ps</p> <p> Prosperity</p>
Year	ROCE (%)										
2017	18.0										
2018	14.6										
2019	11.5										
<p>EBITDA (US\$ million)</p> <table border="1"> <tr><th>Year</th><th>EBITDA (US\$ million)</th></tr> <tr><td>2017</td><td>785</td></tr> <tr><td>2018</td><td>762</td></tr> <tr><td>2019</td><td>687</td></tr> </table>	Year	EBITDA (US\$ million)	2017	785	2018	762	2019	687	<p>EBITDA measures how we performed operationally by excluding the impact of financing, accounting treatments or tax implications</p> <p>Ⓜ Linked to executive remuneration.</p>	<p>■</p> <p>2020 objectives</p> <p>Focus on maximising cash generation through efficient capex and working capital management</p>	<p>Link to 3Ps</p> <p> Prosperity</p>
Year	EBITDA (US\$ million)										
2017	785										
2018	762										
2019	687										

Key:



Satisfactory



Unsatisfactory performance



Progress to be made/ongoing

Our strategic performance indicators	Why is this important?	Self-assessment of 2019 performance	Link to strategic objectives								
<p>EBITDA margin (%)</p> <table border="1"> <caption>EBITDA margin (%)</caption> <thead> <tr> <th>Year</th> <th>EBITDA margin (%)</th> </tr> </thead> <tbody> <tr> <td>2017</td> <td>14.8</td> </tr> <tr> <td>2018</td> <td>13.1</td> </tr> <tr> <td>2019</td> <td>12.0</td> </tr> </tbody> </table>	Year	EBITDA margin (%)	2017	14.8	2018	13.1	2019	12.0	<p>EBITDA margin is an important and comparable measure of our profitability (excluding the impact of financing, accounting treatments or tax implications) against our revenue</p>	<p>■</p> <hr/> <p>2020 objectives</p> <p>Focus on reducing fixed and variable costs</p>	<p>Link to strategic objectives</p> <hr/> <p>Link to 3Ps</p> <p>Prosperity</p>
Year	EBITDA margin (%)										
2017	14.8										
2018	13.1										
2019	12.0										
<p>Sales (US\$ million)</p> <table border="1"> <caption>Sales (US\$ million)</caption> <thead> <tr> <th>Year</th> <th>Sales (US\$ million)</th> </tr> </thead> <tbody> <tr> <td>2017</td> <td>5,296</td> </tr> <tr> <td>2018</td> <td>5,806</td> </tr> <tr> <td>2019</td> <td>5,746</td> </tr> </tbody> </table>	Year	Sales (US\$ million)	2017	5,296	2018	5,806	2019	5,746	<p>While not the only determinant of financial success, sales is a key measure of demand, customer loyalty and a critical contributor to profit</p>	<p>Self-assessment of 2019 performance</p> <p>■</p> <hr/> <p>2020 objectives</p> <p>Continue to grow packaging and speciality papers post conversions</p>	<p>Link to strategic objectives</p> <hr/> <p>Link to 3Ps</p> <p>Prosperity</p>
Year	Sales (US\$ million)										
2017	5,296										
2018	5,806										
2019	5,746										
<p>Net debt (US\$ million)</p> <table border="1"> <caption>Net debt (US\$ million)</caption> <thead> <tr> <th>Year</th> <th>Net debt (US\$ million)</th> </tr> </thead> <tbody> <tr> <td>2017</td> <td>1,322</td> </tr> <tr> <td>2018</td> <td>1,568</td> </tr> <tr> <td>2019</td> <td>1,501</td> </tr> </tbody> </table>	Year	Net debt (US\$ million)	2017	1,322	2018	1,568	2019	1,501	<p>Given the capital-intensive nature of our operations, we need to raise debt to complete significant projects that enable our long-term success. Net debt comprises current and non-current interest-bearing borrowings and bank overdrafts (net of cash, cash equivalents and short-term deposits)</p>	<p>Self-assessment of 2019 performance</p> <p>■</p> <hr/> <p>2020 objectives</p> <p>While net debt is expected to increase in 2020, due to the finalisation of strategic capital projects, we will continue to carefully manage debt levels</p>	<p>Link to strategic objectives</p> <hr/> <p>Link to 3Ps</p> <p>Prosperity</p>
Year	Net debt (US\$ million)										
2017	1,322										
2018	1,568										
2019	1,501										

+ OUR STRATEGY AND PERFORMANCE continued

Creating value by responding strategically

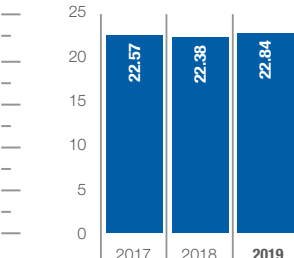


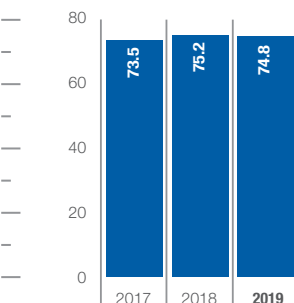





Our strategic performance indicators	Why is this important?	Self-assessment of 2019 performance	Link to strategic objectives								
<p>Net debt/EBITDA</p> <table border="1"> <tr><th>Year</th><th>Value</th></tr> <tr><td>2017</td><td>1.7</td></tr> <tr><td>2018</td><td>2.1</td></tr> <tr><td>2019</td><td>2.2</td></tr> </table>	Year	Value	2017	1.7	2018	2.1	2019	2.2	<p>The net debt to EBITDA ratio measures our ability to pay off our debt should net debt and EBITDA remain consistent. EBITDA focuses on the operating decisions of a business, as it looks at profitability from core operations before the impact of capital structure</p> <p>Ⓡ Linked to executive remuneration.</p>	<p>■ Satisfactory</p> <hr/> <p>2020 objectives</p> <p>Manage leverage ratio well within covenants</p>	<p>Link to strategic objectives</p> <hr/> <p>Link to 3Ps</p> <p>Prosperity</p>
Year	Value										
2017	1.7										
2018	2.1										
2019	2.2										
<p>LTIFR</p> <table border="1"> <tr><th>Year</th><th>Value</th></tr> <tr><td>2017</td><td>0.44</td></tr> <tr><td>2018</td><td>0.43</td></tr> <tr><td>2019</td><td>0.54</td></tr> </table>	Year	Value	2017	0.44	2018	0.43	2019	0.54	<p>LTIFR is an important measure of our business's safety. We target zero harm and aim to improve LTIFR by at least 10% year-on-year</p> <p>Ⓡ Linked to executive remuneration.</p> <p>△ Identified sustainability goal¹.</p>	<p>■ Unsatisfactory performance</p> <hr/> <p>2020 objectives</p> <p>Reduce LTIFR and zero fatalities</p>	<p>Link to strategic objectives</p> <hr/> <p>Link to 3Ps</p> <p>People</p>
Year	Value										
2017	0.44										
2018	0.43										
2019	0.54										
<p>Sustainable engagement (%)</p> <table border="1"> <tr><th>Year</th><th>Value</th></tr> <tr><td>2017</td><td>85</td></tr> <tr><td>2018</td><td>Not measured²</td></tr> <tr><td>2019</td><td>79</td></tr> </table>	Year	Value	2017	85	2018	Not measured ²	2019	79	<p>We rely on a productive and engaged workforce. Employee engagement has been linked to higher safety performance, lower staff turnover, improve productivity and efficiency. We aim to maintain or improve from our 2015 base of 74%</p> <p>△ Identified sustainability goal².</p>	<p>■ Satisfactory</p> <hr/> <p>2020 objectives</p> <p>Sustain and/or improve engagement</p>	<p>Link to strategic objectives</p> <hr/> <p>Link to 3Ps</p> <p>People</p>
Year	Value										
2017	85										
2018	Not measured ²										
2019	79										

¹ For this indicator, we have clear targets for 2020 that we are working towards. See our **Group Sustainability Report** for more information.

² Not measured; survey takes place every second year.

Key:

■ Satisfactory ■ Unsatisfactory performance ■ Progress to be made/ongoing

Our strategic performance indicators	Why is this important?	Self-assessment of 2019 performance	Link to strategic objectives								
<p>Energy intensity (GJ/adt)</p>  <table border="1"> <caption>Energy intensity (GJ/adt)</caption> <thead> <tr> <th>Year</th> <th>Value</th> </tr> </thead> <tbody> <tr> <td>2017</td> <td>22.57</td> </tr> <tr> <td>2018</td> <td>22.98</td> </tr> <tr> <td>2019</td> <td>22.84</td> </tr> </tbody> </table>	Year	Value	2017	22.57	2018	22.98	2019	22.84	<p>Energy intensity is a measure of how efficiently we are operating. By continually improving this metric, we manage costs and lower our impact</p>	<p>■</p> <hr/> <p>2020 objectives 5% improvement from 2014 base year</p>	<p></p> <hr/> <p>Link to 3Ps  Planet</p>
Year	Value										
2017	22.57										
2018	22.98										
2019	22.84										
<p>Certified fibre (%)</p>  <table border="1"> <caption>Certified fibre (%)</caption> <thead> <tr> <th>Year</th> <th>Value</th> </tr> </thead> <tbody> <tr> <td>2017</td> <td>73.5</td> </tr> <tr> <td>2018</td> <td>75.2</td> </tr> <tr> <td>2019</td> <td>74.8</td> </tr> </tbody> </table>	Year	Value	2017	73.5	2018	75.2	2019	74.8	<p>We are committed to sourcing woodfibre from forests and timber plantations in a manner that promotes their health and supports community wellbeing</p>	<p>■</p> <hr/> <p>2020 objectives Maintain or improve percentage certified fibre</p>	<p>Link to strategic objectives    </p> <hr/> <p>Link to 3Ps  Planet</p>
Year	Value										
2017	73.5										
2018	75.2										
2019	74.8										

△ Identified sustainability goal¹.

△ Identified sustainability goal¹.

¹ For this indicator, we have clear targets for 2020 that we are working towards. See our **Group Sustainability Report** for more information. 

RISK MANAGEMENT

Risks

Our risk management philosophy

The Sappi group has an established culture of managing key risks. We have a significant number of embedded processes, resources and structures in place to address risk management requirements. These include our safety programmes, internal audit systems, insurance, IT security, compliance and governance processes, quality management and a range of line management interventions.

In the broadest sense, effective risk management ensures continuity of operations, service delivery, achieving objectives (strategic and otherwise), and protecting the interests of the group.

To achieve our objectives, the risk management process is aligned and compatible with Sappi's strategy, taking into account recommendations set out in ISO 31000 standard (for guidance only) – 'Risk management – Principles and guidelines', as well as King IV.

Sappi Limited board of directors	Overall responsibility for the governance of risk
Sappi Limited Audit and Risk Committee	Tasked with assisting the board in carrying out its risk management responsibilities at the group level
Line management in each region, business unit and operation	Responsibility for implementing regional risk management processes
Group Internal Audit	Provides independent assurance on the risk management process

For an analysis of the principal financial risks to which Sappi is exposed, please see note 31 in the **Group Annual Financial Statements** on www.sappi.com/annual-reports

For a detailed discussion of the group's risk factors, please see **Risk Management Report** on www.sappi.com/annual-reports

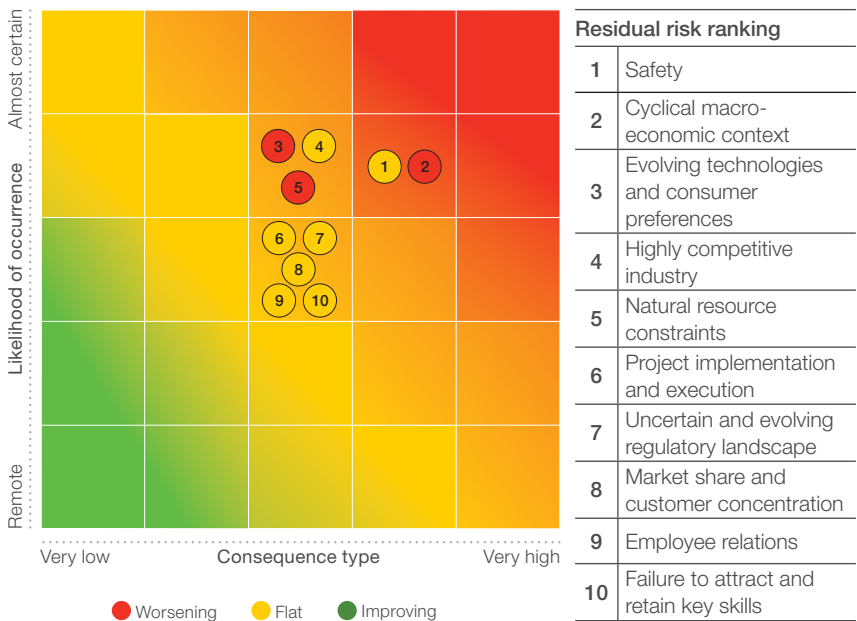
Creating value by responding strategically

Risk appetite and tolerance

Sappi has a board-approved framework for risk appetite and tolerance. Risk appetite is the total quantum that Sappi wishes to be exposed to on the basis of risk/return trade-offs for one or more desired and expected outcomes. This is the quantum of risk that the board believes will provide an adequate margin of safety within the group's risk capacity while enabling the achievement of strategic objectives.

Risk tolerance is the amount of uncertainty Sappi is prepared to accept. This is the maximum level of loss or reduced earnings that can be absorbed without compromising key objectives, eg return on investment.

Residual risk ratings




1 Safety

Trend: ↔

Root cause

- We operate a number of manufacturing facilities and forestry operations. The environment at these facilities is inherently dangerous. The health and safety of our employees and contractors remain a top priority.

3Ps impact



Related material issues

- Safety

How we mitigate this risk

- Perform root cause analyses of all major incidents and fatalities, which are reviewed at all levels of the business including the board.
- Group and industry-wide sharing of all incidents and associated mitigating steps, to ensure continuous improvement in safety performance.
- Enforce compliance with behaviour-based safety (BBS) principles.
- Provide continuous education.
- Disciplined approach to all transgressions of our safety policies.
- Encourage reporting of near-miss incidents.
- External safety review commissioned, with detailed action plans implemented.

Strategic and 2020 Vision objectives

-  Achieve cost advantages
-  Rationalise declining businesses
-  Accelerate growth in higher margin growth segments
-  Maintain a healthy balance sheet.


2 Cyclical macro-economic context

Trend: ↑

Root cause

- We operate in a cyclical industry subject to global economic conditions (such as exchange rate fluctuations) that may cause substantial fluctuations in our results
- Our products are affected by cyclical changes in supply (industry capacity and output levels) as well as demand changes
- Due to supply and demand imbalances in the industry, markets have historically been cyclical with volatile prices
- Turmoil in the world economy leads to sharp reductions in volume and pressure on prices in many of our markets.

3Ps impact



Related material issue

- Cost containment and capital allocation

How we mitigate this risk

- We continue to monitor the supply/demand balance, which might require us to impair operating assets and/or implement further capacity closures.
- We are continuously taking action to improve efficiencies and reduce costs in all aspects of our business.

Strategic and 2020 Vision objectives

-  Achieve cost advantages
-  Rationalise declining businesses
-  Accelerate growth in higher margin growth segments
-  Maintain a healthy balance sheet.

Legend:

↑ Worsening ↔ Flat ↓ Improving

+ RISK MANAGEMENT continued

3 Evolving technologies and consumer preferences

Trend: ↑

Root cause

- New technologies or changes in consumer preferences may have a material impact on our business
- Trends in advertising, electronic data transmission and storage, the internet and mobile devices continue to have an adverse impact on traditional print media and other paper applications
- Digital alternatives to many traditional paper applications are now readily available and have begun to adversely affect demand for certain paper products.

How we mitigate this risk

- We continue to implement strategic initiatives to improve profitability, including:
 - Restructuring and other cost-saving projects
 - Implementing measures to enhance productivity
 - Expanding our higher-margin packaging and speciality paper businesses, and
 - Accelerating growth in higher margin growth segments.
- Our entrenched market share and low production cost position us well to take advantage of growth in the dissolving wood pulp market.
- In 2019, we signed an agreement to acquire the Canadian Matane high-yield hardwood pulp mill. The acquisition will support our growth in higher margin segments, reduce cost of pulp, reduce earnings volatility and ensure supply.

3Ps impact



Related material issues

- Product and process innovation
- Circular economy and adjacent markets
- Long-term demand growth for cellulosic-based fibres

Strategic and 2020 Vision objectives

- Achieve cost advantages
- Rationalise declining businesses
- Accelerate growth in higher margin growth segments
- Reduce our environmental footprint
- Provide greater opportunities for local communities.

4 Highly competitive industry

Trend: ↔

Root cause

- The markets for pulp and paper products remain highly competitive, with an increasing trend towards consolidation in the pulp and paper industry – creating larger, more focused companies.

How we mitigate this risk

- We continue to drive customer service, innovation and efficient manufacturing and logistics as competitive differentiators.
- We are focused on improving the performance and competitiveness of our businesses.
- We continue to drive down costs across all our businesses.
- Our recently announced acquisition of the Matane Mill will increase our pulp integration and reduce our cost of pulp.

3Ps impact



Related material issues

- Cost containment and capital allocation
- Circular economy and adjacent markets

Strategic and 2020 Vision objectives

- Achieve cost advantages
- Rationalise declining businesses
- Reduce our environmental footprint
- Accelerate growth in higher margin growth segments.

5 Natural resource constraints

Trend: ↑

Root cause

- We require substantial amounts of wood, chemicals, energy and water for our production activities
- The inability to obtain energy, raw materials or water at reasonable prices, or at all, could adversely affect our operations
- The prices for and availability of these items may be subject to change, curtailment or shortages.

3Ps impact



Related material issues

- Supply chain transparency
- Circular economy and adjacent markets
- Climate change
- Energy
- Water
- Biodiversity

How we mitigate this risk

- We are focused on:
 - Improving procurement methods
 - Finding alternative lower-cost fuels and raw materials
 - Reducing water consumption
 - Minimising waste
 - Improving manufacturing and logistics efficiencies, and
 - Implementing energy-reduction initiatives.

Strategic and 2020 Vision objectives

- Achieve cost advantages.
- Accelerate growth in higher margin growth segments.
- Reduce our environmental footprint.


6 Project implementation and execution

Trend: ↔

Root cause

- In executing our strategy, we carry out a number of capital expenditure projects
- Should these projects not be completed on time, deliver the expected quality/ cost reduction or exceed the allocated capital spend, it would have significant adverse implications
- This would impact the project's financial return metrics, impact normal operations, delay the time to market or result in a loss in market share
- Reasons for this could be supplier and vendor performance, skill levels and ineffective project management and controls.

3Ps impact



Related material issue

- Cost containment and capital allocation

How we mitigate this risk

- A rigorous process selects potential contractors with the same Sappi commitment to quality and safety.
- Evaluate shortcomings between contractor and supplier interfaces which, together with planning local skilled resource availability, are addressed well in advance.
- Consider various contracting philosophies specific to the regions in which we operate.
- The use of modern tools to improve efficacy in front-end engineering design, engineering standards, cost control and planning functions throughout the construction, erection and commissioning phases.
- Continue to develop strong relationships with main suppliers.
- Where applicable, cross-functional global teams, additional internal expert resources and detailed oversight and review, including risk metrics, will be brought into the various phases of projects to ensure project execution.
- Operational and maintenance training remains a key focus area.

Strategic and 2020 Vision objectives

- Achieve cost advantages
- Rationalise declining businesses
- Accelerate growth in higher margin growth segments
- Provide greater opportunities for local communities
- Reduce our environmental footprint.

+ RISK MANAGEMENT continued

7 Uncertain and evolving regulatory landscape

Trend: ↔

Root cause

- Regulatory requirements on business (including compliance with environmental, health and safety laws) as well as national and international political uncertainty could translate into cost increases that directly impact Sappi's competitiveness and profitability
- Our global operations are subject to various economic, fiscal, monetary, regulatory, operational and political conditions
- We are therefore exposed to risks such as material changes in laws and regulations, political, financial and social changes and instabilities, exchange controls, risks related to relationships with local partners and potential inconsistencies between commercial practices, regulations and business models in different countries.

How we mitigate this risk

- A legal compliance programme designed to increase awareness of, and compliance with, applicable legislation is in place. The Group Compliance Officer reports twice per annum to the Group Audit and Risk Committee.
- Our aim is to minimise our impact on the environment. The principles of ISO 14000, FSC™, SFI®, PEFC™ and other recognised programmes are well entrenched across the group. We have also made significant investments in operational and maintenance activities to reduce air emissions, waste water discharges and waste generation.
- We closely monitor the potential for changes in pollution control laws, including GHG emission requirements, and take action in our operations accordingly. We invest to maintain compliance with applicable laws and cooperate across regions to apply best practices in sustainability.

Strategic and 2020Vision objectives

- Achieve cost advantages
- Reduce our environmental footprint.

3Ps impact



Related material issue

- Ethical behaviour and corruption

8 Market share and customer concentration

Trend: ↔

Root cause

- Sappi is a business-to-business supplier, so a limited number of customers account for a significant amount of our sales
- Should adverse changes in economic market conditions have a negative impact on our customers, it could materially affect the results of our operations and financial position.

How we mitigate this risk

- We are continuously working to expand and diversify our customer base.
- No single customer, although some are significant, individually represented more than 10% of our total sales.
- We monitor any adverse development affecting our customers to respond proactively.

Strategic and 2020Vision objective

- Accelerate growth in higher margin growth segments.

3Ps impact




9 Employee relations

Trend: ↔

Root cause

- A large percentage of our employees are unionised, and wage increases or work stoppages by our unionised employees may have a material adverse effect on our business
- A large percentage of our employees are represented by labour unions under collective bargaining agreements, which need to be renewed from time to time
- In addition, we have in the past and may in future seek, or be obliged to seek, agreements with our employees on workforce reductions, closures and other restructurings
- We may become subject to material cost increases or additional work rules imposed by agreements with labour unions, which could increase expenses in absolute terms and/or as a percentage of net sales.

3Ps impact




Related material issues

- Labour relations
- Employee engagement
- Skills

How we mitigate this risk

- Across all our regions, we continue to interact and engage with our union representatives and organised labour on a frequent basis and to build constructive work relationships.

Strategic and 2020Vision objective



- Achieve cost advantages.


10 Failure to attract and retain key skills

Trend: ↔

Root cause

- We require specialised and scarce skills to execute our strategy
- Should we fail to attract, develop and retain key skills, this might have a material effect on our business.

3Ps impact




Related material issue

- Skills

How we mitigate this risk

- Succession planning and regular talent reviews.
- Leadership training and development as well as dedicated skills centres.
- Workforce planning.

Strategic and 2020Vision objectives



- Achieve cost advantages
- Rationalise declining businesses
- Accelerate growth in higher margin growth segments.

+ RISK MANAGEMENT continued



Creating value by responding strategically

EMERGING RISKS AND OPPORTUNITIES

The effects of climate change may have an impact on our business

In all three regions where Sappi operates, climate change could alter the frequency and intensity of forest disturbances such as insect outbreaks, invasive species, wildfires and storms. These disturbances could reduce forest productivity, change the distribution of tree species and increase the risk that the wood supply necessary for our operations may be negatively affected.

However, given Sappi Europe's general risk mitigation strategy of sourcing pulp and woodfibre from a variety of sources and regions, we do not anticipate any material impact on our raw material supply from climate change in the short to medium term (five to ten years). In Sappi North America, our operations do not currently face material risks associated with climate change. With the exception of fibre from Brazil for Westbrook Mill, we source from northern hard and softwood baskets that have not suffered under any drought conditions or from fire.

In Sappi Southern Africa, where our operations have already been impacted by climate change, we invest significantly in preventing fire, pests and diseases, as well as site species matching to tolerate drought, frost and other weather events. Climate change has led to an increased emphasis on water footprint in South Africa. This, in turn, is causing greater focus on the location of forestry plantations, which could affect the quality and quantity of groundwater, the use of water by our operational units, quality of water released back into natural water systems and control of effluent discharge. The cost, availability and use of our water supply also have a direct impact on our input costs and operating profit.

Should our strategy to mitigate the related risks of raw materials shortages fail, our business may be adversely impacted.

The threat of cyber-risk is expanding

Continued cyber-attacks on both public and private institutions as well as businesses are intensifying as the Internet of Things and use of connected devices expands. Cyber-criminals are becoming more sophisticated, changing what they target and using complex methods of attack for different security systems.

In addition to confidential customer and employee information, as well as financial, commercial, transactional and production systems, Sappi owns significant trade secrets and intellectual property.

We protect these through an information technology security programme which mitigates against cyber-attacks and information security breaches. Should this fail, we could face serious disruption to our business and confidential information on our employees and customers could be compromised.

We adhere stringently to the data protection laws in the jurisdictions where we operate and provide relevant training to all our employees. Nevertheless, in the event of data breaches, we could be negatively impacted by regulatory fines or sanctions which could change our reputation and shareholder value.

Industry 4.0 is changing the business landscape

Industry 4.0 is about smart and autonomous systems fuelled by data and machine learning. At Sappi, we recognise the opportunities presented by automation, digitisation and data analytics in optimising our production and maintenance processes, as well as our logistics and supply chains, together with enhanced innovation and speed to market.

We are using our strong foundation of continuous technology improvement and intentional evolution to leverage these key developments by maximising the use of data analytics; making our processes more efficient and productive; tracking information on quality, raw materials and environmental information; and enhancing workforce training and development. We are already making extensive use of intelligent solutions through satellite imaging and drones in our forestry operations.

Falling behind in investment for Industry 4.0 opportunities and failing to keep pace with developments could have negative implications for our strategic direction and growth path.

Increasing need to integrate of sustainability into everyday business practices

Environmental issues, structural demographic changes and resource scarcity are affecting us globally. Economic and social progress remains uneven, various financial crises and trade tensions have revealed the fragility of progress, and accelerating environmental degradation inflicts increasing costs on societies. There

are a number of economic, social, technological, demographic and environmental megatrends underlying these challenges including accelerating urbanisation and globalisation; the rise of social media; climate change, energy, water and food insecurity; pressure on natural resources and an increasingly vocal and connected population.

Sappi's sustainable development agenda prioritises Prosperity, while balancing the needs of People and Planet in an approach known internally as the 3Ps. We believe this approach brings demonstrable benefits in terms of risk management, cost savings, access to capital, as well as human resource management and innovation capacity. It also enhances our trust levels with stakeholders, including shareholders, customers, employee and communities.

Should we fail in our drive for sustainability to underpin our strategic direction, this could have a significant impact on our licence to trade, reputation and levels of established trust.

Social unrest

Incidents of social unrest in South Africa have been escalating, the result of a disaffected population protesting about lack of service delivery and job opportunities. Officially, the country's unemployment is at 29% but in certain regions of the country, particularly the rural areas, it is much higher.

This risk is partially mitigated by the integrated community forums we have established. However, should the country's broader issues not be resolved, the impact on our business could be disruptive.

Land restitution

Sappi is currently engaged in a number of land claims in South Africa. In the past 10 years, we have settled 37 claims involving 33,992 hectares of which claimants took ownership of 8,151 hectares and claims for

11,629 hectares in which claimants preferred to seek compensation. The balance of the land has been withdrawn from the claim by the Restitution on Land Rights Commission or the claim rejected by the Land Claims Court.

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 manage those plantations.

We are involved in some 60 land reform projects, helping beneficiaries to manage ±19,000 hectares of land. To ensure sustainable production from these properties, we have entered into supply agreements with the new beneficiaries and provide them with assistance. The level of assistance depends on the requirements of the project, but ranges from a pure supply agreement to a comprehensive forestry enterprise development agreement. The latter is a supply agreement which incorporates development objectives whereby Sappi provides technical and business training as well as administrative support to help entrench these new timber suppliers.

While we support the land claim initiatives generally, we have been frustrated by the implementation of policies and levels of bureaucracy. The forestry industry is a key driver of rural growth. If government could unlock some of the bureaucratic lagging, the attendant benefit would flow directly to rural communities.

Should the issue of bureaucratic lagging not be resolved, it could heighten social tensions and social unrest which, in turn, could negatively impact our operations.



Strengthen the means of implementation and revitalise the global partnership for sustainable development.

+ OUR KEY RELATIONSHIPS

We believe that building relationships with our stakeholders in a spirit of trust and mutual respect enables more tangible business value creation.

We view stakeholder engagement not as a once-off annual intervention but an ongoing dynamic process that enables us to respond to the changing nature of shared priorities of parties who are interested in, and affected by, our business. To enhance our understanding of, and communication with, our stakeholder groups we consider: expectations, existing relationships, cultural context and capacity to engage (language barriers, IT literacy, access to digital resources).

Our approach to engagement with all stakeholder groupings is based on inclusivity and the principles of:

- **Materiality:** Identifying the legitimate interests and material concerns of stakeholder groupings
- **Relevance:** Focusing on those issues of legitimate interest and material concern to our stakeholders and to Sappi, and identifying how best to address them for mutual benefit
- **Completeness:** Understanding the views, needs, performance expectations and perceptions associated with these legitimate and material issues, and assessing them against prevailing local and global trends
- **Responsiveness:** Engaging with stakeholders on these issues and giving regular, comprehensive, coherent feedback.

Our stakeholder work is aligned to the governance outcomes of King IV, namely ethical culture, performance and value creation, adequate and effective control and trust, good reputation and legitimacy.

In terms of feedback loops, we assess the quality of our relationships both formally (employee engagement and customer surveys, as well as Poverty Stoplight in South Africa and community forums) and informally (ongoing regular engagement with suppliers, investors, industry bodies and business, government, civil society and media).

Our stakeholders



Creating value by responding strategically

Employees

We invest in future talent while challenging and enabling our people so that they are able to leverage the opportunities presented by our strategic direction and a changing world.



Shared priorities	Our response	Opportunities for value creation
<p>Resources that enable our people to grow intellectually, fulfil their potential and drive innovation in Sappi</p>	<p>Invested an average of US\$525 per person in training and development</p>	<ul style="list-style-type: none"> • Employees who understand and buy into our 2020Vision are pivotal to the success of our business – 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, we establish a base of technical skills needed by the industry • An increased commitment to safety delivers benefits at personal, team and operational levels • By establishing an ethical culture where corporate citizenship is promoted, we ensure the ongoing viability of our business, enhance reputation and become an employer of choice.
<p>Connection with Sappi's strategic goals and high levels of engagement</p>	<p>We conduct engagement surveys every second year (see Key material issues for more detail). At group level, leadership and direction as well as image and customer focus were identified as areas needing attention. Accordingly, we have introduced new leadership development programmes at senior and executive levels and are working to further entrench our One Sappi culture. We provide regular updates on progress towards our 2020Vision business strategy.</p>	
<p>Effective safety, health, wellness and recognition programmes</p>	<ul style="list-style-type: none"> • The theme for Global Safety Awareness week was 'We value safety'. The message was reinforced by toolbox talks, safety games, competitions, addresses by media personalities and self-defence classes • Wellbeing and wellness programmes are tailored to the needs of each region • Our recognition programmes include: <ul style="list-style-type: none"> Sappi Limited: <ul style="list-style-type: none"> – Technical Innovation Awards – CEO Award for Excellence SEU: Annual <i>Coryphaena Award</i> SNA: <i>TOUTS Recognition Awards</i> and periodic regional <i>President's Awards</i> SSA: <i>Excellence in Achievement Awards (EAA)</i> Sappi Trading: <i>SMART Awards</i>. 	
<p>Encourage employee volunteerism through initiatives like:</p>	<p>SEU: Support of various local education, cultural and environmental projects based on annual requests and identified needs.</p> <p>SNA: The Employee Ideas that Matter initiative through which we provide grants to employees to fund their individual projects to support good in local communities.</p> <p>SSA: Employee wellbeing committees at each mill support local community projects and support Mandela Day.</p>	

Creating value by responding strategically



+ OUR KEY RELATIONSHIPS continued



Unions

Given challenging global economic conditions and current socio-economic dynamics across the world, particularly in the South African labour market, we prioritise our relationship with our employees and their representatives.

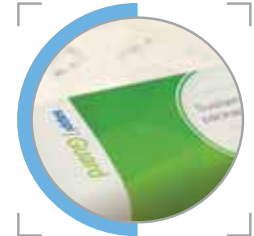
Shared priorities	Our response	Opportunities for value creation
Freedom of association and collective bargaining	Sappi endorses the principles of fair labour practice as entrenched in the United Nations Global Compact and Universal Declaration of Human Rights. At a minimum, we conform to and often exceed labour legislation requirements in countries in which we operate. We promote freedom of association and engage extensively with representative trade unions.	<ul style="list-style-type: none"> • Good employee/management relations enable us to resolve new and difficult labour issues as they develop • When employees understand strategic direction and operating context, they are more likely to be engaged, leading to a more stable labour force and higher levels of productivity.
Safety and wellness initiatives	Unions are involved in health and safety committees at each mill.	
Remuneration, working hours and other conditions of service	<p>SEU: Collective labour agreements. In 2019, the overall industrial relations climate in Sappi Europe remained good, without any major issues.</p> <p>SNA: Collective bargaining with hourly paid employees and labour agreements with various unions. In 2019, we settled labour agreements with all four unions at Somerset Mill, the trade unions at its Westbrook Mill and two small unions representing railroad workers at the Cloquet Mill railroad.</p> <p>SSA: Employees (collective bargaining); forestry workers (sectoral determination/consultation)</p> <p>In 2019, the region successfully concluded a separate collective bargaining framework agreement with the majority trade union, Chemical Energy Paper Printing Wood Allied Workers Union (CEPPWAWU) for forestry operations. This will effectively replace the ministerial or government determination and allow for annual engagement on wages and conditions of employment for forestry workers, similar to pulp and paper as well as sawmilling segments of Sappi Southern Africa operations. We also settled wage negotiations for pulp and paper staff.</p>	
<ul style="list-style-type: none"> • Resolving grievances • Engaging on strategy 	<ul style="list-style-type: none"> • Well-established grievance channels and disciplinary procedures • We regularly engage with unions on economic conditions, market dynamics and growth plans. 	Challenges for value creation <ul style="list-style-type: none"> • Multi-union landscapes, particularly in North America and South Africa, are adding to complexities in the labour environment.

Creating value by responding strategically

Customers

We adopt a partnership approach, where we develop long-term relationships with global, regional and local customers. We also accommodate more transactional customers. Where relevant, we will conduct R&D and develop products to suit customers' specific needs.

In addition to the usual avenues of engagement, we engage through initiatives like the Sappi Football Cup (Sappi Europe); Ideas that Matter (ITM) and by sponsoring the Citrus Research Symposium (Sappi Southern Africa).



Shared priorities	Our response	Opportunities for value creation
<p>High levels of service</p>	<p>We moved to a single customer relationship management (CRM) system across all regions. This enabled us to manage customer relationships more effectively and provide better service by leveraging customer data and sales processes across the globe.</p>	<ul style="list-style-type: none"> • Meet customer needs for products with an enhanced environmental profile • Innovate to align with evolving market trends • Increase awareness of the importance of sustainability • Promote our customers' own sustainability journeys • Keep abreast of market developments • Showcase our products and promote the Sappi brand.
<p>New or enhanced products that meet rapidly changing market demand</p>	<p>In 2019 we launched:</p> <ul style="list-style-type: none"> • Atelier GC1 paperboard with the brand promise 'brilliance meets function' • Transjet Drive, a sublimation paper optimised for industrial printers with a glue-belt system • We relaunched Sappi OHG, the first paper wrapper for confectionery bars • We launched Sappi Seal, a paper-board packaging solution to replace heat-sealing laminates by material with a high share coming from renewable sources • Heaven 42 under the auspices of IGEPA which owns the brand • A range of new release paper textures including Selva, Optima and Fiesta. 	
<p>Support for paper, packaging, DWP and sustainability goals</p>	<p>For DWP, technical centres of excellence are located at Saiccor and Cloquet Mills; Sappi joined the Sustainable Apparel Coalition (SAC).</p> <p>Customers can use the competence centre for speciality papers and paper laboratory at Alfeld Mill.</p> <p>In North America, the Sustainability Customer Council provides candid feedback, identifies emerging issues and helps to establish goals.</p> <p>In South Africa, we co-fund with Cellmark (through its Paperseed Foundation) projects in our Tugela Mill community. Funding is in the form of US\$0.50 per ton of sales per partner.</p>	<p>Challenges for value creation</p> <ul style="list-style-type: none"> • Confusing harvesting with deforestation and lack of understanding about the manner in which the forests and plantations from which we source woodfibre help mitigate global warming.

Creating value by responding strategically



+ OUR KEY RELATIONSHIPS continued

Customers continued


Shared priorities	Our response
<p>Information and campaigns to promote print as a communication medium and encourage the use of packaging</p>	<p>We showcased our brands at Fachpak, Nuremberg; FESPA, Munich; Interzum, Cologne; LabelExpo, Brussels; Luxe Pack Shanghai; Northwest Materials Show, Portland; Packaging Premiere, Milan and the PRINTING United tradeshow in Dallas.</p> <p>Globally, we continue to participate in industry initiatives like TwoSides.</p>
<p>Information about the fibre sourcing and production processes behind our brands</p>	<p>At the request of our customers, we participate in EcoVadis and Sedex in all regions.</p> <p>SEU and SSA: We make paper profiles, wood origin declarations and information sheets available for our papers.</p> <p>SNA: Has an updated eQ GHG calculator on the Sappi North America e-commerce portal. This online tool enables our salesforce and customers to calculate carbon savings achieved by buying our graphic and packaging products compared to the industry average.</p> <p>See page 28 for details of Sappi North America's investment in Forest in Focus, a joint undertaking of the American Forest Foundation and GreenBlue/Sustainable Packaging Coalition.</p>
<p>Providing technical information</p>	<p>Globally, a series of technical brochures is available on our website www.sappi.com </p> <p>SEU:</p> <ul style="list-style-type: none"> • The Sappi Houston online knowledge platform for graphic paper • The PSP site to provide targeted information on packaging and speciality papers (www.sappi-ppsp.com) <p>SNA:</p> <ul style="list-style-type: none"> • 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 (www.sappi.com/sappietc) <p>SSA: Our paper and paper pulp product offerings are supported by strong technical teams at each mill and the technology centre in Pretoria.</p>

Creating value by responding strategically

Communities

We work to incorporate communities close to our operations into our journey of intentional evolution, which recognises the importance of sharing value with all our stakeholders; conserving natural resources and uplifting people so that they are well positioned to thrive in our increasingly interconnected world.

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

Our initiatives are described in more detail in our **2019 Group Sustainability Report** on www.sappi.com/sustainability. 



Shared priorities	Our response	Opportunities for value creation
<p>Community support including employment, job creation, business opportunities, economic and social impacts/contributions and community support</p>	<p>SEU: Mills offer support and financial sponsorships to local schools, sport and hobby clubs, forest products industry students, local safety/environmental organisations and support local charities.</p> <p>Supporting youth in our communities was a key priority in 2019. SOS Children's Villages International, Save the Children and Global Exploration were some of the charities that we contributed to. Engagement and contributions to local schools are also made.</p> <p>SNA:</p> <ul style="list-style-type: none"> • Each business unit has a lead sustainability ambassador who is responsible for supporting sustainability communication, conducting training and fostering community engagement through local projects • Education programmes are supported at targeted colleges and universities as are programmes to encourage study in fields relevant to our operations • Our employees supported initiatives like Living Lands and Waters and the Charles River Watershed Association focused on environmental stewardship and education • The Ideas that Matter programme, now in its 20th year, recognised and rewarded designers who support good causes • The Employee Ideas that Matter programme allows employees to apply for grants made by Sappi to their favourite non-profit or charity. <p>SSA:</p> <ul style="list-style-type: none"> • Given South Africa's significant development needs, the bulk of community support is allocated to this region. Support is directed to education, environment and socio-economic development, based on helping communities help themselves. Initiatives include: • Sappi Khulisa, our enterprise development scheme for timber farmers • The Abashintshi Youth programme • Early childhood development • Education, including Khulisa Ulwazi, our training centre for small growers and two training centres for local unemployed youth, one at Saiccor Mill and the other at Ngodwana Mill • Support for local tourism through our mountain biking and trail running sponsorships and promoting recreational riding on Sappi land. <p>In Sappi Southern Africa, we have appointed a specialist team to drive local procurement.</p>	<p>Challenges for value creation</p> <ul style="list-style-type: none"> • Enhanced licence to operate and thrive • Promoting socio-economic development which could, in the long term, lead to increased demand for our products • Initiation of real social mobilisation and change for the better. <p>• Community expectations for jobs and service delivery.</p> <p>Sappi North America supports Living Lands & Waters, an Illinois-based environmental organisation established in 1998 to clean up America's rivers. It has become the only 'industrial strength' river clean-up operation of its kind in the world.</p> <p>Spending up to nine months a year living and travelling on a barge, the Living Lands & Waters clean-up crew hosts river clean-ups, watershed conservation initiatives, workshops, tree plantings and other key conservation efforts. Through our corporate sponsorship, employees volunteer in river clean-ups.</p> <p>To date, the organisation has removed around 4 million kilograms of rubbish and debris from 24 rivers in 21 states.</p>



OUR KEY RELATIONSHIPS continued

Industry bodies and business

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.

One of our longest relationships is with the United Nations Global Compact, to which we have been a signatory since 2008.



Creating value by responding strategically

Shared priorities	Our response	Opportunities for value creation
<ul style="list-style-type: none"> • Issues that affect the sustainability of our industry including woodfibre base, carbon taxes, energy and emissions • Ethical issues impacting business • Energy issues in general and government proposals on carbon taxation in particular • The impact of increased regulations on business • The benefits of our industry and our economic contribution to society • Social and environmental credentials of our products 	<p>Globally in 2019:</p> <ul style="list-style-type: none"> • We became a member of the Sustainable Apparel Coalition and will use its sustainability measurement suite of tools, the Higg Index, to drive environmental and social responsibility throughout our supply chain. With this membership, we join over 240 global brands, retailers and manufacturers, as well as government, non-profit environmental organisations and academic institutions that are collectively committed to improving supply chain sustainability in the apparel, footwear and textile industry • We continued our work with the Cambridge Institute of Sustainability and other partners on blockchain technology for timber certification (see page 59 of this report for details of the Trado project) and developing new low-carbon pulp technology (deep eutectic solvents). <p>We are an investor in the Forests in Focus tool in the USA, which strives to assess and evaluate forest-based risks within wood baskets for customers, investors and stakeholders, using credible scientific public data collected by state and federal government agencies. https://greenblue.org/work/forests-in-focus-landscape-assessment/</p> <p>We celebrated 20 years of partnership with Borregaard of Norway for our LignoTech South Africa joint venture which extracts lignin from Saccor Mill's effluent stream. Output is sold in South Africa and exported to countries in Africa, Asia Pacific, Middle East and South America for a range of applications including dust suppression, concrete additives, pelleting agents in animal feeds and mineral granulation aids.</p>	<ul style="list-style-type: none"> • Develop sustainable, transparent supply chains • Maintain and expand markets for our products • Dispel myths and enhance understanding of our environmental and social credentials • Promote dialogue.
		<p>Challenges for value creation</p> <ul style="list-style-type: none"> • High cost of membership and resource allocation involved in certain memberships.

Our membership of industry associations

<p>Sappi Limited Business Leadership South Africa, Cambridge Institute for Sustainability Leadership, Paris Pledge for Action, Programme for the Endorsement of Forest Certification™ (PEFC™), Sustainable Apparel Coalition, Technical Association of the Pulp and Paper Industry (TAPPI), The CEO Initiative, The Ethics Institute, United Nations Global Compact</p>	<p>Sappi Europe Confederation of European Paper Industries (CEPI), Eurograph, European Joint Undertaking on Biobased Industries, Print Power, Save Food, The Alliance of Energy-Intensive Industries, The Two Team Project (focusing on breakthrough technology concepts in the industry that could enable a more competitive future), TwoSides</p>	<p>Sappi North America American Forests and Paper Association (AF&PA), Paper and Paper Packaging Board, Agenda 2020 Technology Alliance, Forest Products Working Group, Forest Stewardship Council™ (FSC™), Sustainable Packaging Coalition (SPC), *Sustainable Forestry Initiative® (SFI®) *The Recycling Partnership, TwoSides</p>	<p>Sappi Southern Africa Business Unity South Africa, Public Private Growth Initiative, Energy Intensive Users' Group, Fibre Processing and Manufacturing Skills Education and Training Authority (SETA), Forestry South Africa, Forest Stewardship Council™ (FSC™), Packaging SA, Paper Manufacturers' Association of South Africa (PAMSA), Recycle Paper ZA, Printing Industries Federation SA (PIFSA), Manufacturing Circle, South African Chamber of Commerce and Industry (SACCI) and local chambers of commerce and industry, TwoSides, National Business Initiative (NBI)</p>	<p>Sappi Forests Institute for Commercial Forestry Research (ICFR), Founding member of the Tree Protection Co-operative Programme (TPCP), Biological Control of Eucalypt Pests (BiCEP) (www.bicep.net.au), Eucalyptus Genome Network (EUCAGEN), CAMCORE</p>
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Investors

Our aim is to provide investors (shareholders and bondholders) and analysts with transparent, timely, relevant communication that facilitates informed decisions.



Shared priorities	Our response	Opportunities for value creation
<ul style="list-style-type: none"> • Information on Sappi's strategy, debt levels and key developments such as the acquisition of Matane Mill in Canada • Return on investment • Transparent information about risks, opportunities and environmental, social and governance (ESG) performance 	<ul style="list-style-type: none"> • Our investor relations (IR) department engages with shareholders and analysts continually • Our Chairman and CEO engage with shareholders on relevant issues • We engage with various ratings agencies, particularly on ESG performance. We conduct ad hoc mill visits and road shows and issue announcements through the 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 <p>Shareholders can attend and participate in the Annual General Meeting (AGM) as well as the four quarterly financial result briefings</p> <ul style="list-style-type: none"> • Our Chief Financial Officer and Head of Treasury engage with bondholders, banks and rating agencies continually on the performance of the company • We participate in the CDP disclosure projects every year, making our submissions publicly available. 	<ul style="list-style-type: none"> • Understanding our strategic direction • Enhanced reputation • Greater investment confidence • Broader licence to invest. <p>Challenges for value creation</p> <ul style="list-style-type: none"> • Global economic uncertainty, trade wars, reduced demand, lower pricing.

Government and regulatory bodies

We engage with government departments and regulatory bodies to provide input on issues and regulations that affect our industry. We also engage with regional and local governments and local authorities to obtain support for our operations and show how our activities contribute to local economic and social development.



Shared priorities	Our response	Opportunities for value creation
<ul style="list-style-type: none"> • The social and economic benefits of our industry nationally and at a local level • Increased investment • Energy issues in general and government moves on carbon taxation, decarbonisation and recyclability in particular • The impact of increased regulations on business 	<ul style="list-style-type: none"> • In 2018 our group CEO made commitments at the first investment conference hosted by the South African President, announcing R2.7 billion to expand Sappi Saiccor Mill's dissolving wood pulp capacity by 110,000 tons per annum (for global textile markets); and R5 billion for upgrade projects at the mill to decrease production costs, introduce new technology, optimise processes, reduce environmental footprint and future-proof manufacturing systems at Saiccor Mill • Ongoing consultations with government departments and regulatory bodies in each region. In Europe we also regularly engage with the European Commission. (See Our operating context: Regulatory and environmental issues on page 26) • We brief legislators • We support specific government initiatives, including in South Africa the renewable energy drive; our biomass project at Ngodwana Mill is under construction. 	<ul style="list-style-type: none"> • Promote understanding of issues and challenges, as well as the strategic value of our industry • Help create a more receptive regulatory and policy environment. <p>Challenges for value creation</p> <ul style="list-style-type: none"> • Policies which do not take our high use of biobased energy into account • Administrative delays.



+ OUR KEY RELATIONSHIPS continued

Suppliers and contractors

We are committed to establishing mutually respectful relationships with our suppliers and encouraging them to join our commitment to economic, social and environmental responsibility and creating a shared commitment to doing business with integrity and courage; making smart decisions which we execute with speed, underpinned by a commitment to safety. We aim to build long-term value partnerships, based on the importance of suppliers to a sustainable supply chain.



Creating value by responding strategically

Shared priorities	Our response	Opportunities for value creation
<ul style="list-style-type: none"> • Safety • Transparency 	<ul style="list-style-type: none"> • Given our focus on zero harm in the workplace, we work with our contractors to ensure that they follow our safety systems. In South Africa, Sappi Forests works closely with contractors and their workers in implementing its innovative <i>Stop and Think Before You Act</i> safety initiative • Rolled out our Group Supplier Code of Conduct (for further details on page 59). 	<ul style="list-style-type: none"> • Security of woodfibre supply • Improved supplier relations • Better understanding of the requirements of the Sappi group • Expanded basket of certified fibre • Support for local economic development • Support for emerging supplier/contractor development.
<ul style="list-style-type: none"> • Increased value • Decreased costs • Security of fibre supply, certification, income generation and job creation 	<p>SEU: A joint sourcing partnership assists in negotiating better terms with timber and other suppliers. In addition, we are a member of the Confederation of European Paper Industries (CEPI), which participates in actions supporting and promoting the development of sustainable forestry management tools, including forest certification, globally, particularly in less developed countries.</p> <p>SNA:</p> <ul style="list-style-type: none"> • The Sappi Maine Forestry programme and the Sappi Lake States Private Forestry programme assist forest landowners to meet their objectives for managing their woodland. Sappi's trained foresters are able to develop a forest management plan geared to the interests of the landowner including wildlife management and aesthetics, marketing timber to generate maximum return and providing an extensive network of environmental and marketing resources • Procurement practices extend far beyond avoiding controversial sources by requiring the promotion of biodiversity, logger training, forest research, landowner and community outreach, and implementation of best management practices for soil and water conservation, as evidenced by our conformance to the SFI® Fibre Sourcing Standard. <p>SSA:</p> <ul style="list-style-type: none"> • Qualified extension officers provide growers in our Sappi Khulisa enterprise development scheme with ongoing growing advice and practical assistance • We have established a training centre, Khulisa Ulwazi, for Khulisa growers. The objective is to develop growers' and contractors' skills so that they can conduct silviculture operations economically and to a good standard. Training material has been developed in conjunction with the Institute of Natural Resources and covers area like entrepreneurship, fire management, harvesting planning, leadership and management development, as well as safety • At the end of September 2019, Sappi was involved in 60 land reform projects, helping beneficiaries to manage approximately 18,320 hectares of land. Many of these properties previously belonged to commercial farmers who had supply agreements with Sappi. For many of the land claims in which we have been involved, and where there has been a change in ownership, we continue to buy the timber and help to manage those plantations • Sappi Forests pays small growers a premium for certified timber. 	<p>Challenges for value creation</p> <ul style="list-style-type: none"> • Balancing the need to support SMMEs with the need to source from suppliers with strong social and environmental credentials.



+ CONNECT

COLLABORATE
 REACH PARTNER
 COMMUNICATE
 RELATE
 INTEGRATE
 INTERACT THREAD
 LINK ENGAGE

Hear the word 'connect' and you invariably think of digital connection. There is no doubt it has profoundly and irrevocably changed humanity. However, there is another way of connecting – travel – that has an equally significant effect. The evolution of the railroad and the car shifted travel by horseback and wagon to one side, as the aeroplane did with ocean liners.

As an example – in 1949, flying from London to New York took around 20 hours. Today, 70 years later, it takes just over seven hours.

The benefit of shortening travel times is that it can enhance human connection by truncating time and space. This in turn can increase understanding and appreciation for geographic and cultural differences it drives home the message that it is our diversity that makes us stronger. At Sappi we believe in the power and the benefit of diversity and a

multiplicity of views. Human connection and interaction is what drives us forward and makes for a successful business. The power of trust, mutual understanding and support flowing from our ongoing engagement with our stakeholders underpins this success and cannot be replicated without connection.

It is why we hold an employee engagement survey every two years. Why we listen closely to our customers and design products and services to meet their needs. Why we pay attention to the needs of the communities in which our operations are situated. Why we collaborate closely with our industry partners.

It is how we ensure that all our stakeholders are listened to, heard and valued. It is how we anticipate future trends and challenges to ensure we are shaping the realities of today to connect with tomorrow.

+ AT A GLANCE: INTEGRATING OUR KEY MATERIAL ISSUES

Our reporting reflects our support of the 3Ps model, which we believe offers an integrated approach to value creation.

In addition to the 3Ps, we consider the material issues in relation to the Principles, which form the ethical foundation of our business, and underpin our ability to create value.



We are committed to continually improving our reporting to our stakeholders. In doing so, we are guided by leading thinking, including but not limited to the International Integrated Reporting

Council, the SGDs, ISS-OEKOM, the FTSE4GOOD and King IV.

The connectivity of our reporting extends beyond the 3Ps and the Principles that support it.

Indeed our operating context, risks and stakeholder concerns inform the material issues that we report against.

The links between our operating context, risk, key relationships and key material issues



+ OUR ALIGNMENT WITH THE SDGs

In alignment with the spirit of the first UN Summit on the SDGs: Gearing up for a decade of action and delivery for sustainable development, in 2019 we established a working group to prioritise the SDGs most relevant to our business and develop related action plans. As set out below, we have identified seven global priority SDGs where we can make the biggest contribution, either by reducing our negative impacts or increasing our positive contributions. In South Africa, we have also identified *SDG1: No poverty* and *SDG4: Quality education* as priorities. Further detail is provided in our group and regional sustainability reports, available on www.sappi.com.

SDG

What does this goal mean to Sappi?

How are we translating the goal into action?



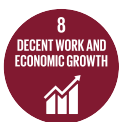
Water is an essential natural resource on which our company depends. We need to use it responsibly and demonstrate that we take this responsibility seriously. Water quality, availability and access are critical issues impacting sustainable development, but the diversity and severity of water issues vary widely between regions, countries and/or specific locations.

We have proposed a global indicator that will focus on water consumption as measured by water-use efficiency (m³/adt). It will only apply to Sappi mills in water-scarce locations. Across all our mills, the topic of water stewardship will be embedded to ensure we take a proactive and responsible approach to managing water issues holistically, even in locations not considered water scarce.



As an energy-intensive industry, our fuel choices have a major impact. Where SDG 13 focuses more directly on CO₂ emissions, the point of relevance for this goal is explicitly the share of renewable energy within our total energy consumption. The proposed indicators should help to profile our progress as well as encourage us to continually improve and look for new energy solutions. A reduction in energy intensity is another, complementary way that Sappi can contribute to this goal.

Global indicators will focus on the share of renewable energy (%) in total energy and specific total energy (STE, GJ/adt).



Given that we are a responsible business operating in many locations around the world and employing over 13,000 people, this goal is strongly linked to Sappi's commitments to Prosperity and People.

We have identified indicators that adequately cover the scope of this goal and reflect both the desire to measure and reduce negative impacts (accidents) and quantify positive contributions (contribution to local economies) and specifically reflect sustainability aspirations. Proposed indicators are:

- Safety (LTIFR)
- Percentage procurement spend with declared compliance with Supplier Code of Conduct
- Gender diversity: proportion of women in middle and senior management
- Employment engagement survey
- EBITDA

SDG

What does this goal mean to Sappi?

How are we translating the goal into action?



Manufacturing products from sustainably harvested, renewable forest resources is the core of our business. Correspondingly, there are many points of relevance for how Sappi can contribute to this SDG, especially from the perspectives of manufacturing, product design and product use/end of life. 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 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.

The global indicators we have proposed include reduction of specific landfilled waste and new products launched with defined sustainability benefits.



Taking urgent and appropriate actions to combat climate change and its impacts is a shared responsibility reinforced within the Paris Agreement and regional and national regulations and/or initiatives. For Sappi the obvious and direct connection to this SDG is through our CO₂ emissions, and our actions and commitments to reduce them.

We are looking to set an ambitious strategic goal to decarbonise (Scope 1 and 2) to prevent a 1.5°C temperature rise. We will also intensify efforts to work with suppliers and customers to reduce CO₂ emissions (Scope 3 actions).



This SDG seeks to protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, as well as reverse land degradation and halt biodiversity loss.

With Sappi's excellence in sustainable forest management and strong reliance on forest certification systems, we can make a positive impact on this goal by continuing to increase our positive contributions towards sustainably managed forests and using our established global forest certification goal as an indicator. Looking ahead, we plan to take a more active, collaborative role on forest-related issues and expand our use of social media to promote awareness of the issue, as well as our activities to enhance life on land.



While Sappi is already engaged and contributing to many partnerships and collaborations, there are many further opportunities in the sustainability arena for us to become more involved generally, or in pursuit of our SDG commitments specifically. The intention with this goal is further strengthen our contribution to partnerships in a way that is well aligned with our priority SDGs and topics, and where a partnership approach can support us in contributing more actively and effectively to various issues.

We will focus on building and activating partnerships to contribute to our priority SDGs and topics including: climate change and forests, sustainable forest management, water stewardship, responsible procurement, innovation, circularity and energy policy.

+ OUR KEY MATERIAL ISSUES

The issues set out on the following pages are those that we believe underpin our strategic risks and opportunities and have the highest potential impact – positive and negative – on stakeholder value.

How we determine materiality

We take various stakeholder guidelines into account, including those set out in terms of the Sustainable Development Goals, the Global Reporting Initiatives, the International Integrated Reporting Council and King IV, as well as ratings agencies such as ISS-OEKOM and the FTSE4GOOD Index Series

Regulatory and reporting guidelines are mapped against stakeholder issues, as well as trends and developments in the external operating environment



How relevant is each issue to our business?
How does each issue impact our ability to create value in the short, medium and long term?

We regularly review our key material issues and their alignment with our strategy of intentional evolution

Our material issues

PRINCIPLES

- Supply chain transparency
- Ethical behaviour and corruption



PROSPERITY

- Cost containment and capital allocation
- Digitalisation
- Product and process innovation
- Circular economy and adjacent markets
- Long-term demand growth for cellulosic based fibres



PEOPLE

- Safety
- Employee engagement
- Skills
- Shared value
- Labour relations



PLANET

- Climate change
- Energy
- Water
- Biodiversity

PRINCIPLES

Supply chain transparency

MATERIAL ISSUE

Why it is important

Visibility into the supply chain helps identify risks and issues early, and also addresses consumer concerns about issues like deforestation.

How it links to other aspects of our business



Operating context: Increasing consumer and brand owner concerns about sustainability-related issues

How it links to risk

5 Natural resource constraints

Emerging risk

Integration of sustainability

WHAT WE DID ABOUT IT IN 2019

- Rolled out our Supplier Code of Conduct across the group and began the review process by assessing raw material suppliers in countries with a score of 50 or lower in the Global Corruption Perception Index
- Participated in Trado, a consortium including the Cambridge Institute for Sustainability Leadership that is testing blockchain technologies. The project is trialling the concept by using a shared data system for tea farmers in Malawi that supply Unilever and United Kingdom-based supermarket Sainsbury's.

Ethical behaviour and corruption

MATERIAL ISSUE

Why it is important

Creating clear boundaries and a consistent framework across geographies for ethical behaviour provides a foundation for unlocking growth opportunities as One Sappi.

How it links to other aspects of our business



Operating context: Increasing consumer and brand owner concerns about sustainability-related issues

How it links to risk

7 Uncertain and evolving regulatory landscape

Emerging risks

Integration of sustainability

WHAT WE DID ABOUT IT IN 2019

Global training on ethics targeted relevant new employees across the group, while regional training covered topics relevant to each region including general data protection regulations (GDPR) in Europe, insider trading in North America and the Protection of Personal Information (POPI) Act in South Africa.

+ OUR KEY MATERIAL ISSUES continued

PROSPERITY

Cost containment and capital allocation

MATERIAL ISSUE



Why it is important

Ongoing investment and cost containment are strategic pillars of competitive advantage.

How it links to other aspects of our business



Achieve cost advantages



Maintain a healthy balance sheet

How it links to risk



Cyclical macro-economic context



Highly competitive industry



Project implementation and execution

WHAT WE DID ABOUT IT IN 2019

- Acquired Matane Mill in Quebec, Canada with capacity of 270,000 tons per annum of aspen and maple high-yield pulp to deliver the following benefits:
 - Increased levels of pulp integration by supplying pulp to our United States and European packaging operations
 - Secure supply of a raw material critical to product quality
 - Reduced input pricing and volatility in profitability
 - Avoid higher capital cost of internal high-yield pulp capacity
- Completed a rebuild of PM8 at Lanaken Mill in Belgium. The PM can now produce woodfree coated paper in addition to lightweight coated paper, enhancing our ability to meet market demand
- Took downtime at certain mills and began an asset review in Europe and North America in line with reduced demand in key markets.

Digitalisation

MATERIAL ISSUE



Why it is important

Digital solutions offer a new platform for innovation and efficiency as well as enhanced connection with customers and employees.

How it links to other aspects of our business



Achieve cost advantages

Operating context: Generation Z

Emerging risks

Industry 4.0
Integration of sustainability

WHAT WE DID ABOUT IT IN 2019

- Launched digital group-wide learning initiatives
- In Sappi Europe:
 - Appointed a head of digital transformation
 - Launched Octoboost, an internal technology start-up whose core mission is to develop innovative digital solutions for the print industry
 - Signed a global strategic alliance with PerfectPattern to roll out artificial intelligence (AI) driven dynamic print planning and ganging technology to print businesses world-wide.

Product and process innovation

MATERIAL ISSUE



Why it is important

We view innovation not as an end in itself, but as an integral aspect of our business that provides sustainable, competitive advantages which make a significant difference.

How it links to other aspects of our business



Achieve cost advantage



Operating context: Increasing consumer and brand owner concerns about sustainability-related issues

How it links to risk



3 Evolving technologies and consumer preferences

Emerging risks

Industry 4.0
Integration of sustainability

WHAT WE DID ABOUT IT IN 2019

- Piloted a new-generation manufacturing execution system to leverage data analytics make our processes more efficient and productive and enable tracking of information on quality, raw materials and environmental aspects
- Continued to promote internal innovation through the Technical Innovation Awards. In 2019, Sappi Europe was named the 2018 winner for designing a completely new 'three layers in one headbox' for paperboard packaging that combines good printability with high bulk and good creasability. This step-change technology was successfully applied to the rebuild of PM6 at Maastricht Mill, making it the only producer world-wide to use this novel concept for its packaging product range
- Collaborated closely with a specialist packaging converter and a global fast-moving consumer goods (FMCG) company to develop breakthrough proprietary barrier technology and support the launch of a new confectionery snack bar wrapped in recyclable paper (see box below)
- Invested US\$42 million in R&D initiatives.

An innovative solution for the circular economy

Packaging for the food industry that meets stringent health and safety standards and that is also recyclable is a longstanding challenge. Sappi has been working with leading consumer brand owners to develop and supply renewable paper-based packaging solutions by understanding and supporting the goals of making their packaging recyclable without compromising on food protection and shelf life.

One example of this is the new Sappi Guard range of products. These innovative papers for flexible packaging come with integrated barriers against oxygen, water vapour, grease, aroma and mineral oil. Thanks to the integrated barriers, there is no need to apply special coatings or laminations. The work was enabled by Sappi's 2017 acquisition of barrier film technology company Rockwell Solutions.

Sappi used this technology when it worked with a global FMCG company and a specialist flexible packaging converter to develop the wrapper for a new confectionery snack bar. The launch of the new snack bar highlights the benefits of collaboration across the value chain in a focused effort to increase the use of recyclable packaging made from renewable woodfibre.

+ OUR KEY MATERIAL ISSUES continued

Circular economy and adjacent markets

MATERIAL ISSUE



Why it is important

Producing more with less has become a global focus in light of a burgeoning global population and subsequent pressure on resources. In keeping with the approach outlined above, our aim is to extract more value from each tree and in doing so, move into adjacent markets in order to strengthen our core business model.

How it links to other aspects of our business



Accelerate growth in higher margin growth segments



Operating context: Increasing consumer and brand owner concerns about sustainability-related issues

How it links to risk



3

Evolving technologies and consumer preferences



4

Highly competitive industry



5

Natural resource constraints

WHAT WE DID ABOUT IT IN 2019

- In August 2019, we commissioned the pre-hydrolysis liquor (PHL) evaporator at Ngodwana Mill, moving into the second phase of our sugar extraction project. This is to demonstrate industrial-scale operability of the technology to concentrate hemicellulose sugar streams, extracted from the wood, to levels required for downstream technologies. The work enables derisking the full-scale implementation of the sugar concentration technology, in turn opening up new revenue generation opportunities in the xylitol and furan chemistry value chains
- We progressed the design of a furfural pilot plant to be established at Saiccor Mill. The plant will illustrate the technology, produce commercial samples and provide greater clarity on process economics. We anticipate beneficial operation in 2021
- Construction of a 25MW Ngodwana energy biomass power plant at Ngodwana Mill, in which we have a 30% stake, began in July. The plant will use biomass from surrounding plantations to generate power that will feed into the national grid
- We are building on our established position in lignin markets to expand into high-value markets, including substitution for phenol which is widely used in household products and as intermediates for industrial synthesis, as well as replacement for petrochemicals in foams. We are also diversifying into lignin as a replacement for starch in manufacturing recycled paper, as a fuel pellet binder and in the area of animal health and nutrition
- We began testing fuel rods in one of the boilers at Tugela Mill. The rods, manufactured at Ngodwana Mill, comprise a mixture of waste coal slurry (from discarded thermal-grade coal fines), biomass and lignosulphonates. If positive results are achieved, the demonstration facility at the latter mill will be upgraded
- We are advancing our Valida fibrillated cellulose technology and continue to conduct third-party development work with prominent global brand owners and technology institutions to develop a variety of applications where Valida's functionality can enhance everyday products responsibly and sustainably. The product is also being used to develop new advanced paper grades with greater strength and unique barriers
- In terms of biocomposites, we continue to develop markets for Sappi Symbio which brings the haptics of nature and reduced environmental footprint to plastic composite materials. Sappi Symbio is a specially prepared and easy-to-use cellulose fibre ready to be easily dispersed into plastic compounds. Symbio compounds can be injection moulded and blow moulded into components for various sectors, including automotive, furniture, utensils, appliances and consumer electronics. Weight reduction, warm touch and high stiffness are just some of the product's many benefits.

Long-term demand growth for cellulosic-based fibres

MATERIAL ISSUE



Why it is important

Increasing our capacity in the DWP market aligns with our strategy of refocusing operations away from graphics paper to the higher-margin DWP sector, together with specialised packaging products and the biotech sectors.

How it links to other aspects of our business



Accelerate growth in higher margin growth segments



Operating context: Increasing consumer and brand owner concerns about sustainability-related issues

How it links to risk



3 Evolving technologies and consumer preferences

Emerging risk

Integration of sustainability
Cyclical macro-economics

WHAT WE DID ABOUT IT IN 2019

- Completed a US\$25 million capital investment at Cloquet Mill to debottleneck areas of the pulp manufacturing process and add 30,000 tons per annum of DWP production capacity
- The expansion of Saiccor Mill to add 110,000 tons per annum of DWP capacity was around 40% complete at year-end and is on track for completion in the last quarter of 2020.
- We continue to engage with customers to develop products and solutions for the market.

The uncertainty in textile markets as a result of the United States/China trade tensions – China is the largest exporter of apparel to the United States – and an oversupplied viscose staple fibre market are challenges for value creation in the short term, but we believe the fundamentals of the DWP market are sound. Accordingly, we expect sales volumes to remain healthy and anticipate that our expanded DWP production will be fully taken up to meet customer demand.



+ OUR KEY MATERIAL ISSUES continued

PEOPLE

Safety

MATERIAL ISSUE



Why it is important

Unsafe practices and conditions can have devastating consequences – the impact of human loss and suffering on individuals and those around them is immeasurable.

Globally, the pulp and paper industry, and forestry in particular, is viewed as potentially hazardous.

How it links to other aspects of our business



Achieve cost advantages



Rationalise declining businesses



Maintain a healthy balance sheet



Accelerate growth in higher margin growth segments

How it links to risk



1 Safety

Emerging risk

Integration of sustainability

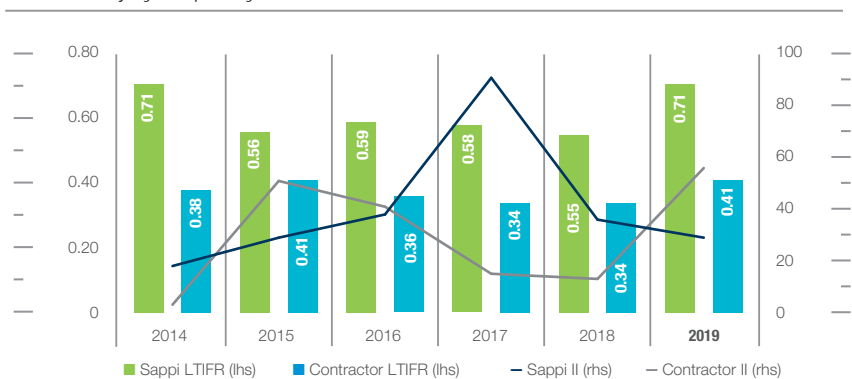
WHAT WE DID ABOUT IT IN 2019

Our safety performance was deeply unsatisfactory:

- Tragically, there were four contractor fatalities in Sappi Southern Africa
- As shown below, the LTIFR for own employees and contractors deteriorated against the previous five years. The global own injury index (II) was an improvement on 2018, but above what was achieved in 2014, with the contractor II performance impacted by the four fatalities.

Sappi North America's own employee LTIFR was the best ever. Year-on-year, own employee LTIFR deteriorated in Sappi Europe while contractor LTIFR improved, but both own employee and contractor LTIFR declined in Sappi Southern Africa. Performance in Sappi Europe was mainly affected by the integration of mills acquired in 2018. The region has conducted safety gap audits to redress the situation. With the assistance of a team from DuPont, Sappi Southern Africa is driving initiatives to improve safety systems and awareness. The focus on life-saving rules will continue in 2020 as the region's primary safety initiative.

Lost-time injury frequency rate



Employee engagement

MATERIAL ISSUE



Why it is important

When employees are engaged at work, they feel a connection with the company. They believe the work they are doing is important and therefore work harder. This has obvious implications for productivity, career development and overall job satisfaction.

How it links to other aspects of our business



Achieve cost advantages



Rationalise declining businesses



Maintain a healthy balance sheet



Accelerate growth in higher margin growth segments

How it links to risk



9 Employee relations

Emerging risk

Integration of sustainability

WHAT WE DID ABOUT IT IN 2019

- 90% of the total organisation participated in our 2019 survey – a 6% improvement on participation levels of 84% in 2017.
- Overall employee engagement remains high, with 42% of employees fully engaged, 39% unsupported or detached and 19% fully disengaged.

Skills

MATERIAL ISSUE



Why it is important

People are no longer looking for a 'job for life' but have moved towards 'learning for life'. At the same time, rapid changes in the operating environment are constantly reshaping the skills requirements of our business.

How it links to other aspects of our business



Operating context:
Generation Z

How it links to risk



9 Employee relations



10 Failure to attract and retain key skills

WHAT WE DID ABOUT IT IN 2019

- In 2019, we continued to implement programmes to enhance skills levels, particularly across priority categories of employees
- We also continued to offer all employees access to detailed development plans and the opportunity to select online or classroom training from over 4,000 approved courses.

+ OUR KEY MATERIAL ISSUES continued

Shared value

MATERIAL ISSUE



Why it is important

Shared value involves developing profitable business strategies that deliver tangible social benefits. In other words, identifying societal challenges within our sphere of operation and finding ways of addressing these for the mutual benefit of communities and the company, thereby enhancing our social licence to operate, building our reputation as a responsible corporate citizen, establishing customer loyalty and attracting talent.

How it links to other aspects of our business



Operating context:
Social disruption

Emerging risks

Integration of sustainability
Social unrest
Land restitution

WHAT WE DID ABOUT IT IN 2019

We continued to take a very active approach to Corporate Shared Value (CSV) both regionally and globally, driving key initiatives in support of our three primary stakeholder groups – employees, customers and the local communities in which we operate. Given South Africa’s development needs, and in line with our longstanding approach, the bulk of spend was allocated to this region:

- Sappi Europe: EUR100,000
- Sappi North America : US\$460,000
- Sappi Southern Africa: ZAR50 million.

Investing in early childhood development

International research states that 90% of brain growth and development takes place before the age of five. Research also indicates that children whose development is nurtured early in life are more likely to be:

- Successful in school, have fewer learning disabilities and be more likely to finish high school and seek further education or training
- More productive in the workforce, hold better jobs, own their own homes
- Healthier throughout their lives, physically and mentally.

Against this backdrop, the South African government prioritised early childhood development (ECD) as highlighted in the National Development Plan (NDP) Vision for 2030.

We began investing in ECD in 2014, partnering with key role players to achieve the following results:

- In Mpumalanga, we have developed an ECD centre of excellence at the Sappi Elandshoek community through Penreach, the largest teacher development programme in Africa. Sappi has sponsored training for the principal and five primary school teachers from a local primary school in ECD-related topics. Between 2016 and 2018, these teachers reached 415 children
- In 2016, we extended the ECD programme to Gauteng, by sponsoring the Jabulani Training and Development Centre. Our sponsorship of the centre has contributed to training over 1,250 ECD practitioners in recent years
- In 2018, a total of 22 ECD practitioners graduated from the ECD programme in KwaZulu-Natal with an NQF4 (a national standard) qualification, implemented under the auspices of Training and Resources in Early Education (TREE), and a further 36 will complete their training at the end of 2019. Of these, 18 will have an NQF4 certification which they will administer in their crèches, while the other 18 have been trained to run playgroups in their areas, where there were no ECD facilities before. Practitioners in this region have impacted over 2,000 children between 2016 and 2018.

Labour relations

MATERIAL ISSUE



Why it is important

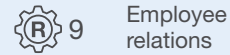
Sound labour relations result in increased levels of engagement, enhanced productivity and a more harmonious working environment.

How it links to other aspects of our business



Operating context:
Social disruption

How it links to risk



Employee relations

Emerging risks


Social unrest
Integration of sustainability

WHAT WE DID ABOUT IT IN 2019

- Sappi endorses the principles of fair labour practice as entrenched in the United Nations Global Compact and Universal Declaration of Human Rights. At a minimum, we conform to, and often exceed, the labour legislation requirements in countries where we operate. We promote freedom of association and engage extensively with representative trade unions. Globally, 62% of Sappi's workforce is unionised, with 69% belonging to a bargaining unit.
- Sappi enjoyed relatively positive industrial relations with trade unions at all manufacturing sites across the group and Sappi Forests' plantations in Sappi Southern Africa – attributable mainly to our proactive engagement strategy and initiatives.

+ OUR KEY MATERIAL ISSUES continued

PLANET

Issues discussed here are covered in greater detail in the Planet section of our 2019 Group Sustainability Report, available at www.sappi.com 

Climate change

MATERIAL ISSUE



Why it is important

Woodfibre is a key input into our business. Climate change could pose a risk to our plantations in South Africa.

How it links to other aspects of our business



Operating context: Increasing consumer and brand owner concerns about sustainability-related issues

How it links to risk



Natural resource constraints

Emerging risks

Integration of sustainability
Climate change

WHAT WE DID ABOUT IT IN 2019

We have established a working group to integrate the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD) into our risk assessment of climate change.

Sappi together with other forestry companies in South Africa, and with financial support from the Department of Science and Technology's Forest Sector Innovation Fund, has initiated a detailed climate change mapping project with the Global Change Institute (GCI) at the University of the Witwatersrand. This project will enable us to spatially map the risk across our entire land base, and understand how it changes over decades.

In addition, we continued to:

- Adjust and direct our tree breeding strategy using modelled future climate data. This will help us to produce and select the most optimally suited hybrid varieties for each climatic zone
- Replace pure species with hybrids more suited to future climatic conditions to enhance security of supply
- Together with rapid understanding of the relative tolerance/susceptibility of our growing stock to new pests or disease, these techniques are critical in successfully managing the viability of our woodfibre base
- Use of satellite imagery and drones to rapidly detect and respond to change
- Monitor soil – under hotter and drier climatic conditions, the importance of soil organic matter will increase because of its ability to reduce soil temperature, and to increase the soil water infiltration rate and soil water holding capacity
- Implement an extensive fire protection strategy, as climate change raises the potential for fires.

Understanding climate risks

A preliminary climate change investigation conducted by Sappi Forests' scientists indicated that climate change is likely to be larger in Southern Africa compared to the world average. The study indicated that maximum temperatures are more likely to increase than minimum temperatures, especially during the spring and summer months. It is also likely that spring rainfall will decrease, with more high-intensity rainfall in summer. The combined effect of higher temperatures and lower rainfall in spring is likely to increase tree stress. This in-house study highlighted that simply understanding changes to annual averages is not enough if we are to mitigate potential losses. Currently, the available climate projections do not meet Sappi's needs for the following reasons:

- The time resolution is too infrequent – projections are typically for mid-century and end of century, whereas we need something closer to decadal intervals
- The spatial resolution is too coarse – often regional, rather than plantation block specific.

The variables provided are too general – annual rainfall rather than its monthly distribution, mean temperatures rather than the extremes, wind, humidity and other variables absent.

Understanding climate risks continued

Accordingly, together with other forestry companies in South Africa and financial support from the Department of Science and Technology Forest Sector Innovation Fund, Sappi has initiated a detailed climate change mapping project with the Global Change Institute (GCI) at the University of the Witwatersrand. The GCI team is made up of South Africa's leading climate change experts. The project entails two phases:

- **Phase 1:** 2020: Generation of raster climate surfaces for the entire forestry domain of South Africa, at 8 km resolution, with monthly time resolution, for the years 2020, 2030, 2040 to 2100. The variables would include up to 20 important bioclimatic indicators as well as averages and information about their statistical distribution, such as variances, confidence ranges and probabilities of exceedance
- **Phase 2:** 2021 onward: A second iteration of the variables generated for the one-year product, refining the indicators or making them more specific for species or issues; and/or including more ensemble members or scenarios to broaden the robustness of the evaluation; and/or 1 km data for selected parts of the country.

The regional climate modelling capacity established at Wits GCI can resolve all the needs of the industry, listed above. Wits GCI runs the CCAM Global Climate Model, a state-of-the-art Global Circulation Model (GCM), fully coupled with land and ocean. It can seamlessly use the same framework to incorporate the output of ensembles of other GCMs, and downscale them for Southern Africa in a very robust way. Outputs can be generated at any time interval. The Southern African downscalings already under way produce coverage at a fundamental resolution of 8 x 8 km over the entire South African forestry domain, fine enough to be able to represent important local phenomena (like the escarpment) that are invisible to GCMs. All primary climate variables are generated, so producing them as output tailored to the needs of forest bioclimatology is relatively straightforward.

The Variable Resolution Earth System Model used for the regional downscalings can then be used a second time, to generate projections with a resolution of as fine as 1 x 1 km, over an area of 200 x 200 km. This is a 'cloud-resolving' scale, so it can capture the specificity of rainfall in relation to terrain and aspect. The process is computationally intensive, so cannot immediately be applied to all the forest extent in South Africa, but over time key areas will be prioritised.

Energy

MATERIAL ISSUE



Why it is important

Given the high-energy intensity of our industry, the cost and availability of energy is a key consideration that must be weighed up in the context of a carbon-constrained world.

How it links to other aspects of our business



Achieve cost advantages

Operating context: Increasing consumer and brand owner concerns about sustainability-related issues

How it links to risk



5 Natural resource constraints

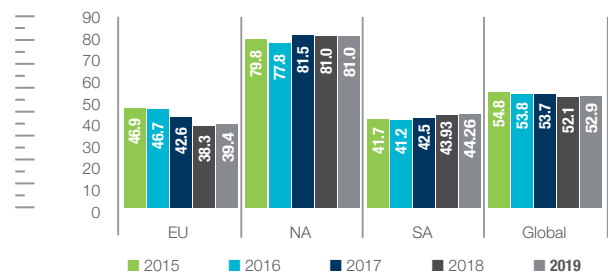
Emerging risks

Integration of sustainability
Climate change

WHAT WE DID ABOUT IT IN 2019

- Energy is a key input for our industry. Aggressively managing energy use reduces carbon emissions and enhances cost efficiencies. Globally, purchased energy costs as a percentage of cost of sales have not fluctuated significantly over the last five years and were 8.74% in FY19 (2018: 8.98%).
- Environmental impact is reduced by the amount of energy as well as type consumed. We have made significant efforts to reduce our reliance on fossil fuels, thereby reducing fossil-fuel related greenhouse gas (GHG) emissions and separating our operations from the volatility of energy prices. In 2019, our global use of renewable energy as a percentage of total energy used was 52.9%. However, while our global direct (Scope 1) GHG emissions were stable in the year under review, indirect (Scope 2) emissions increased by 5.7% year-on-year. The main reason for the increase was the deteriorating emissions factor of energy derived from Eskom, the South African state power utility.

Renewable energy (%)



+ OUR KEY MATERIAL ISSUES continued

Water

MATERIAL ISSUE



Why it is important

Our operations are highly dependent on the use and responsible management of water resources. Water is used in all major process stages, including raw materials preparation (woodchip washing), pulp washing, screening, and paper machines (pulp slurry dilution and fabric showers). Water is also used for process cooling, materials transport, equipment cleaning and general facilities operations.

How it links to other aspects of our business



Operating context: Increasing consumer and brand owner concerns about sustainability-related issues

How it links to risk



Natural resource constraints

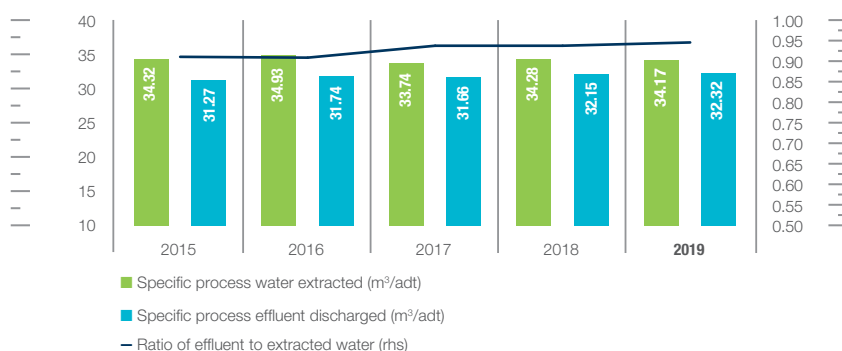
Emerging risks

Climate change
Integration of sustainability
Social unrest

WHAT WE DID ABOUT IT IN 2019

- Globally, in 2019, we extracted 288.91 million cubic metres of total water for all purposes. However, our total water consumption is much lower than the amount extracted would indicate, because we return a high percentage of the water we use to the environment – 95% of water drawn was returned to the environment in the past year. Water that is ‘consumed’ in our operations is primarily water lost to the environment due to evaporation in the paper drying process and a small amount of moisture contained in our finished products.

Specific process water returned versus extracted (m³/adt)



Biodiversity

MATERIAL ISSUE



Why it is important

The plantations and forests from which we source woodfibre depend on healthy ecosystems and beneficial biotic processes taking place.

How it links to other aspects of our business



Operating context: Increasing consumer and brand owner concerns about sustainability-related issues

How it links to risk



5 Natural resource constraints

Emerging risks

Integration of sustainability
Climate change

WHAT WE DID ABOUT IT IN 2019

- Globally, 74.8% of fibre supplied to our mills is certified. The internationally accepted, independently verified forest certification systems we use – PEFC™, SFI® and FSC™ – all make provision for biodiversity management. In PEFC™-certified forests, for example, managers must “ensure that forest management activities maintain, conserve and enhance biodiversity” while SFI® guidelines stipulate the protection of biodiversity. Principle 6 of the FSC™’s principles and criteria, states: “Forest management shall conserve biological diversity and its associated values, water resources, soils, and unique and fragile ecosystems and landscapes, and, by so doing, maintain the ecological functions and the integrity of the forest”.
- We set aside some 30% permanently unplanted land on our owned and leased landholdings in South Africa to conserve natural habitats and their biodiversity.
- In Sappi Southern Africa, we have used systematic conservation planning to identify 166 important conservation areas (ICAs) on our land using a systematic conservation planning approach based on the presence of both plant and animal red data species, the size, connectedness, condition and aesthetic and recreational value of the area.

+ OUR PRODUCT REVIEW



+ Dissolving wood pulp

With 16% share of the DWP market and producing close to 1.4 million tons per annum, our dissolving wood pulp brand Verve is a truly sustainable brand.

We continue to invest in all three of our world-class production sites – further entrenching our leadership position as a trusted source for responsible and sustainable DWP.

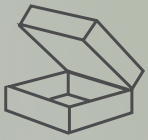


+ Graphic papers

Coated and uncoated papers designed to get the best results for you and your customers.

When companies build brands, picking the right paper can mean the difference between creating something average and something memorable.





+ Packaging and speciality papers

We are your value-creating partner, offering an extensive range of innovative products and services.

With our broad and innovative portfolio of premium products, we have the right solutions to meet our customers' needs, and we offer a broad range of paper based sustainable solutions as an alternative to fossil-fuel based, non-renewable packaging in many of our product segments.



+ OUR PRODUCT REVIEW continued



Dissolving wood pulp



Our performance review

Our dissolving wood pulp (DWP) brand, Verve, is a significant participant in this market. With 16% share of the DWP market and capable of producing 1.4 million tons per annum, Verve is a truly sustainable brand. From textiles to pharmaceuticals and food applications, Sappi has the expertise, technology and track record to meet almost any challenge from these DWP market segments.

In FY19, 19% of Sappi's sales were dissolving wood pulp

DWP is a highly purified form of cellulose extracted from sustainably grown and responsibly managed trees using unique cellulose chemistry technology. The majority of DWP is used to make textiles, such as viscose and lyocell, where DWP is converted to viscose and lyocell staple fibres. From there, the fibres are spun into yarns

and ultimately textiles, providing naturally soft, smooth and breathable fabrics. Cellulosic fibre far exceeds cotton and polyester when it comes to sustainability – what consumers want, and our environment needs, are goods that are renewable, biodegradable and have superior resource efficiency, and that is where cellulosic fibres differentiate themselves from the alternatives.

DWP can also be processed into products used in food and beverages, health and hygiene, wrapping and packaging, pharmaceuticals and many more applications that touch our daily lives.

Demand for DWP used in textiles, particularly for viscose and lyocell fibres, is both the largest and fastest growing sector, while end markets and demand growth for other applications

“ We continue to invest in our three world-class production sites – further entrenching our leadership as a trusted source for responsible and sustainable dissolving wood pulp. ”

are smaller and have lower growth rates. Based on the growth rate in the overall textile market, driven by factors such as population growth, rising urbanisation, wealth and the shift towards more comfortable, environmentally friendly natural fibres, we expect long-term growth in demand of approximately 6% per annum for DWP.

Market prices for DWP are influenced by viscose staple fibre (VSF) and other textile market dynamics, paper pulp market pricing which can also influence swing mills as well as general macro-economic uncertainties pertaining to the ongoing United States/China trade dispute and subsequent US\$/RMB exchange rate fluctuations.

Our markets in 2019 and outlook for 2020

FY19 marked a period where a substantial portion of the integrated VSF and DWP capacity disrupted market dynamics; installed VSF capacity now exceeds global demand by approximately 25%. This surplus of new low-cost VSF capacity has

disrupted the market, lowering operating rates and resulting in VSF and DWP prices reaching historical lows. Over FY19, the index price for DWP declined by over US\$300 per ton. We believe current pricing is below the cash cost of production for a significant proportion of global supply and therefore unsustainable over a prolonged period. Underlying demand for DWP is still growing at rates consistent with our long-term forecasts of around 6%. A recovery in DWP prices is therefore likely to be prompted by a recovery in VSF prices which in turn have been depressed by excess VSF capacity and a weak Chinese textile market.

Despite these low prices, EBITDA was similar to the prior year. EBITDA margins for this segment declined from 29% to 28% on lower US Dollar prices, offset by a weaker Rand/Dollar exchange rate and increased sales volumes. We believe DWP prices in the coming year will be lower than the historical trend price, and that profitability for this segment will therefore be below that of the prior year.

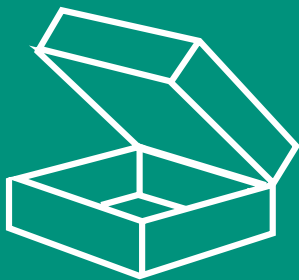
Volumes increased 7%, or 86,000 tons, from last year as we used the expanded production capacity at our three sites after debottlenecking projects. Our 110,000 ton expansion project at Saiccor Mill remains on track for a late FY20 start-up. The project is expected to yield long-term safety, efficiency and reliability improvements and reflects our ongoing focus on productivity and operational efficiencies. This investment is a key part of our strategic vision as we expand into fast-growing, higher-margin segments.

In 2020, a year expected to be characterised by macro-economic uncertainty and disruptive market dynamics, we aim to remain focused on meeting and exceeding the needs of our customers. We will capitalise on our competitive advantages: our world-class and sustainably managed plantations, geographic positioning and sterling reputation as a reliable partner to bring our customers sustainable products that create shared value for everyone.

+ OUR PRODUCT REVIEW continued



Packaging and speciality papers



Our performance review

for conversion to packaging grades that require some form of coating. Ahead of commissioning the various conversion projects, we carefully analysed our assets, specifically their production capabilities for packaging and speciality grades, and how those capabilities matched their expected cost of production, the cost to serve customers, historical demand growth, forecasts for the future, as well as competitive threats – choosing only those mills/products/projects where we believed we held a significant advantage. With the construction complete, and our ramp-ups progressing, we are winning new business with customers with a compelling value proposition, propensity for innovation and superlative service record. We aim to create solutions that solve our customers' most critical challenges, helping them grow their sales, lower cost, improve their sustainability metrics and minimise their risk.

We work in partnerships based on trust and respect. As such, we place great value on reliability. Our superior logistics network, financial stability, global availability and consistent

premium quality are vital to our customers. That is why we manage well what we can control, always aiming to exceed our customers' expectations, making sure we optimise the full value chain, leveraging the strengths and flexibility of our network.

In FY19, 22% of Sappi's sales came from packaging and speciality papers, up from 19% last year

Sappi offers products and solutions in many different segments including:

- **Flexible packaging** can be coated or uncoated, for food and non-food applications, such as sachets, pouches and wrappers
- **Label papers** for pressure-sensitive applications as well as for wet glue and wet strength labels
- **Functional papers** that offer highly efficient paper based solutions with integrated functionality, like paper with barriers against mineral oil residuals, oxygen, water vapour and grease as well as sealing properties
- **Containerboard** including liner and fluting, for corrugated boxes. Sappi's products are found in applications like consumer packaging, shelf-ready packaging and transport packaging for agricultural and industrial uses.

Both legislative edicts and consumer pressure are forcing companies to rethink their packaging needs. Governments, retailers and brand owners all over the world are demanding paper based packaging solutions for their products, and eco-conscious consumers and shoppers are pressuring brand owners for more biodegradable, recyclable and compostable packaging, all reflecting a more circular economy. We estimate the increasing need for more sustainable and environmentally friendly packaging solutions will lead to demand growth of 3% to 6% per year, globally, across the spectrum of our products.

The evolution of our focus from graphic papers to packaging and speciality papers derives from the suitability of many of our graphic paper machines

“ With our broad and innovative portfolio of premium products, we have the right solutions to meet our customers’ needs. We offer a broad range of paper based sustainable solutions as an alternative to fossil fuel based, non-renewable packaging in many of our product segments. ”

- **Paperboard** such as solid bleached board and folding boxboard for luxury packaging with more graphic applications. Packaging for cosmetic, perfume, confectionery and premium beverages uses our products
- **Release liner** with silicon base papers and glassine papers for self-adhesive applications, such as graphic art applications with outdoor advertisements, adhesive tapes and office materials
- **Technical papers** for interleaving and thermal coating. Examples include tickets for boarding passes and concert/stadium tickets
- **Casting and release papers** used by suppliers to the fashion, textiles, automobile and household industries. It is used in the manufacture of synthetic leather and decorative laminate products, creating textures that make designs come to life
- **Dye sublimation papers** – a coated sublimation paper for digital transfer printing with water based dye sublimation inks. Designed for the transfer of an image onto various polyester materials, such as banners, flags, snowboards, gadgets (mugs, mouse pads, etc) apparel and home textiles
- **Digital imaging papers** for large-format inkjet printing. Posters, for indoor/outdoor applications, and technical printing in the construction industry (CAD/engineering)
- **Tissue paper** used for toilet tissue, kitchen towels, serviettes, and medical and industrial wipes.

We manufacture from a suite of machines in Europe, North America and South Africa, ensuring scale-based efficiencies and security of supply. Our South African operations mainly focus on the local containerboard market.

We supply the agricultural sector with cartonboard to protect fresh produce as it is shipped from farms to tables locally and around the world. Our North American operations currently make functional packaging papers, label papers and, following our Somerset conversion, paperboard for folding cartons. Examples include perfume boxes, packaging for items like toys, small electronics, chocolates and other fast-moving consumer goods. The focus of our European operations in this segment is much more diverse and niche. Our portfolio has higher levels of specialisation and customisation than most other speciality paper producers. We are capable of engineering specific products for specific customers, particularly those who want more than just a package. We can coat paper to give it unprecedented functionality such as moisture controls, oxygen barriers, grease resistant barriers, vapour barriers and more. Our European operations are ideally located in a region leading the ‘paper-for-plastic’ packaging movement. Last year, the European Union introduced rules to reduce marine litter by banning certain single-use plastic items, like cutlery, straws and drink stirrers, alongside a measure that holds those plastic producers responsible for the cost of cleaning these items from European beaches. The industry will also be given incentives to develop less-polluting alternatives for these products. With a comprehensive product range on three continents, R&D centres in each region sharing best practices and new findings from new customers, our customers benefit from reliable supply from a broad geographic footprint, and a leader in innovation in the sector.

Our markets in 2019 and outlook for 2020

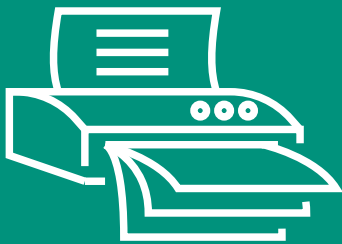
The review period was characterised by increased volumes and costs. Volumes were nearly 12% higher than last year as ongoing customer trials and qualifications turned into customer wins and subsequent volume commitments. Net sales were up 15% from last year. Despite the increase in volume, EBITDA margins declined from 12.7% last year to 9.8% in FY19. While our realised price per ton increased by some 3% through the year, our average cost per ton rose over 7% from last year, mainly due to purchased paper pulp. Increasing our level of pulp integration has been a group priority for some time. Accordingly, in November 2019, we purchased the Matane pulp mill in Quebec, Canada, which will increase pulp integration for the group. Pulp prices began declining in the second quarter of our fiscal with the benefit most evident in our fourth quarter, as we worked through higher-cost inventory in our supply chain. EBITDA margins rose to 13.7% in our fourth quarter, and given the Matane acquisition and lower market paper pulp prices, we believe margins will be better for this segment in FY20.

Along with higher EBITDA margins, we also believe FY20 will bring additional volume growth, aided by the shift from plastics to paper in various packaging and speciality categories. We expect continued success from conversion projects we completed in 2018. Customer qualifications and trial-runs of our new products prove we are capable of developing innovative and quality products that our customers can depend on.

+ OUR PRODUCT REVIEW continued



Graphic papers



At Sappi, we understand this difference and use our expertise to develop a variety of printing papers designed to meet specific needs, whether a high-end product with extra wow factor, a comprehensive solution that caters to numerous requirements or a paper that is more budget-friendly. Sappi delivers so that brands can have a more memorable impact.

Our markets in 2019 and outlook for 2020

Demand for graphic papers has been in secular decline in mature markets for several years, while growing in developing economies around the world. Taken together, global demand for graphic papers netted modest

declines. In FY19 demand dropped relative to 2018 for all grades and in all regions. Having noticed this trend developing in our markets in 2017 and 2018, we converted the most ideal paper machines in our portfolio from graphic paper to packaging and speciality papers, where demand is growing world-wide. Our graphics business is declining and part of our strategy is to rationalise this business. For Sappi, this means maximising its significant cash flow generation, continuously improving our cost position, and optimising the use of our best-in-class production assets. Executing this strategic pillar means more funds available to invest in our other, faster-growing, higher-margin segments and ultimately returning cash to shareholders.

In FY19, global industry statistics showed volume declines between 8% and 9% for both coated woodfree and coated mechanical papers. Our volumes from the segment were some 7% lower year-on-year due to increases in market share in coated woodfree paper. Despite the decline in market demand, average prices

realised were flat relative to 2018 as industry capacity closed in the United States and Europe and producers took downtime to manage inventories, keeping our major markets in balance. Input cost pressures eased in the second half as prices for paper pulp declined from their historical highs in late 2018 and early 2019. Our EBITDA margin declined relative to last year, from 8.8% to 7.4%, reflecting the decline in volumes and higher costs in the first half FY19.

In 2020, we expect to sell marginally lower volumes of graphic papers as we ramp up production and sales of packaging and speciality papers from our converted machines. We believe our cost position next year will be better than 2019. Prices for our main raw material – paper pulp – declined in the latter half of 2019 and, while forecasts vary, we see pulp market dynamics showing little reason for pulp prices to rise above their historical highs of last year.

“ When companies build brands, picking the right paper can mean the difference between creating something average and something memorable. ”

In FY19, 64% of Sappi's sales were in four different grades of graphic papers discussed below:

Coated woodfree paper

Share of sales: 41%

Printers and publishers use coated woodfree paper for a variety of marketing promotions including brochures, catalogues, calendars, annual reports, direct mail, textbooks and magazines. Coated paper is brighter, smoother and tends to have greater opacity than uncoated grades. We manufacture coated woodfree paper in our North American and European businesses but sell to customers all over the world. In FY19, 41% of Sappi's sales were in this segment, typically through large paper merchants.

Demand trends: Global advertising expenditure is forecast to grow, but the print share of that spend is expected to decline. However, we believe there will always be a place for paper within the marketing mix. Globally, demand for coated woodfree paper is forecast to decline from around 22 million tons in 2019 to 18 million tons by 2023.

Sales: Sappi's net revenue from coated woodfree paper was 7% less than last year due to slack demand and the subsequent downtime taken during the year. Sales volumes declined around 10% in 2019, due to this downtime and our conversion projects away from graphic paper. Globally, demand for coated woodfree paper declined by 8.5%.

Coated mechanical paper

Share of sales: 10%

Coated mechanical paper is primarily used in magazines, catalogues,

newspaper inserts and other advertising materials. In FY19, 10% of Sappi's sales constituted coated mechanical paper, all from our European business. Customers for this paper are typically large paper merchants, commercial printers and publishers of weekly and/or monthly magazine titles.

Demand trends: Demand for coated mechanical paper is more closely linked to demand for magazines. Readership, subscriptions, circulation, pagination and advertising revenue per page continue to decrease in larger markets as consumers opt for digital formats.

Sales: Sappi's net revenue from coated mechanical paper was 11% lower than last year, due to lower volumes as we took both market-related downtime and converted coated mechanical capacity into coated woodfree capacity. Volumes were around 12% lower than the prior period. This year, the global market contracted by 8.4%.

Uncoated woodfree paper

Share of sales: 6%

Uncoated woodfree paper is used for letterheads, business stationery and photocopy paper, with certain brands sold to converters for books, brochures, envelopes, pamphlets and magazines. Sappi makes and sells uncoated woodfree paper in our European and South African businesses. In FY19, 6% of Sappi's sales were uncoated woodfree paper. Our main customers in this sector are paper merchants and converters.

Demand trends: Demand for uncoated woodfree paper is expected

to post modest declines of about 2% over the next few years. Like other graphic papers, demand continues to decline in most markets, with limited growth from emerging markets.

Sales: Our net revenue from uncoated woodfree paper was 9% higher than last year, reflecting increased volumes and prices in both Europe and South Africa. Globally, demand was relatively stable this financial year, with a modest decline of 1.4%.

Newsprint paper

Share of sales: 1%

Newsprint, 1% of Sappi's sales, is manufactured from mechanical and bleached chemical pulp, with uses including advertising inserts and newspapers. We manufacture and sell newsprint from our South African business.

Demand trends: Demand for newsprint is principally derived from newspaper circulation and overall retail advertising. As newspaper readership declines around the world, publishers are consolidating and many titles have closed. There are pockets of growth in advertising-financed daily newspapers typically found in large metropolitan cities.

Sales: Production problems limited our newsprint volumes this year, which were 4% behind last year although net revenues rose marginally. Globally, newsprint demand declined 11% versus 2018.

+ CHIEF FINANCIAL OFFICER'S REPORT



GT Pearce
Chief Financial Officer

Observance of the four pillars of our long-term group strategy reduced the impact of the prevailing global economic uncertainty.

Section 1 Financial highlights

(US\$ million)	2019	2018	% change
Sales	5,746	5,806	(1)
EBITDA excluding special items	687	762	(10)
Operating profit excluding special items	402	480	(16)
Profit for the year	211	323	(35)
EBITDA excluding special items to sales (%)	12.0%	13.1%	n/a
Operating profit excluding special items to sales (%)	7.0%	8.3%	n/a
Operating profit excluding special items to capital employed (ROCE) (%)	11.5%	14.6%	n/a
Net cash (utilised) generated	1	(254)	n/a
Net debt	1,501	1,568	(4)
Basic earnings per share (US cents)	39	60	(35)

Observance of the four pillars of our long-term group strategy reduced the impact of the prevailing global economic uncertainty. Volume growth in our dissolving wood pulp and packaging and speciality segments offset the majority of the 7% volume decline in our graphics segment. The continuous improvement initiatives supported by projects to improve our cost base and enhance our competitiveness yielded US\$88 million savings for the year. We strengthened the balance sheet by improving our debt maturity profile and refinanced the 2022 bonds with 2026 bonds at the lower coupon of 3.125%. Although net working capital levels increased during the first half of the year, a strong focus on inventory and payment terms reduced net working capital to 7.9% of annual net sales.

“The year under review was challenging in many respects, but served to reinforce our commitment to our strategic initiatives.”

Weak markets in all our segments constricted EBITDA margin by 1% to 12%. The conversion projects in North America and Europe from graphic paper to packaging and specialities gained traction towards the end of the fiscal following lengthy qualification processes. Dissolving wood pulp volumes increased by 7% following the capacity increase projects at the Cloquet and Ngodwana Mills in the previous fiscal. The reduced margins and volumes (excluding forestry volumes) resulted in EBITDA of US\$687 million (LY = US\$762 million).

Net finance costs increased by 24% to US\$85 million as they included the 2026 bond refinancing costs of US\$13 million. The average tax rate of 29% was above the average statutory rate due mainly to unutilised tax losses in Europe. Profit for the year was US\$211 million (LY = US\$323 million) and earnings per share excluding special items reduced from US60 cents to US44 cents. The directors have considered it prudent to temporarily halt dividends until such time as market conditions improve.

Cash generated for the year of US\$1 million includes a dividend payment of US\$92 million, tax payments of US\$51 million and capital expenditure of US\$471 million.

Segment reporting

Our reporting is based on the geographical location of our businesses, ie Europe, North America and South Africa.

The selected product line information is reviewed by our Executive Committee in addition to the geographical basis upon which the group is managed. This additional information is presented in this report to assist our stakeholders in obtaining a complete understanding of our business.

Exchange rates and their impact on the group's results

The group reports its results in US Dollar and, as such, the main foreign exchange rates used in the preparation of the financial statements were:

	Income statement average rates		Balance sheet closing rates	
	2019	2018	2019	2018
EUR1 = US\$	1.1282	1.1902	1.0939	1.1609
US\$1 = ZAR	14.3464	13.0518	15.1563	14.1473

Two of our three geographic business units (Europe and Southern Africa) have home or 'functional' currencies of Euro and ZAR respectively. The results and cash flows of these two non-US Dollar units are translated into US Dollar at the average exchange rate for the reporting period in order to arrive at the consolidated US Dollar results and cash flows. When exchange rates differ from one period to the next, the impact of translation from the functional currency to reporting currency can be significant.

+ CHIEF FINANCIAL OFFICER'S REPORT continued

Section 2

Financial performance

The discussion in this section focuses on the group financial performance in 2019 compared with 2018. A detailed discussion, in local currencies, of each of our three operating regions follows in Section 3.

Income statement

Our group financial results can be summarised as follows:

(Metric tons '000)	2019	2018	% change
Sales volume	7,622	7,591	–
US\$ million			
Sales revenue	5,746	5,806	(1)
Variable manufacturing and delivery costs	(3,530)	(3,521)	–
Fixed costs	(1,711)	(1,767)	–
Sundry items ⁽¹⁾	(43)	(38)	13
US\$ million			
Operating profit excluding special items	402	480	(16)
Special items	(19)	9	–
Operating profit	383	489	(22)
Net finance costs	(85)	(68)	25
Taxation	(87)	(98)	(11)
Net profit	211	323	(35)
EPS excluding special items (US cents)	44	60	(27)

⁽¹⁾ Sundry items include all income and costs not directly related to manufacturing operations such as debtor securitisation costs, commissions paid and received and results of equity-accounted investments.

Sales volume

In 2019, sales volume increased by 31,000 tons compared with 2018. The regional and product segment contributions to sales volume are shown below:

Sales volume (metric tons '000)	2019	2018	% change
North America	1,379	1,371	1
Europe	3,241	3,366	(4)
Southern Africa	3,002	2,854	5
Group	7,622	7,591	–
Graphics	3,846	4,150	(7)
Packaging and specialities	1,129	1,009	12
Dissolving wood pulp	1,284	1,198	7
Forestry	1,363	1,234	10

In North America, increases in the packaging and speciality papers and dissolving wood pulp sales volumes offset the reduced Graphics volumes due to the conversion of PM1 at Somerset.

European volumes decreased by 4% with lower demand in the mechanical coated and coated woodfree markets. The decrease in sales volumes was partially offset by strong growth in the packaging and speciality product segments.

Volumes in South Africa increased by 5% mainly due to growth in dissolving wood pulp and forestry volumes. Packaging and speciality volumes decreased due to lower demand in the local citrus market.

Capacity utilisation reduced to an average of 88% for the group as weak graphic markets forced us to take 268 000 tons of production downtime during the year.

	2019 %	2018 %
Sales volume to capacity		
North America	82	93
Europe	88	93
Southern Africa	94	95
Group	88	95

Sales revenue

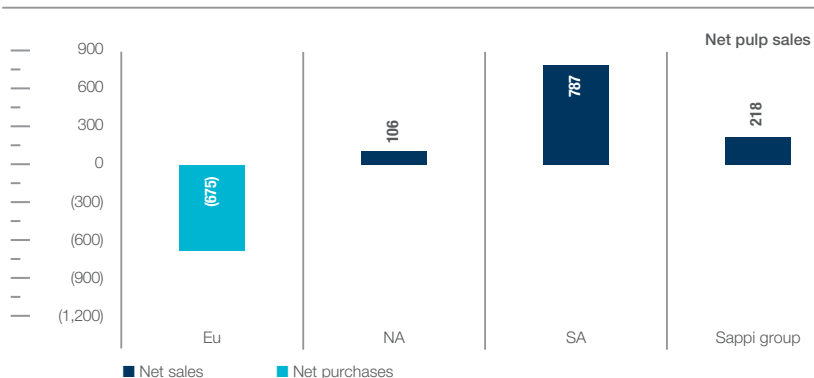
Sales revenue decreased by 1% from US\$5.8 billion in 2018 to US\$5.7 billion in 2019. The stronger US Dollar resulted in a negative US\$188 million conversion impact which was offset by selling price and mix improvements of US\$163 million. Consolidated volumes were marginally down on last year.

Variable and delivery costs

Variable and delivery costs increased by US\$9 million from 2018. This is in line with sales volumes increasing marginally. There were offsetting variances amongst the different product categories which resulted in variable costs remaining stable relative to last year.

The net paper and dissolving wood pulp purchases and sales of the Sappi group are detailed in the graph below:

Sappi group pulp balance (US\$ million)



CHIEF FINANCIAL OFFICER'S REPORT continued

The table below reflects the breakdown of variable and delivery costs by type.

Variable manufacturing and delivery costs (US\$ million)	2019	2018	% change
Wood	624	598	4
Energy	417	411	1
Chemicals	811	851	(5)
Pulp and other	1,243	1,171	6
Delivery	435	490	(11)
Group	3,530	3,521	–

Fixed costs

Fixed costs increased by US\$4 million from fiscal 2018. This increase was mainly due to a higher depreciation charge (US\$31 million) as a result of the increased capital spend offset by lower personnel cost (US\$29 million). The weaker ZAR and EUR resulted in a decrease in US Dollar costs (US\$77 million). Excluding the currency impact fixed costs increased by US\$81 million.

Details of the make-up of fixed costs are provided in the table below:

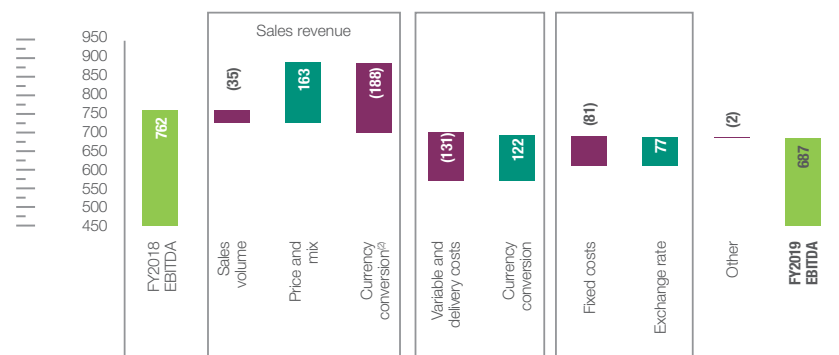
Fixed costs (US\$ million)	2019	2018	% change
Personnel	1,014	1,043	(3)
Maintenance	234	235	(0)
Depreciation	277	274	1
Other	246	215	14
Group	1,771	1,767	–

EBITDA and operating profit excluding special items

EBITDA excluding special items decreased to US\$687 million, 10% lower than the previous year. Operating profit excluding special items declined from US\$480 million last year to US\$402 million in 2019.

The EBITDA bridge reflected in the graph below shows the impact on profitability from higher sales volumes, higher sales prices and improved sales mix which were offset by increased variable and fixed cost.

Reconciliation of EBITDA excluding special items: 2019 compared to 2018⁽¹⁾ (US\$ million)



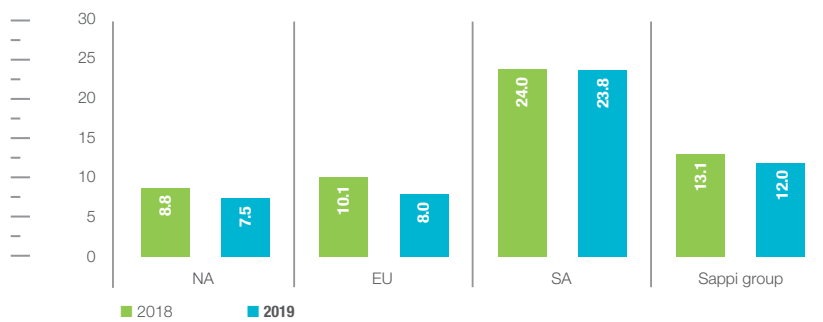
⁽¹⁾ All variance were calculated excluding Sappi Forestry.

⁽²⁾ "Currency conversion" reflects translation and transactional effect on consolidation.

The tables below detail the EBITDA and operating profit excluding special items of the business for both 2019 and 2018 and the margins of each.

EBITDA excluding special items by region (US\$ million)	2019	2018
North America	110	126
Europe	232	299
Southern Africa	339	337
Corporate and other	6	–
Group	687	762

EBITDA margin by region (%)

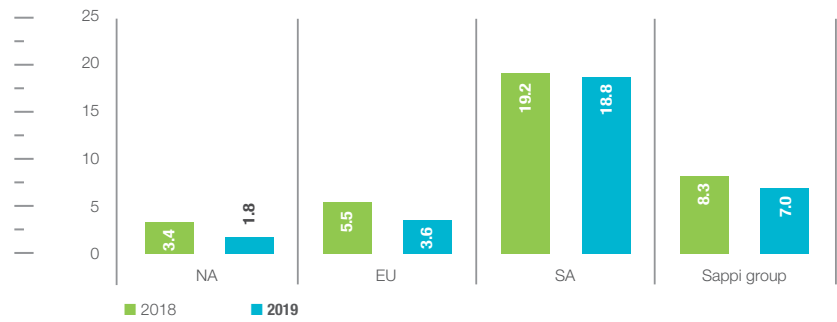


EBITDA excluding special items by product category (US\$ million)	2019	2018
Dissolving wood pulp	304	306
Specialities and packaging papers	126	138
Printing and writing papers	251	318
Other	6	–
Group	687	762

Operating profit excluding special items by region (US\$ million)	2019	2018
North America	27	49
Europe	104	163
Southern Africa	267	270
Corporate and other	4	(2)
Group	402	480

CHIEF FINANCIAL OFFICER'S REPORT continued

Operating profit margin by region (%)

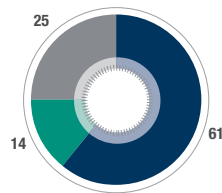


Operating profit excluding special items by product category (US\$ million)

	2019	2018
Dissolving wood pulp	245	251
Specialities and packaging papers	52	78
Printing and writing papers	101	153
Other	4	(2)
Group	402	480

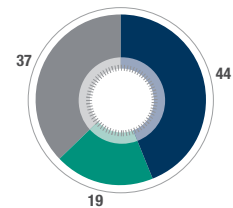
The charts below illustrate that 75% of the groups' EBITDA originates from growing markets in the dissolving wood pulp and packaging and speciality segments. The Graphics segment, which contributes 37% of the EBITDA remains an important strategic component of our business.

Operating profit excluding special items by product 2019: US\$402 million (%)



- Dissolving wood pulp
- Packaging and specialities
- Graphics

EBITDA excluding special items by product 2019: US\$687 million (%)



- Dissolving wood pulp
- Packaging and specialities
- Graphics

For information regarding the financial performance of the regions, please refer to Section 3 of this report.

Key operating targets

Our financial targets and performance against them are dealt with in the Letter to Shareholders section.

Special items

Special items consist of those items which management believe are material, by nature or amount, to the results for the year and require separate disclosure. A breakdown of special items for 2019 and 2018 is reflected in the table below:

Special items – gain (loss) (US\$ million)	2019	2018
Plantation price fair value adjustment	19	27
Acquisition costs	(2)	(2)
Net restructuring provisions	–	(1)
Profit (loss) on disposal and written off assets	(11)	4
Net asset (impairment) reversals	(10)	3
Black economic empowerment charge	–	(1)
Fire, flood, storm and other events	(15)	(21)
Total	(19)	9

The net impact of special items in 2019 was US\$19 million. The major components are described below:

- A positive non-cash US\$19 million plantation price fair value adjustment was recognised following increases to the market price of timber
- Various assets in Sappi Southern Africa and Europe amounting to US\$7 million and US\$4 million were scrapped
- A net asset impairment of US\$10 million was incurred of which US\$18 million related to our Westbrook Mill which was offset by impairment reversals of US\$8 million at our Tugela and Stanger Mills
- Fire, flood, storm and other events includes turbine damage at the Stockstadt Mill amounting to US\$10 million, fire damaged timber of US\$4 million in South Africa, integration costs of US\$2 million offset by a contingent consideration release of US\$7 million.

Net finance costs

(US\$ million)	2019	2018
Finance costs	98	92
Finance income	(9)	(18)
Net foreign exchange gains	(4)	(6)
Total	85	68

Finance costs include a charge of US\$13 million for the cost of refinancing the 2022 bonds. Finance income reduced in the current year as a result of lower South African cash balances due to the increased capital expenditure in the region.

+ CHIEF FINANCIAL OFFICER'S REPORT continued

Taxation

A regional breakdown of the tax charge is provided below:

(US\$ million)	Profit before tax	Tax (charge) relief	Effective tax rate %
Europe	30	(11)	(37)
North America	(17)	4	(24)
Southern Africa	285	(80)	(28)
Total	298	(87)	(29)

The tax charge of US\$11 million in Europe was predominantly incurred in Germany and Italy. Unutilised tax losses in Austria and Belgium increased the effective tax rate to 37%.

In North America and Southern Africa, the effective tax rate is in line with the statutory tax rates in those countries.

Net profit, earnings per share and dividends

After taking into account net finance costs and taxation, our net profit and earnings per share for 2019, with comparatives for 2018, were as follows:

(US\$ million)	2019	2018
Operating profit	383	489
Net finance costs	85	68
Profit before taxation	298	421
Taxation	87	98
Profit for the period	211	323
Weighted average number of shares in issue (millions)	542.0	538.1
Basic earnings per share (US cents)	39	60

The directors have elected not to declare a dividend and temporarily halt dividends until such time as market conditions improve.

Section 3

Below we discuss the performance of the regional businesses. The discussion is based on performance in local currencies as we believe this facilitates a better understanding of the revenue and costs in the European and Southern African operations.

North America

(Metric tons '000)	2019	2018	% change
Sales volume	1,379	1,379	1

	US\$ million 2019	US\$ million 2018	% change	US\$ per ton 2019	US\$ per ton 2018	% change
Sales	1,466	1,432	2	1,063	1,044	2
Variable manufacturing and delivery costs	(924)	(856)	8	(670)	(624)	7
Contribution	542	576	(6)	393	420	(6)
Fixed costs	(501)	(506)	(1)	(363)	(369)	(2)
Sundry costs and consolidation entries	(14)	(21)	(33)	(10)	(15)	(33)
Operating profit excluding special items	27	49	(45)	20	36	(44)
EBITDA excluding special items	110	126	(13)	80	92	(13)

The conversion of PM1 at Somerset Mill to produce paperboard grades and the increased dissolving wood pulp capacity at Cloquet offset the drop in graphic sales volumes. The weak graphic markets forced the region to take 155,000 tons of production downtime which had a negative impact on costs. Customer acceptance of the new paperboard products increased during the year, but the extended qualification runs had an adverse impact on costs during the first half of the year. As a result, EBITDA margin reduced to 8% from 9% in the previous year.

EBITDA of US\$110 million was 13% lower than the previous year.

Europe

(Metric tons '000)	2019	2018	% change
Sales volume	3,241	3,366	(4)

	€ million 2019	€ million 2018	% change	€ per ton 2019	€ per ton 2018	% change
Sales	2,587	2,494	4	798	741	8
Variable manufacturing and delivery costs	(1,707)	(1,632)	5	(527)	(485)	9
Contribution	880	862	2	271	256	6
Fixed costs	(762)	(712)	7	(235)	(212)	11
Sundry costs and consolidation entries	(25)	(13)	92	(7)	(3)	133
Operating profit excluding special items	93	137	(32)	29	41	(29)
EBITDA excluding special items	206	254	(19)	64	75	(15)

CHIEF FINANCIAL OFFICER'S REPORT continued

Market conditions for graphic paper in Europe were challenging as overall demand shrunk by more than 10%. The European operations were able to reduce the impact of the demand reduction by increasing market share, but was nevertheless forced to take 113,000 tons of production downtime during the year. The extended shut at Lanaken for the conversion of PM8 further impacted profitability. Selling prices were resilient in the face of the declining demand as the region managed the effects of increasing input costs. Strong volume growth of 14% in the packaging and speciality segment provided some relief.

Variable costs per ton increased by 9% relative to last year due mainly to an increase in purchased pulp prices. The purchased pulp prices reduced during the fourth fiscal quarter, which improved margins at the contribution level but was offset by increased fixed costs per ton due to lower absorption of fixed costs on lower sales volumes. EBITDA margins reduced from 10% to 8% as a consequence.

Southern Africa

(Metric tons '000)	2019	2018	% change
Sales volume*	1,639	1,620	1

	ZAR million 2019	ZAR million 2018	% change	ZAR per ton 2019	ZAR per ton 2018	% change
Sales*	19,253	17,333	11	11,747	10,699	10
Variable manufacturing and delivery cost	(11,764)	(10,415)	13	(7,178)	(6,429)	12
Contribution	7,489	6,918	8	4,569	4,270	7
Fixed costs	(5,896)	(5,403)	9	(3,597)	(3,335)	8
Sundry income and consolidation entries	2,239	2,009	11	(1,366)	1,240	10
Operating profit excluding special items	3,832	3,524	9	2,338	2,175	7
EBITDA excluding special items	4,864	4,398	11	2,968	2,715	9

* Excludes forestry.

The debottlenecking projects at Ngodwana and Saiccor increased dissolving wood pulp sales volumes during the current year by 5%. The South African packaging and paper business came under pressure as citrus fruit exports dropped and the weak South African economy impacted other paper sales volumes. Net selling prices of dissolving wood pulp reduced in US Dollar terms, but the weaker exchange rate resulted in price increases in local currency. Variable costs per ton increased by 12% mainly due to increased wood and purchased pulp costs. The variable costs were also impacted by a ZAR20 million charge for carbon tax which was introduced during the fourth fiscal quarter. Fixed costs were mainly influenced by wage inflationary increases at 7% and the employment of additional personnel in anticipation of the increased capacity at Saiccor planned for fiscal 2020. The net result of the above is an increase in EBITDA to ZAR4,864 million with annual operating profit of ZAR3,832 million.

The region's capital expenditure focused on increasing dissolving wood pulp capacity during the year.

Major sensitivities

Some of the more important factors which impact the group's EBITDA excluding special items, based on current anticipated revenue and cost levels, are summarised in the table below:

Sensitivities	Change	Europe € million	North America US\$ million	Southern Africa ZAR million	Translation impact* US\$ million	Group US\$ million
Net selling prices	1%	25	16	200	–	58
Dissolving wood pulp prices	US\$10	–	3	145	–	13
Variable costs	1%	14	8	113	–	32
Sales volume	1%	9	6	74	–	22
Fixed costs	1%	7	5	54	–	15
Paper pulp price	US\$10	5	4	7	–	11
Oil price	US\$1	2	–	3	–	2
ZAR/US\$ (weakening)	10 cents	–	–	68	(1)	3
Euro/US\$ (weakening)	10 cents	(2)	(4)	–	(23)	(29)

* Based on currency impact on translation of EBITDA.

The table demonstrates that EBITDA excluding special items is most sensitive to changes in the selling prices of our products.

The calculation of the impact of these sensitivities assumes all other factors remain constant and does not consider potential management interventions to mitigate negative impacts or enhance benefits.

CHIEF FINANCIAL OFFICER'S REPORT continued

Section 4

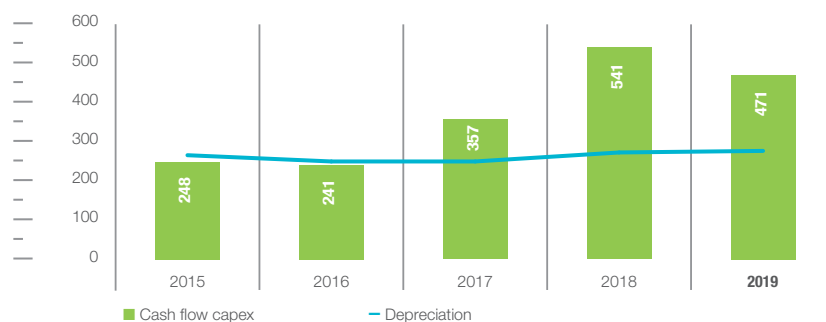
Cash flow

In the table below, we present the group's cash flow statement for 2019 and 2018 in a summarised format:

(US\$ million)	2019	2018
Operating profit excluding special items	402	480
Depreciation and amortisation	285	282
EBITDA excluding special items	687	762
Contributions to post-employment benefits	(41)	(45)
Other non-cash items	27	(8)
Cash generated from operations	673	709
Movement in working capital	(15)	(79)
Net finance costs	(42)	(66)
Taxation	(51)	(73)
Dividend paid	(92)	(81)
Capital expenditure	(471)	(541)
Net proceeds on disposal of assets	3	11
Acquisition of subsidiary	-	(132)
Other	(4)	(2)
Net cash generated (utilised)	1	(254)

Net cash generated for the financial year was US\$1 million (FY18: US\$254 million utilised which includes the acquisition of Cham Paper Group for US\$132 million). Lower profitability was offset by tight working capital control and lower capital expenditure of US\$471 million (LY = US\$541 million). The lower cash finance charge is due to the timing of the fiscal year-end date.

Investment in fixed assets versus depreciation (US\$ million)



Section 5

Balance sheet

Summarised balance sheet

(US\$ million)	2019	2018
Property, plant and equipment	3,061	3,010
Plantations	451	466
Net working capital	452	493
Other assets	291	323
Net post-employment liabilities	(298)	(261)
Other liabilities	(508)	(516)
Employment of capital	3,449	3,515
Equity	1,948	1,947
Net debt	1,501	1,568
Capital employed	3,449	3,515

Sappi has 18 production facilities in eight countries, capable of producing approximately 3.7 million tons of pulp and 5.7 million tons of paper. For more information on our mills, their production capacities and products, please refer to the Where we operate section.

During 2019, capital expenditure for property, plant and equipment was US\$471 million. The capacity replacement value of property, plant and equipment for insurance purposes has been assessed at approximately US\$20 billion.

Property, plant and equipment

The cost and depreciation related to our property are set out in the table below:

Book value of property, plant and equipment

(US\$ million)	2019	2018
Cost	9,033	9,077
Accumulated depreciation and impairment	5,972	6,067
Net book value	3,061	3,010

The group incurred capital expenditure of US\$471 million during the year on various capital improvement projects. This was largely offset by depreciation of US\$277 million and foreign currency exposure of US\$139 million due to the strengthening of the US Dollar against the ZAR and the EUR.

Plantations

We regard ownership of our plantations in South Africa as a key strategic resource as it gives us access to low-cost fibre for pulp production and ensures continuity of supply on an important raw material input source.

We currently have access to approximately 529,000 hectares of land of which approximately 394,000 hectares are planted with pine and eucalyptus. These plantations provide approximately 66% of the wood requirements for our South Africa mills.

During the year, there were market price increases coupled with higher average fair value rates. These increases were offset by the rising cost of fuel and an increase in the discount rate. As we manage our plantations on a sustainable basis, the growth for the year was offset by timber felled during the year.

+ CHIEF FINANCIAL OFFICER'S REPORT continued

Our plantations are valued on the balance sheet at fair value less the estimated costs of delivery, including harvesting and transport costs. In notes 2.3.4 and 11 to the financial statements, we provide more detail on our accounting policies for plantations, how we manage our plantations as well as the major assumptions used in the calculation of fair value.

Working capital

The component parts of our working capital at the 2019 and 2018 fiscal year-ends are shown in the table below:

Net working capital

(US\$ million)	2019	2018
Inventories	709	741
Trade and other receivables	718	767
Trade and other payables and provisions	(975)	(1,015)
Net working capital	452	493

Optimising working capital remains a key focus area for us and appropriate targets are incorporated into the management incentive schemes for all businesses. The working capital investment is seasonal and typically peaks during the third quarter of each financial year.

Net working capital decreased to US\$452 million in 2019 from US\$493 million in 2018. The material movements in working capital are discussed below:

- Inventories decreased by US\$32 million, caused mainly by a favourable currency translation impact of US\$31 million
- Receivables decreased by US\$49 million following lower net selling prices and decreased volumes in the fourth quarter, and a favourable currency translation impact of US\$27 million
- Payables decreased by US\$40 million. The decrease in payables is largely due to an unfavourable currency translation impact of US\$49 million, decreased raw material prices and decreases in bonus accruals. This was partially offset by higher accruals for capital expenditure.

Post-employment liabilities

We operate various defined benefit pension/lump sum plans, post-employment healthcare subsidies and other employee benefits in the various countries in which we operate. A summary of defined benefit assets and liabilities (pension and post-employment healthcare subsidies) is as follows:

Defined benefit liabilities

(US\$ million)	2019	2018
Defined benefit obligation	(1,525)	(1,431)
Fair value of plan assets	1,227	1,170
Net balance sheet liability	(298)	(261)
Cash contributions to defined benefit plans/subsidies	36	40
Income statement charge (credit) to profit or loss*	26	18
Cash contributions deemed 'catch-up'**	17	19

* There was a significant non-routine past service credit during fiscal 18, which causes the total charge to appear much lower compared to the amount charged in fiscal 19.

** 'Catch-up' is cash contributions paid to defined benefit plans in excess of current service cost.

Gross liabilities from all our plans (funded plans and unfunded) increased by US\$94 million compared with last year. The main cause of the overall increase was a significant drop in discount rates due to falling yields in respective bond markets.

Fair value of plan assets rose by US\$57 million over the year due to favourable investment returns of assets in our funded plans from outperforming bonds markets. Significant portions of our assets are held in bonds as part of liability matching strategic allocation.

Included in the liability and asset movements above is a US\$12 million gain resulting from movements relative to the reporting currency.

The increase in liabilities exceeded the increase in assets, which contributed to an increase in the overall net liability by US\$37 million as at September 2019. A reconciliation of the movement in the balance sheet over the year is shown graphically below and disclosed in more detail in note 28 of the annual financial statements.

Sappi Limited defined benefit pensions balance sheet movement (US\$ million)



Sappi Limited post-retirement medical aid subsidy balance sheet movement (US\$ million)



CHIEF FINANCIAL OFFICER'S REPORT continued

Equity

Year-on-year, equity increased by US\$1 million to US\$1,948 million as summarised below:

Equity reconciliation

(US\$ million)	2019
Equity as at September 2018	1,947
Profit for the year	211
Dividend paid	(92)
Actuarial losses	(49)
Share based movements	9
Movement in hedging reserves	(11)
Foreign currency movements	(67)
Equity as at September 2019	1,948

Profit for the year of US\$211 million was offset by dividends of US\$92 million, actuarial losses of US\$49 million and foreign currency movements of US\$67 million.

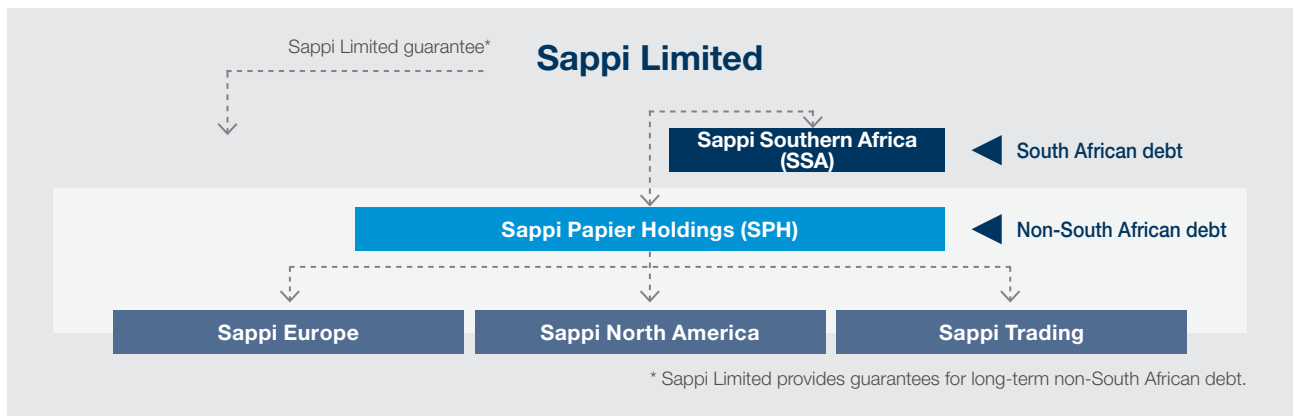
Debt

Debt is a major source of funding for the group. In the management of debt, we focus on net debt, which is the sum of current and non-current interest-bearing borrowings and bank overdrafts, net of cash and cash equivalents.

Debt funding structure

The Sappi group principally takes up debt in two legal entities. Sappi Southern Africa Limited issues debt in the local South African market for its own funding requirements and Sappi Papier Holding GmbH (SPH), which is the international holding company, issues debt in the international money and capital markets to fund our non-South African businesses. SPH's long-term debt is supported by a Sappi Limited guarantee and the financial covenants on certain of its debt are based on the ratios of the consolidated Sappi Limited group. The covenants applicable to the debt of these two entities and their respective credit ratings are discussed below.

The diagram below depicts our debt funding structure:



Below we highlight the main financing activities that occurred during the year:

- The previous €330 million securitisation facility at Sappi Papier Holding was increased to €380 million and extended to 2022. The increase was required to cater for the additional receivables arising from the Cham Paper Group acquisition in 2018
- The €450 million 2022 public bond was repaid at the April 2019 call window. The repayment was refinanced with a new €450 million public bond maturing in 2026
- The 110,000 tons expansion project at Saiccor was partially financed with a new long-term facility. An unlisted ZAR1.5 billion five-year private placement under the Domestic Medium-Term Note programme was issued in May 2019
- Shortly after the financial year-end the US\$175 million Matane acquisition was finalised. The purchase price was financed with a new eight-year term loan from the Oesterreichische Kontrollbank in Austria. The term loan has a €74 million tranche and a CAD129 million tranche, with both tranches amortising in equal instalments from December 2021 to December 2027.

Structure of net debt and liquidity

We consider the liquidity position to be sufficient, with cash holdings exceeding short-term obligations by US\$212 million at fiscal year-end. In addition, Sappi has US\$640 million of unutilised committed credit facilities, including the revolving credit facility at SPH of €525 million (US\$574 million).

The structure of our net debt at September 2019 and 2018 is summarised below:

(US\$ million)	2019	2018
Long-term debt	1,713	1,818
Senior unsecured debt	1,465	1,471
Securitisation funding	366	376
Less: Short-term portion	(118)	(29)
Net short-term debt/(cash)	(212)	(250)
Overdrafts and short-term loans	63	84
Short-term portion of long-term debt	118	29
Less: Cash	(393)	(363)
Net debt	1,501	1,568

Movement in net debt

The movement of our net debt from fiscal 2018 to fiscal 2019 is explained in the table below:

(US\$ million)	2019
Net debt as at September 2018	1,568
Net cash generated	(1)
Currency and other movements	(66)
Net debt as at September 2019	1,501

CHIEF FINANCIAL OFFICER'S REPORT continued

Group debt profile

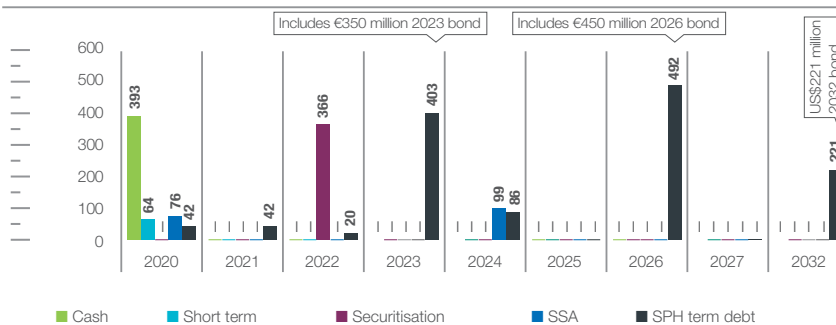
We show the major components and maturities of our net debt at September 2019 below. These are split between our debt in South Africa and our debt outside South Africa.

	Amount US\$ million	Interest rates (local currencies) %	Fixed/ variable	Maturity (Sappi fiscal years)				
				2020	2021	2022	2023	Thereafter
South Africa								
Bank debt	26	9.72	Variable	26				
DMTN Private Placement	99	9.25	Fixed					99
2020 Bond	49	8.06	Fixed	49				
Gross debt	175							
Less: Cash	(124)			(124)				
Net South Africa debt	51			(48)	-	-	-	99
Non-South African								
Securitisation (US\$)	130	3.44	Variable			130		
Securitisation (EUR)	236	1.38	Variable			236		
OeKB term loan 1	45	1.25	Fixed	22	22			
OeKB term loan 2	164	2.20	Fixed	20	20	20	20	85
Other bank debt (EUR)	65	0.33	Variable	64	0.2	0.1	0.3	1
2023 public bonds (EUR)	383	4.00	Fixed				383	
2026 public bonds (EUR)	492	3.13	Fixed					492
2032 Bonds (US\$)	221	7.5	Fixed					221
IFRS adjustments	(16)							(16)
Gross debt	1,720							
Less: Cash	(270)			(270)				
Net non-South African debt	1,450			(164)	42	386	403	783
Net group debt	1,501			(212)	42	386	403	882

The majority of our non-South African long-term debt is guaranteed by Sappi Limited, the group holding company.

A diagram of the debt maturity profile for Sappi fiscal years is shown below:

Debt maturity profile for Sappi fiscal years (US\$ million)



Covenants

Non-South African covenants

Financial covenants apply to US\$209 million of our non-South African bank debt, the €525 million revolving credit facility and the securitisation facility.

The covenants are described below and are calculated on a rolling last four quarter basis and require to be met at the end of each quarter:

- the ratio of group net debt to EBITDA:

September 2019	December 2019	March 2020 to June 2021	September 2021 to September 2022	December 2022	March 2023
3.75	4.25	4.50	4.25	4.00	3.75

- the ratio of group EBITDA to net interest expense should not be less than 2.50-to-1.

The table below shows that at September 2019 we were well in compliance with these covenants:

Non-South Africa covenants	2019	Covenant
Net debt to EBITDA	2.20	<3.75
EBITDA to net interest	9.49	>2.50

In addition to the financial covenants referred to above, our bonds and certain of our bank facilities contain customary affirmative and negative covenants restricting, among other things, the granting of security, incurrence of debt, the provision of loans and guarantees, mergers and disposals and certain restricted payments. As regards dividend payments, in terms of the international bond indentures, any cash dividends paid may not exceed 50% of net profit excluding special items after tax and certain other adjustments, calculated on a cumulative basis.

South African covenants

Separate covenants also apply to the revolving credit facility of our Southern African business.

These covenants are calculated on a rolling last four quarter basis and require that at the end of March and September, with regard to Sappi Southern Africa Limited and its subsidiaries:

- The ratio of net debt to equity at the end of March and September is not greater than 65%
- At the financial year-end, the ratio of EBITDA to net interest paid for the year is not less than 2-to-1.

Below we show that for the year ended September 2019 the South African financial covenants were comfortably met.

South African covenants	2019	Covenant
Net debt to equity (%)	3.41	<65
EBITDA to net interest	42.9	>2.00

CHIEF FINANCIAL OFFICER'S REPORT continued

Credit ratings

Global credit ratings: South African national rating
Sappi Southern Africa Limited: AA (za)/A1+(za)/stable outlook (November 2019)

Moody's

Sappi corporate family rating: Ba1/NP/stable outlook (January 2019)

SPH debt rating:

- 2023/2026 bonds and RCF: Ba1/stable outlook (January 2019)
- 2032 bonds: Ba3

S&P Global Ratings

Corporate credit rating: BB/B/stable outlook (March 2019)

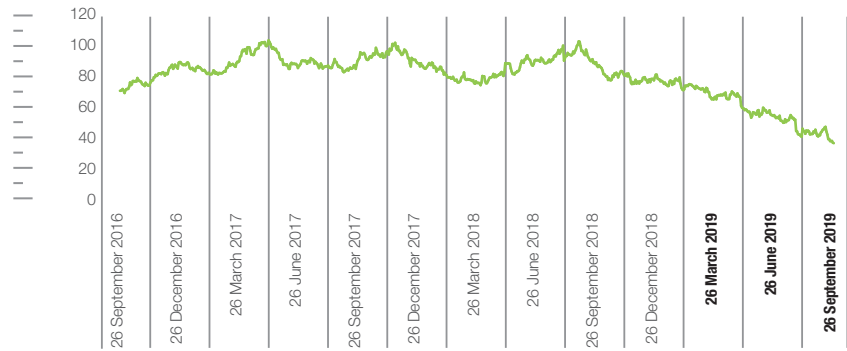
SPH Debt Rating:

- 2023/2026/2032 bonds and RCF: BB stable outlook (March 2019)

Section 6

Share price performance

Sappi share price – September 2016 to September 2019 (ZAR/share)



Conclusion

The year under review was challenging in many respects but served to reinforce our commitment to our strategic initiatives. The foundation laid during fiscal 2018 in terms of conversions and capacity increases reduced the severity of the economic headwinds we experienced during the second half of fiscal 2019. We were able to adjust our short-term plans without compromising the long-term initiatives by focusing on cash generation and balance sheet management. One of the regrettable consequences of the balance sheet management has been the decision to suspend dividends.

The conversion projects in Europe and North America showed promise as packaging and speciality volumes increased by 12% year-on-year, denting the impact of the demand decline in the graphics sector. Similarly, the dissolving wood pulp volumes increased by 7% following the completion of the capacity increases at Cloquet and Ngodwana. The Saiccor capacity expansion project is scheduled to be completed towards the end of fiscal 2020. Our input costs were well controlled and cost improvement projects of US\$88 million were recorded for the year.

Fiscal 2020 promises to be a challenging year, but we are well positioned to rise to the challenge.

GT Pearce

Chief Financial Officer





+ CARE

The speed of now. That is the reality of 5G technology which takes advantage of higher-frequency bands in the radio spectrum that have a lot of capacity but shorter wavelengths. 5G technology offers an extremely low latency rate, or the delay between sending and receiving information. From 200 milliseconds for 4G, we go down to 1 millisecond (1ms) with 5G.

That is extraordinary when you consider that a millisecond is 1/1,000 of a second and that the average reaction time for humans to a visual stimulus is 250ms or one-quarter of a second.

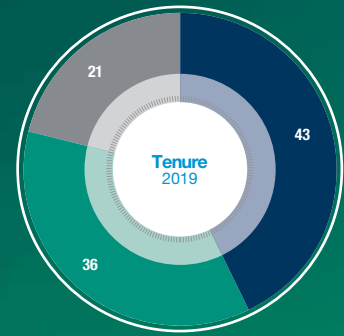
The power of 5G will reshape the way we think and operate, enabling connected cars, smart cities and factories and enhanced healthcare, among other things.

The possibilities are vast: the only limits are the edges of our collective imagination.

But for us at Sappi, the real value lies in greater levels of inclusivity, the more seamless linking of people and the implications this has for the way we reach out to, talk to and care about each other. It will enable individualised communication and create one-to-one relationships with all our stakeholders.

That is profoundly important in a world of ever-accelerating changes, where just being able to stand still, take time out and instantly share a rapport with someone can transform lives.

+ OUR LEADERSHIP



- Sappi board committee memberships:**
- + Audit and Risk Committee
 - + Human Resources and Compensation Committee
 - + Nomination and Governance Committee
 - + Social, Ethics, Transformation and Sustainability Committee
- * Committee Chairman

■ Zero to three years
 ■ Three to 10 years
 ■ Over 10 years

Non-executive directors



Sir Nigel Rudd (72)
Independent Chairman

Qualifications: DL, Chartered Accountant
Nationality: British
Appointed: April 2006

Skills, expertise and experience
 Sir Nigel Rudd has held various senior management and board positions in a career spanning more than 35 years. He founded Williams plc in 1982, one of the largest industrial holding companies in the United Kingdom (UK). Sir Nigel Rudd brings his expertise in finance, management, governance and leadership to the Sappi board.



Michael Anthony Fallon (Mike) (61)
Independent

Qualifications: BSc (Hons) (first class)
Nationality: British
Appointed: September 2011

Skills, expertise and experience
 Mr Fallon brings management and leadership experience that extends across a wide range of functions from research and development, human resources, finance, plant management, sales and marketing and supply chain to general management, including mergers and acquisitions.



Nkateko Peter Mageza (Peter) (64)
Independent

Qualifications: FCCA (UK)
Nationality: South African
Appointed: January 2010

Skills, expertise and experience
 Mr Mageza brings his knowledge and experience having held senior executive positions across a wide range of industries.



John David McKenzie (Jock) (72)
Lead independent director

Qualifications: BSc (Chemical Engineering) (cum laude), MA, PMD
Nationality: South African
Appointed: September 2007

Skills, expertise and experience
 Mr McKenzie joined the Sappi board after having held senior executive positions globally and in South Africa, in the public and private sectors. His experience includes strategy, leadership and governance, among others.



Dr Bonakele Mehlomakulu (Boni) (46)
Independent

Qualifications: PhD (Chemical Engineering)
Nationality: South African
Appointed: March 2017

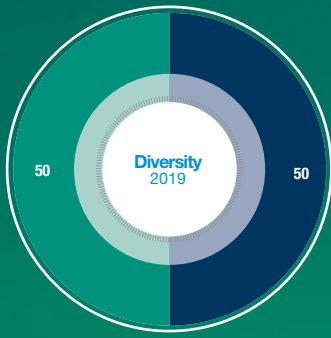
Skills, expertise and experience
 With a PhD in chemical engineering, Dr Mehlomakulu has experience and expertise in engineering, management and leadership.



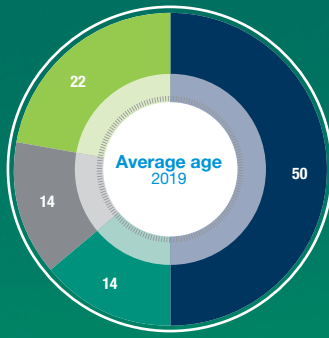
Mohammed Valli Moosa (Valli) (62)
Independent

Qualifications: BSc (Mathematics and Physics)
Nationality: South African
Appointed: August 2010

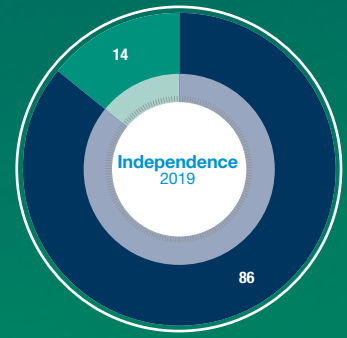
Skills, expertise and experience
 Mr Moosa has held numerous leadership positions across business, government, politics and civil society in South Africa and internationally. Mr Moosa has expertise in finance, general business and mining and is an international expert on sustainable development and climate change.



■ Diverse
■ Other



■ 60s ■ 40s
■ 70s ■ 50s



■ Independent non-executives
■ Executives



Karen Rohn Osar (70)
Independent

Qualifications: MBA (Finance)
Nationality: American
Appointed: May 2007

Skills, expertise and experience
Mrs Osar has extensive experience across multiple industries and brings her expertise in leadership, corporate activities and financing to the Sappi board.



Robertus Johannes Antonius Maria Renders (Rob Jan) (66)
Independent

Qualifications: MSc (Mechanical Engineering), MDP
Nationality: Dutch
Appointed: October 2015

Skills, expertise and experience
Mr Renders currently serves as a business consultant and brings to the board his extensive experience in governance and leadership as well as operational expertise in manufacturing and packaging internationally.



Brian Richard Beamish (Brian) (62)
Independent

Qualifications: BSc (Mechanical Engineering), HBS PMD
Nationality: British/South African
Appointed: March 2019

Skills, expertise and experience
Mr Beamish, a qualified mechanical engineer, brings more than 40 years' experience in management, business and leadership in capital intensive industries to the board.



Zola Nwabisa Malinga (41)
Independent

Qualifications: BCom, CA(SA)
Nationality: South African
Appointed: October 2018

Skills, expertise and experience
Mrs Malinga has over 10 years' experience in investment banking and corporate finance, having held senior roles at various financial institutions. She is also the founder and Executive Director of Jade Capital Partners, a women-owned investment holding company.



James Michael Lopez (Jim) (59)
Independent

Qualifications: BA (Economics)
Nationality: American
Appointed: March 2019

Skills, expertise and experience
Mr Lopez brings his experience as the former President and CEO of Tembec Inc (2006 – 2017) a manufacturer of lumber, pulp, paper/paperboard and speciality cellulose and a global leader in sustainable forest management practices.



Janice Elaine Stipp (Janice) (60)
Independent

Qualifications: BA (Accounting), MBA
Nationality: American
Appointed: June 2019

Skills, expertise and experience
Ms Stipp brings with her a wealth of experience in leadership, finance and treasury to the Sappi board.

+ OUR LEADERSHIP continued

Executive directors



Stephen Robert Binnie
(Steve) (52)
Chief Executive Officer

Qualifications: BCom, BAcc, CA(SA), MBA

Nationality: British

Appointed: September 2012

Skills, expertise and experience

Mr Binnie was appointed Chief Executive Officer of Sappi Limited in July 2014 and brings extensive experience in financial management, leadership, corporate activity and strategy to the role.



Glen Thomas Pearce (56)
Chief Financial Officer

Qualifications: BCom, BCom (Hons), CA(SA)

Nationality: South African

Appointed: July 2014

Skills, expertise and experience

Mr Pearce joined Sappi Limited in June 1997 and was promoted to Chief Financial Officer and executive director of Sappi Limited in July 2014. Mr Pearce has extensive financial management experience, both locally and abroad.

Executive management



Berend John Wiersum
(Berry) (63)
Chief Executive Officer of Sappi Europe

Qualifications: MA (Medieval and Modern History)
Appointed: January 2007

Skills, expertise and experience
Mr Wiersum brings vast experience in the paper and packaging industry across Europe, as well as mergers and acquisitions, to the Sappi board.



Mark Gardner (64)
President and Chief Executive Officer of Sappi North America

Qualifications: BSc (Industrial Technology)
Appointed: September 1981

Skills, expertise and experience
Mr Gardner, who has qualifications in statistical process control, management effectiveness design, change management and business optimisation, offers his experience in manufacturing, production and supply chain management to the Sappi board.



Michael George Haws
(Mike) (56)
President and Chief Executive Officer of Sappi North America

Qualifications: BSc (Paper Science and Engineering)
Appointed: October 2019

Skills, expertise and experience
Mr Haws brings his extensive industry leadership and strategy experience to the business. Mr Haws was integral to the development and execution of Sappi's 2020Vision and the investments made in North America to grow the dissolving wood pulp and packaging and speciality papers businesses.



Alexander van Coller Thiel
(Alex) (58)
Chief Executive Officer of Sappi Southern Africa

Qualifications: BSc (Mechanical Engineering), MBA (Financial Management and Information Technology)
Appointed: December 1989

Skills, expertise and experience
Mr Thiel has a long history with Sappi. His experience and expertise includes marketing, logistics, procurement, strategy and operations across Europe and Southern Africa.



Gary Roy Bowles (59)
Group Head Technology

Qualifications: BSc (Electrical Engineering), GCC, PR Eng, PMD, EDP
Appointed: November 1990

Skills, expertise and experience
Mr Bowles brings more than 28 years of experience with Sappi as well as expertise in engineering, research, manufacturing, project execution, operational and risk management to his role.



Mohamed Mansoor (52)
Executive Vice President of Sappi Dissolving Wood Pulp

Qualifications: BSc (Chemistry and Mathematics), BSc (Hons) (Chemistry), MBA
Appointed: August 1991

Skills, expertise and experience
Mr Mansoor's expertise includes contract negotiation and management, supply chain management, strategic planning, sales management, key account management, dissolving wood pulp, international logistics and technical application support.



Fergus Conan Salvador Marupen (Fergus) (54)
Group Head Human Resources

Qualifications: BA (Hons) (Psychology), BEd (Education Management), MBA, LCOR (Stanford University)
Appointed: March 2015

Skills, expertise and experience
Mr Marupen's experience across a variety of industries in South Africa enables him to offer insight into human resources, governance and management, among many other fields



Maarten van Hoven (46)
Group Head Strategy and Legal

Qualifications: BProc, LLM (International Business Law)
Appointed: December 2011

Skills, expertise and experience
As an admitted attorney of the High Court in South Africa, Mr van Hoven brings expertise in corporate, commercial and competition law, in the private and public sectors, as well as experience in mergers and acquisitions.

+ CORPORATE GOVERNANCE

Sappi is committed to the highest standards of corporate governance, which form the foundation for the long-term sustainability of our company and creation of value for our stakeholders.

98% overall committee attendance rate

Good governance at Sappi contributes to living our values through enhanced accountability, a transparent and ethical culture, strong risk management, a focus on effective control of the business, legitimacy and good performance. Governance is one of our key enablers to unlocking and protecting value, as we optimise the use of our capitals, address our key risks while taking advantage of exciting opportunities and minimising the negative impacts of trade-offs that have to be made, as set out in Our key material issues

See Key material issues on page 58

The group endorses the recommendations contained in the King Code of Governance Principles for South Africa 2016 (King IV) and applies the various principles to achieve the following good governance outcomes

An application register of how Sappi applies King IV principles is provided on the group's website (www.sappi.com)

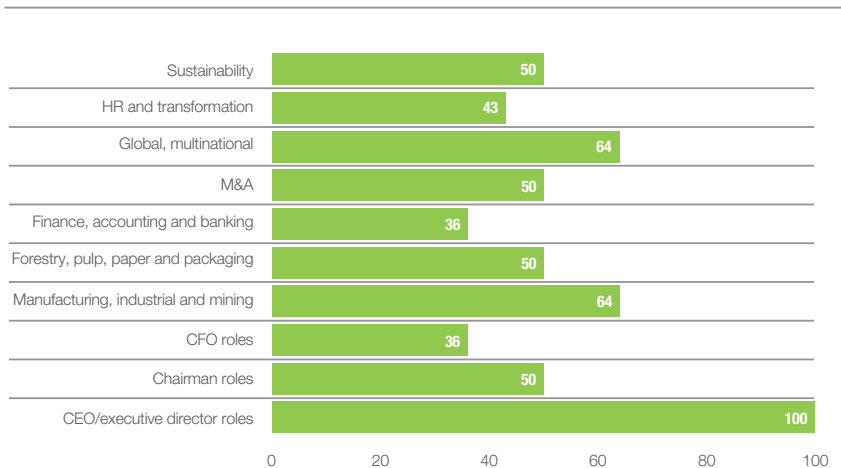
The group is listed on the JSE Limited and complies in all material respects with the JSE Listings Requirements, regulations and codes

The board of directors

The basis for good governance at Sappi is laid out in the board charter, which sets out the division of responsibilities between the board and executive management. The board creates and protects sustainable value by collectively determining strategies, approving major policies and plans, taking responsibility for risk management, and providing oversight as well as monitoring, to help to ensure accountability. The board is satisfied that it has fulfilled its responsibilities in accordance with its charter for the reporting period.

For further information about the board and the board charter please refer to www.sappi.com.

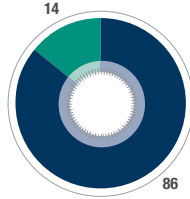
Board experience (Sappi's board members have experience across multiple industries and leadership roles) (%)



The Sappi board and diversity

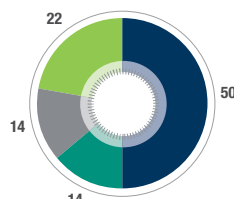
Sappi operates globally and across a variety of markets, jurisdictions and cultures, requiring a diverse mix of experience, skills, gender, age and backgrounds. It is important that our board composition reflects this diversity, both in a South African context as well as globally.

Directors' independence (%)



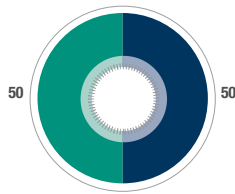
■ Independent non-executives
■ Executives

Directors' age: average 60 years (%)



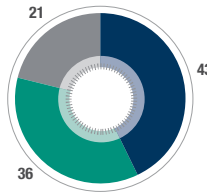
■ 60s
■ 70s
■ 40s
■ 50s

Diversity (%)



■ Diverse (50% are female or ethnically diverse)
■ Other

Directors' tenure: average 6.25 years (as at financial year-end) (%)



■ Zero to three years
■ Three to 10 years
■ Over 10 years

The composition of the board and attendance at board meetings and board committee meetings is set out below for the year ended September 2019:

Name	Appointed (Retiring) from Board	BOARD				BOARD COMMITTEES			% attendance during tenure	AGM
		Audit and Risk	Nomination and Governance	Human Resources and Compensation	SETS	Audit and Risk	Nomination and Governance	Human Resources and Compensation		
Independent non-executives										
BR Beamish	01 March 2019									
MA Fallon									100	
JM Lopez	01 March 2019								100	
NP Mageza									100	
ZN Malinga									90	
JD McKenzie	(31 December 2019)								100	
B Mehlomakulu									100	
MV Moosa									100	
KR Osar	(31 December 2019)								90	
RJAM Renders									100	
Sir Nigel Rudd									100	
JE Stipp	01 June 2019								100	
Executives										
SR Binnie (CEO)									100	
GT Pearce (CFO)									100	

L Lead director
 ● Committee member (present)
 ★ Chairman
 ⌚ Ex officio
 ⊘ Absent
 i By invitation
 A Indicates appointed to committee 01 August 2019

+ CORPORATE GOVERNANCE continued

Strategic focus areas

In addition to standard items on the board's agenda, 2019 focus areas included:

- External overviews of global and regional economies and related developments
- Each serious safety incident was reviewed in detail
- Biotech and related research and development
- A renewed focus on new products, the exciter (R&D) programme and go-to-market strategies
- The acquisition of Matane pulp mill in Canada
- Carbon emissions and reduction of Sappi's carbon footprint
- Human resource capacity building and transformation for the Southern Africa region
- Review of all major shuts and the project management process
- Review of regional market peculiarities
- Review of results from the engagement survey
- A review of the Code of Ethics and related policies, such as anti-trust and anti-fraud and corruption policies
- A review of cyber-security risks
- The Sefate employee share scheme
- Land reform in South Africa and fibre supply in Europe
- Cost reduction targets and strategies
- Review of supply and demand, of dissolving wood pulp and impact on the group
- Review of the packaging and speciality papers business
- Planning for the 2025 strategic plan.

All top risks and emerging risks received attention from the board in 2019.

The following specific areas will be added to the board's agenda in 2020:

- A revised approach for reviewing the risks facing the group
- Project management and oversight for large capital projects
- A review of gender diversification across regions and the group

- Commercialisation of biotech
- Consideration of additional cost improvement areas
- Review of risks and opportunities related to climate change in line with the Task Force on Climate-related Finance Disclosure (TCFD) recommendations
- Consideration and approval of the 2025 strategic plan.

Induction and training of directors

Following appointment to the board, directors receive induction and all directors receive training tailored to their individual needs, when required.

Stakeholder communication

The board is responsible for presenting a balanced and understandable assessment of the group's position in reporting to stakeholders. The group's reporting addresses material matters of significant interest and is based on principles of openness and substance over form. The reporting includes information on key trade-offs that have to be made. Various policies have been developed to guide engagement with Sappi's stakeholders such as the Group Stakeholder Engagement Policy and Group Corporate Citizenship Policy on www.sappi.com/policies. Sappi has a policy addressing alternate dispute resolution (ADR) and relevant ADR clauses are generally included in contracts with customers and suppliers. There have been no requests for information for the period under review in terms of the Promotion of Access to Information Act (South African legislation).

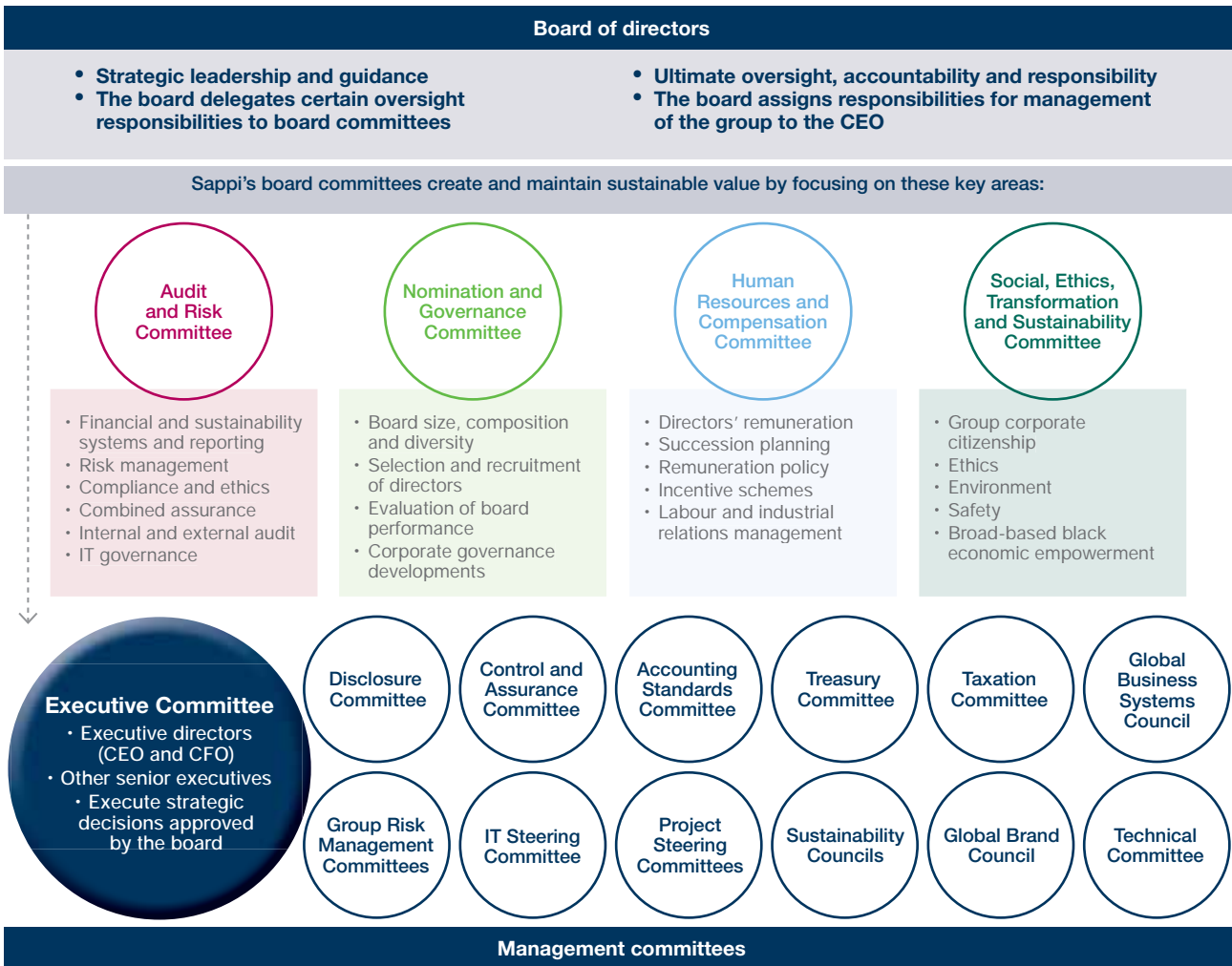
See Our key relationships on page 42 for more information.

Sappi board and management committees

Board and management committees have been established and are discussed from pages 111 to 117

Board committees

The board has established committees to assist it to discharge its duties. The committees operate under written terms of reference set by the board.



CORPORATE GOVERNANCE continued

Board committees

The board has established committees to assist it to discharge its duties. The committees operate within written terms of reference set by the board.



NP Mageza
Chairman

Membership details at September 2019:

- NP Mageza
- MA Fallon
- KR Osar
- RJAM Renders
- ZN Malinga
- JE Stipp

96%
committee
attendance rate

The Audit and Risk Committee confirms that it has received and considered sufficient and relevant information to fulfil its duties, as set out in the Audit and Risk Committee Report.

The external and internal auditors attended Audit and Risk Committee meetings and had unrestricted access to the committee and Chairman. The external and internal auditors met privately with the Audit and Risk Committee during 2019.

Mr NP Mageza is the Chairman and designated financial expert of the Audit and Risk Committee and attended the Annual General Meeting held on 6 February 2019. Ms ZN Malinga, joined the board and the Audit and Risk Committee with effect from 1 October 2018. Ms JE Stipp, joined the board with effect from 1 June 2019 and was appointed to the Audit and Risk Committee with effect from 1 August 2019.



See 2019 Audit and Risk Committee Report on www.sappi.com/annual-reports for more information.

Audit and Risk Committee

Roles and responsibilities

The Audit and Risk committee consists of six independent non-executive directors. The committee assists the board in discharging its duties relating to the following:

- Safeguarding and efficient use of assets
- Oversight of the risk management function
- Oversight of information and technology risks, related controls and governance
- Oversight of non-financial risks and controls, through a combined assurance model
- Operation of adequate systems and control processes
- Reviewing the integrity of financial information and the preparing of accurate financial reports in compliance with applicable regulations and accounting standards
- Reviewing the quality and transparency of sustainability information included in the Annual Integrated Report
- Reviewing compliance with the group's Code of Ethics and external regulatory requirements
- Oversight of the external auditors' qualifications, experience, independence and performance. For FY19, this included close monitoring of the audit activities of the external audit firm KPMG, as well as the ongoing review of reputational concerns relating to media reports involving KPMG South Africa
- Oversight of the performance of the internal audit function
- Oversight of the performance of the finance function
- Oversight of taxation policies, congruent with responsible corporate citizenship
- A formal review of the committee's operating effectiveness and performance every two years by way of an assessment with feedback being provided to the board.

Strategic focus areas

The Audit and Risk Committee helped to create and protect value by providing oversight and guidance for a wide range of topics, including the following areas related to Sappi's strategy:

- Global business systems projects tasked with harmonising diverse systems and processes, to achieve streamlined, effective ways of working across the group and the associated cost advantages
- Investment projects designed to rationalise declining businesses
- Management's efforts to maintain a healthy balance sheet
- Projects to accelerate the group's ability to take advantage of opportunities in higher-margin growth segments, such as dissolving wood pulp, packaging and speciality papers, the biotech and renewable energy fields
- Review of cyber-security incidents impacting on specific outsourced service suppliers
- Oversight of the establishment of a Control and Assurance Committee, which uses combined assurance to focus on risks facing the group
- Suggestions and oversight for the development of a revised approach to reviewing the group's risks
- Regulatory compliance with global privacy legislation.

Areas of additional oversight for the committee in 2020 will be:

- refinement of the risk framework and approach to reviewing risks
- oversight of the risk topics to be reviewed by the Control and Assurance Committee (CAC)
- oversight of the progress of the expanded project management approach.

Stakeholders

The Audit and Risk Committee has helped to create and protect value for many stakeholders, specifically employees, customers, shareholders and regulators.



See Our key relationships on page 42 for further details.



Risks

The Audit and Risk Committee has provided oversight for all the risks in the group risk register and this includes addressing the following top 10 risks:

- | | |
|--|---|
| 1 Safety | 6 Project implementation and execution |
| 2 Cyclical macro-economic context | 7 Uncertain and evolving regulatory landscape |
| 3 Evolving technologies and consumer preferences | 8 Market share and customer concentration |
| 4 Highly competitive industry | 9 Employee relations |
| 5 Natural resource constraints | 10 Failure to attract and retain key skills |



See Risk management on page 34 for more information.



Sir Nigel Rudd
Chairman

**Membership details at
September 2019:**

- Sir Nigel Rudd
- JD McKenzie
- MV Moosa

100%
committee
attendance rate

Nomination and Governance Committee

Roles and responsibilities

The Nomination and Governance Committee consists of three independent directors. The committee considers the leadership and governance requirements of the company including a succession plan for the board. The committee identifies and nominates suitable candidates for appointment to the board in line with Sappi's policy on the promotion of gender and race diversity at board level, for board and shareholders' approval. It considers the independence of candidates as well as directors. The committee makes recommendations on corporate governance practices and disclosures, and reviews compliance with corporate governance requirements. It has oversight of appraising the performance of the board and all board committees. The results of this process and recommended improvements are communicated to the chairman of each committee and the board. The functioning and performance of Sappi's board and board committees were assessed externally in 2019 and established that the board and board committees functioned well.

Strategic focus areas

The Nomination and Governance committee helped to protect value by providing oversight and guidance in 2019 on:

- Corporate governance
- Tone at the top
- Succession plans for senior executives and the board with a focus on board composition
- Assessment of the board and board committee performance
- Rotation and replacement of directors

A focus area for 2020 will be executive and board succession planning.

Stakeholders

The Nomination and Governance Committee has helped to protect value primarily for the shareholders and regulators.



See Our key relationships on page 42 for more information.

The Nomination and Governance Committee focused on some of the top 10 risks:

- 1 Safety
- 6 Project implementation and execution
- 7 Uncertain and evolving regulatory landscape
- 10 Failure to attract and retain key skills



See Risk management on page 34 for more information.

CORPORATE GOVERNANCE continued



MA Fallon
Chairman

Membership details at September 2019:

- MA Fallon
- NP Mageza
- JD McKenzie
- RJAM Renders
- BR Beamish

100%
committee
attendance rate

Mr BR Beamish was appointed to the committee from 01 August 2019.

Human Resources and Compensation Committee

Roles and responsibilities

The Human Resources and Compensation Committee consists of five independent directors. The responsibilities of the Human Resources and Compensation Committee are, among others, to provide oversight of the group's human capital, determine the group's human resource policy and strategy, assist with the hiring, and setting of terms and conditions of employment of executives, the approval of retirement policies, and succession planning for the CEO and management. The committee ensures that the compensation philosophy and practices of the group are aligned to its strategy and performance goals. It reviews and agrees the various compensation programmes and, in particular, the compensation of executive directors and senior executives as well as employee benefits. It also reviews and agrees to executive proposals on the compensation of non-executive directors for approval by the board and ultimately by shareholders.

Strategic focus areas

The key focus area in 2019 was to review Sappi's compensation policy and practices to ensure alignment and compliance to the requirements of King IV. The Sappi Limited AGM was held on 06 February 2019 and the requisite ordinary resolutions endorsing the remuneration policy (96% majority) and implementation reports (93% majority) were passed. This vote by our shareholders is an endorsement for our ongoing commitment to good governance and disclosure.

The strategic focus areas for the committee in 2020 will include:

- To maintain high standards of corporate governance in line with King IV
- Action points from the employment engagement survey
- Leadership development
- Global HR systems implementation
- To review succession and retirement plans for key positions in Sappi
- To engage with key stakeholders to discuss areas of mutual concern.



See Remuneration Report on page 123 for more information.

Stakeholders

The Human Resources and Compensation Committee has helped to protect value primarily for the employees, shareholders and regulators.



See Our key relationships on page 42 and Remuneration Report on page 123 for more information.

Risks

The Human Resources and Compensation Committee has focused on the following top 10 risks:

- 1 Safety
- 2 Cyclical macro-economic context
- 6 Project implementation and execution
- 7 Uncertain and evolving regulatory landscape
- 9 Employee relations
- 10 Failure to attract and retain key skills



See Risk management on page 34 for more information.



MV Moosa
Chairman

**Membership details at
September 2019:**

- MV Moosa
- SR Binnie
- B Mehlomakulu
- BR Beamish
- JM Lopez

100%
committee
attendance rate

Mr BR Beamish and Mr JM Lopez were appointed to the Human Resources and Compensation Committee from 01 August 2019.

Social, Ethics, Transformation and Sustainability Committee

Roles and responsibilities

The Social, Ethics, Transformation and Sustainability (SETS) Committee comprises two independent non-executive directors and the CEO. Other executive and group management committee members attend committee meetings by invitation. It should be noted that a number of other non-executive directors attend SETS committee meetings ex officio. The chairmen of the Audit and Risk Committee and SETS Committee attend each other's meetings to avoid unnecessary repetition of discussions.

The committee's mandate is to oversee the group's sustainability strategies, ethics management, good corporate citizenship, labour and employment practices, as well as its contribution to social and economic development and, for the group's South African subsidiaries, the strategic business priority of transformation.

The committee is supported by the Global Sustainability Council and by Regional Sustainability Committees in dealing with day-to-day sustainability issues and helping to develop and entrench related initiatives in the business.

Strategic focus areas

In 2019 the committee:

- Oversaw the implementation of a Supplier Code of Conduct intended to enable Sappi to manage our supply chain risks more closely
- Provided oversight of safety initiatives and reviewed serious safety incidents
- Oversaw external assurance on LTIFR and emissions data as well as environmental impact analyses for major investment projects
- Considered trade-offs between the following:
 - Productivity and safety advantages of mechanisation and the social and human capital implications
 - Financial and natural capitals relating to the use of coal versus other renewable energy fuels for our heating requirements.

The strategic focus areas for the committee in 2020 will include:

- Further reduction of the group's carbon footprint
- Safety initiatives
- Sappi Southern Africa's performance against the applicable BBBEE legislation.

Stakeholders

The SETS Committee has a broad spread of stakeholders for which it helps to protect (or create) value, namely suppliers, customers, employees, regulators, shareholders and society.



See Our key relationships on page 42 for more information.

Risks

The SETS Committee focused on the top 10 risks:

- 1 Safety
- 2 Cyclical macro-economic context
- 3 Evolving technologies and consumer preferences
- 4 Highly competitive industry
- 5 Natural resource constraints
- 6 Project implementation and execution
- 7 Uncertain and evolving regulatory landscape
- 8 Market share and customer concentration
- 9 Employee relations
- 10 Failure to attract and retain key skills



See Risk management on page 34 for more information.



See SETS Committee Report on page 123 and summary of the group's sustainability initiatives at www.sappi.com/sustainability.

+ CORPORATE GOVERNANCE continued

Management committees

The board assigns responsibility for the day-to-day management of the group to the CEO. To assist the CEO in discharging his duties, a number of management committees have been formed. Some of these committees also provide support for specific board committees. The management committees are a key component of Sappi's second line of defence and assurance. Refer to pages 34 for additional details of Sappi's approach to risk, controls and assurance.

Executive Committee

This committee comprises executive directors and senior management from Sappi Limited as well as the CEOs of the three main regional business operations, and the dissolving wood pulp business. The CEO has assigned responsibility to the Executive Committee for a number of functional areas relating to the management of the group, including the development of policies and alignment of initiatives for strategic, operational, financial, governance, sustainability, social and risk processes. The Executive Committee meets at least five times per annum.



Disclosure Committee

The Disclosure Committee comprises members of the Executive Committee and senior management from various disciplines. Its objective is to review and discuss financial and other information prepared for public release. It is the ultimate decision-making body, apart from the board, on disclosure.

Treasury Committee

The Treasury Committee meets monthly to assess financial risks on treasury-related matters.



Taxation Committee

The Taxation Committee meets monthly to discuss and address global taxation matters.

Project steering committees

For key strategic projects, steering committees are established to oversee successful execution.



Technical committees

The technical committees focus on global technical alignment, performance and efficiency measurement as well as new product development.



Group Risk Management Committee

The committee is known as the group risk management team (GRMT) and is mandated by the board to establish, coordinate and drive the risk management process throughout Sappi. It has established a risk management system to identify and manage significant risks. The GRMT reports regularly on risks to the Audit and Risk Committee and the board. Risk management software is used to support the risk management process.

Control and Assurance Committee

The Control and Assurance Committee (CAC) is supported by the internal control function and provides regular oversight and guidance to the business on internal controls and combined assurance for financial, strategic and operational risks. The committee is accountable to GRMT and the Audit and Risk Committee.

Among other duties, the committee provided oversight for the activities of control and assurance workgroups (CAW) established to review key risks, identified risk mitigations and controls, assurance provision and identification of any gaps and subsequent remediation activities. The working group focused on IT security risks, fibre certification risk, corporate communications risks as well as our periodic review and streamlining of the group's risk and control framework, which is the foundation for Sappi's first line of defence and assurance. In 2020, the CAW will assist the CAC to create and protect value by undertaking reviews of combined assurance, risks and controls relating to retirement benefits, taxation, safety, and environmental sustainability.



IT Steering Committee

The IT Steering Committee promotes IT governance throughout the group and is the highest authority responsible for this aspect of Sappi's business, apart from the board. The committee has a charter approved by the Audit and Risk Committee and the board. An IT governance framework has been developed and IT feedback reports are presented to the Audit and Risk Committee and the board. Sappi IT has implemented a standardised approach to IT risk management through a group-wide risk framework supported by risk management software. The committee has helped to create value for shareholders in 2019 by its oversight of:

- The integration of SAP systems of operating units in Italy into Sappi's SAP environment
- Coordination with group internal audit of reviews of IT security arrangements for specific service providers who experienced or may have been at risk of cyber-security attacks
- The implementation of COBIT 2019.

Oversight by the committee will continue in 2020 for these IT initiatives, as well as:

- The integration of SAP systems of the recently acquired Matane Mill in Canada, into Sappi's SAP environment
- The implementation of reviews of IT security arrangements for key suppliers.



Global Business Systems Council

This council meets monthly to provide direction for strategic business improvement projects, in particular, harmonisation, One Sappi and effective use of resources.



Sustainability Council

This council provides direction for Sappi's efforts to achieve its sustainable value creation objectives.

Brand Council

This council coordinates Sappi's brand communication programme, monitors brand performance and ensures effective brand management to enhance Sappi's reputation.



+ CORPORATE GOVERNANCE continued

Ensuring leadership through ethics and integrity

Sappi is committed to doing business the right way. Trust is created by operating from a commonly accepted set of values, enhancing and protecting our reputation. We require our directors and employees to act with integrity, to be courageous, to make smart decisions and to execute with speed, in all transactions and in their dealings with all business partners and stakeholders.




CODE OF ETHICS

Our values underpin the group's Code of Ethics and commit the group and its employees to sound business practices and compliance with applicable legislation, which help to promote legitimacy.

Actions are taken against employees who do not abide by the spirit and provisions of our code.

Online Code of Ethics, anti-bribery and corruption training as well as social media training has been provided to employees across the group over the past three years.

A Group Supplier Code of Conduct (code) has been developed to help ensure that Sappi's values and ethical standards are clearly understood and supported by all our suppliers, their first-tier suppliers and other stakeholders.

See Code of Ethics on www.sappi.com/code-of-ethics. 



LEGAL COMPLIANCE PROGRAMME

The programme is designed to increase awareness of, and enhance compliance with, applicable legislation. The group compliance officer reports twice per annum to the Audit and Risk Committee.

Sappi enhanced the legal compliance programme in 2019 by progressing implementation of Exclaim legal compliance software for Sappi group functions and Sappi Southern Africa. In addition, online training has been provided to employees across the group on relevant core legal compliance topics.


We intend to expand the use of Exclaim software in support of our legal compliance responsibilities in 2020. We have implemented a policy passport tool to support our legal compliance efforts. The introduction of these software tools and related training and online learning is helping to create and protect value primarily for employees, customers, shareholders and regulators.



CONFLICT OF INTERESTS

The group has a policy that obliges all employees to disclose any interest in contracts or business dealings with Sappi to assess any possible conflict of interest. The policy also dictates that directors and senior officers of the group must disclose any interest in contracts as well as other appointments to assess any conflict of interest that may affect their fiduciary duties.

During the year under review, apart from that disclosed in the financial statements, none of the directors had a significant interest, in any material contract or arrangement entered into by the company or its subsidiaries.

See Code of Ethics (Preventing fraud and corruption) on www.sappi.com/code-of-ethics. 



INSIDER TRADING

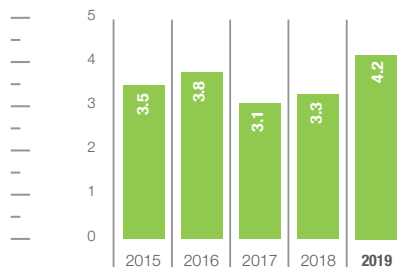
The company has a code of conduct for dealing in company securities and follows the JSE Limited Listings Requirements in this regard.

See Code of Ethics (Insider trading) at www.sappi.com/code-of-ethics. 

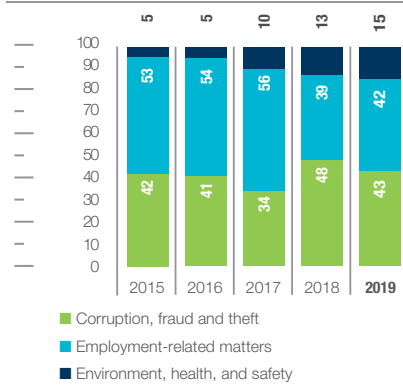
Reporting on compliance and ethics concerns

Sappi employees and stakeholders can report any potential illegal or non-compliant behaviour they observe directly to (senior) management, internal audit or legal counsel, or alternatively, report anonymously via telephone or an online form. Whistle-blower hotlines have been implemented in all the regions in which the group operates. The hotline service, operated by independent service providers, enables all stakeholders to anonymously report environmental, safety, ethics, accounting, auditing, control issues or other concerns. Retaliation against whistle-blowers is not tolerated. The follow-up on all reported matters is coordinated either by legal counsel or internal audit and reported to the Audit and Risk Committee. The majority of calls and ethics reports received related to the Southern African region. Please refer to the whistle-blower hotline and ethics report graphs for information on the number of hotline calls per 1,000 employees, categories of hotline calls and ethics reports, and outcome of investigations. The hotline report rates, categories of reports and outcomes of cases broadly align with international whistle-blower benchmark data. See Code of Ethics (Reporting and whistle-blowing) on www.sappi.com/code-of-ethics.

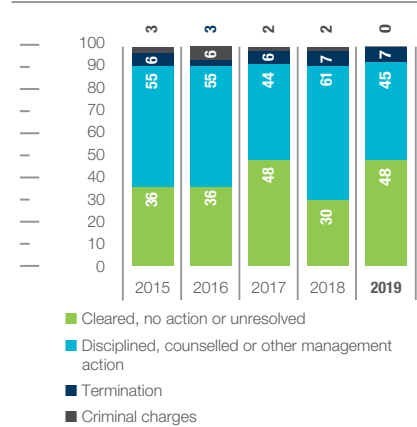
Hotline report rate per 1,000 employees per annum



Analysis of hotline and ethics reports by category (%)



Analysis of hotline and ethics reports case outcomes (%)



Financial statements

The directors are responsible for overseeing the preparation and final approval of the group annual financial statements, in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

The group's results are reviewed prior to submission to the board, as follows:

- All quarterly results – by the Disclosure Committee as well as the Audit and Risk Committee
- Interim and final results – by external audit.

Risk, controls and assurance at Sappi

Risks facing the group are identified, evaluated and managed by implementing risk mitigations, such as insurance, strategic actions or specific internal controls. Sappi maintains a robust framework of risks and controls which assists in the application of the King IV guidelines and the achievement

of governance outcomes by helping to: create an ethical culture; establishing effective control; and promoting legitimacy, all of which help Sappi to and its stakeholders to benefit from good performance. The framework includes controls addressing our material matters, by focusing on the main drivers of Sappi and comprises both financial and non-financial controls, which support the achievement of our strategy, within our risk appetite and tolerance levels, across the economic, social and environmental context in which the organisation operates as well as each of the six capitals set out in the IIRC's model. More information on these capitals and integrated thinking in the context of Sappi's sustainable business model can be found in Our Strategy and performance, as well as Our global sustainability goals.

The group's internal controls and systems are designed in accordance with the COSO control framework to support the achievement of the group's

objectives including strategic, operational and financial performance goals, effective and efficient use of resources, safeguarding assets against material loss, integrity and reliability of internal and external financial and non-financial reporting, and compliance with applicable laws and regulations.

Sappi operates a combined assurance framework, which aims to optimise the assurance coverage obtained from management, internal assurance providers and external assurance providers, on the risk areas affecting the group.

During 2019 we further developed our approach to combined assurance which was overseen by the Control and Assurance Committee (CAC). The committee and its workgroups provided more holistic feedback to the GRMT and Audit and Risk Committee on the state of controls quality as well as coverage of assurance from various assurance providers across Sappi's three lines of defence.

+ CORPORATE GOVERNANCE continued

Sappi's combined assurance framework, incorporating the three lines of defence and oversight by the board and board committees

	First line of defence	Second line of defence	Third line of defence	Oversight by the board
Risk areas and value drivers, capitals	Business management operations supported by appropriate controls and systems	Monitoring and oversight functions	Independent assurance provided by external audit, internal audit and other assurance providers	Board and board committees
Governance, risk, and controls – general (core business cycles)	Day-to-day risk management activity Established risk and control environment Executive, corporate and regional lead teams Corporate and regional business functions, eg sales, finance, IT, HR, purchasing Business units, eg forestry, mills, sales offices Business unit operations, eg production, engineering, controlling, materials management	Control and Assurance Committee management self-assessments	Internal audit	Audit and Risk Committee
Strategy and vision, competition and markets, socio-political		Executive Committee, Group Head Strategy, Control and Assurance Committee, management self-assessments	Internal audit	Nomination and Governance Committee
Financial, tax and treasury		Control and assurance, accounting standards, taxation, treasury and disclosure committees, management self-assessments	KPMG, tax authorities, internal audit	Audit and Risk Committee
Legal and compliance		Legal compliance programme, Group Compliance Manager	Legal compliance audits, internal audit	Audit and Risk, SETS, HR and Compensation Committees
IT		IT Steering Committee, group IT governance functions, management self-assessments	KPMG, ISA 3402s, penetration testing, internal audit	Audit and Risk Committee
Planet, environment, natural capital		Sustainability councils, Environmental and Energy (E4) Global Cluster, GRMT	ISO 14001, FSC™, PEFC™, EMAS, KPMG Government reviews emissions effluent etc, internal audit	SETS Committee
Ethics		Group Compliance Manager, ethics surveys, management self-assessments	Internal audit	SETS Committee
People, HR and transformation		Global HR Committee, regional labour forums, employee engagement surveys, management self-assessments	BBBEE audits, internal audit	Audit and Risk, SETS, HR and Compensation Committees
Research and development, intellectual property		Group technical cluster, management self-assessments	ISO 17025, internal audit	SETS Committee
Manufacturing, supply chain management, quality, forestry		Technical clusters and platforms, regional SHEQ audits, supplier audits, management self-assessments	ISO 9001, ISO 50001, FSC™ PEFC™, Matrix, internal audit	SETS Committee
Stakeholders, communication, reputation, society		Group corporate affairs, sustainability and investor relations functions	Internal audit	SETS Committee
Safety		Group and regional risk management teams, safety audits	OHSAS 18000, ISO 22000 regulatory inspections, internal audit	SETS Committee

A key element of combined assurance at Sappi is derived from the annual control self-assessments completed by control owners, which helps to protect value for stakeholders by providing management and the board with assurance on the state of controls throughout the group. Control gaps identified through this process are recorded and remediation progress is monitored by management, relevant committees, auditors and the board.

The Audit and Risk Committee advises the board on the state of risk management and controls, as well as assurance, in Sappi's operating environment. This information is used as the basis for the board's review, sign-off and reporting to stakeholders, via the Annual Integrated Report and annual financial statements, on risk management and the effectiveness

of internal controls and assurance in Sappi.

As part of combined assurance on reported information, Sappi has obtained assurance on data in the Annual Integrated Report from the following sources:

- KPMG have audited the Group Annual Financial Statements
- External sustainability assurance was obtained from KPMG in 2019 for scope 1 and 2 emissions information as well as specific safety information
- Specific Planet (environment) related processes are subject to review by third parties during the year. Certain local environmental and safety reporting is subject to audit by local regulators
- Limited reviews of sustainability information have been undertaken by central technical management and internal audit.

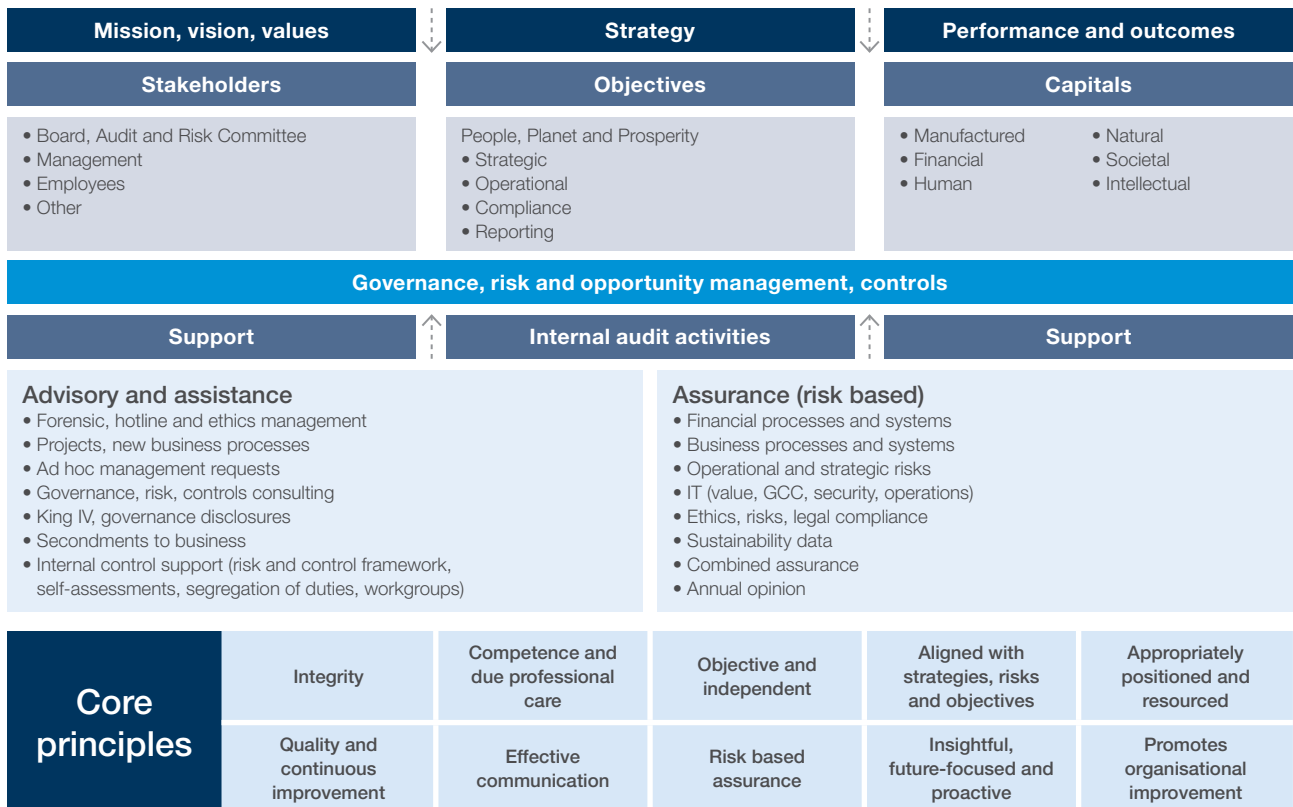
Internal audit

The group has an effective risk based internal audit department which is suitably resourced. It has a specific charter from the Audit and Risk Committee and independently appraises the adequacy and effectiveness of the group's governance, risk management, systems, internal controls and accounting records. Internal audit coordinates combined assurance and reports the findings to local and divisional management, the external auditors as well as the Audit and Risk Committee.

The head of internal audit reports to the Audit and Risk Committee, meets with board members, has direct access to executive management and is invited to attend certain management meetings. The role of internal audit at Sappi is set out below:

The role of internal audit at Sappi is set out in the following diagram:

Internal audit value proposition



+ CORPORATE GOVERNANCE continued

During 2019, apart from the ongoing focus on financial controls, which includes supporting Sappi's strategy to maintain a healthy balance sheet, internal audit helped to create and protect value by completing reviews in support of the following strategic objectives:



- **Achieve cost advantages:** advisory services to the global business systems projects (requisition to pay, sales order to cash, shared service centre optimisation)



- **Rationalising declining businesses:** project management reviews for business optimisation projects.



- **Accelerate growth in higher margin growth segments:** Integration and control onboarding reviews of operating units in the United Kingdom and Italy. Assurance reviews of contractors and capital expenditure for the Vulindlela project at Sappi's Saiccor Mill in South Africa.

In 2020, internal audit will continue to create and protect value for shareholders, management, several management committees, as well as the Audit and Risk Committee by:

- Undertaking further advisory or assurance assignments for strategic projects
- Developing our agile approach to establishing the audit plan and to streamline our way of working; and spearheading Sappi's enhanced focus on combined assurance by playing a leading role in coordinating the efforts of Combined Assurance Workgroup (CAW) which will address key group risks, provision of assurance and identification of gaps, with feedback to the Control and Assurance Committee (CAC),

GRMT and Audit and Risk Committee



- Continuing with capital expenditure and contractor reviews for the Vulindlela project in Sappi Southern Africa
- Integration and control onboarding reviews of the acquired Matane Mill in Canada.

Internal audit maintains an internal quality assurance programme. An external quality assurance review is undertaken periodically. The last review was in 2015, conducted by the Institute of Internal Auditors (IIA). A generally conforms rating was received, which is the highest of the three levels of conformance to the IIA's standards. The 2019 internal quality assurance review highlighted a need for more regular review of our audit strategy and assessment of risks. This will be addressed in 2020.

Board assessment of the company's risk management, compliance function and effectiveness of internal controls and combined assurance

The board is responsible for the group's systems of internal financial and operational control. As part of an ongoing comprehensive evaluation process, control self-assessments, independent reviews by internal audit, external audit and other assurance providers were undertaken across the group to test the effectiveness of various elements of financial, disclosure and other internal controls as well as procedures and systems. Identified areas of improvement are being addressed to strengthen the group's controls further. The board has assessed the combined assurance

provided in 2019. The results of the reviews did not indicate any material breakdown in the functioning of these controls, procedures and systems during the year. The internal controls in place, including the financial controls and financial control environment, are considered to be effective and provide a sound basis for the preparation of the Group Annual Financial Statements, Annual Integrated Report and other reports used internally for management decision making.

Company Secretary

The Company Secretary does not fulfil executive management functions outside of the duties of company secretary and is not a director. During the year, the board has assessed the independence, competence, qualifications and experience of the company secretary and has concluded that she is sufficiently independent (ie maintained an arm's length relationship with the executive team, the board and individual directors), qualified, competent and experienced to hold this position. The company secretary is responsible for the duties set out in section 88 of the Companies Act 71 of 2008 (as amended) of South Africa. Specific responsibilities include providing guidance to directors on discharging their duties in the best interests of the group, informing directors of new laws affecting the group, as well as arranging for the induction of new directors.

+ REMUNERATION REPORT



This Remuneration Report details the company's compensation policy for executive directors, executive committee members and non-executive directors.

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

The report is split into three sections: section A details our remuneration background statement disclosures, section B gives an overview of our remuneration policy and section C addresses implementation of the remuneration policy in 2019.

Section A: Remuneration background statement disclosures

I am pleased to present the committee's report on remuneration. Our report and disclosures fully comply with regulatory and statutory provisions relating to remuneration governance in all the countries in which we operate. This report is aligned to the principles and recommended practices of the King IV Report on Corporate Governance of South Africa (King IV) and as part of our commitment to good corporate governance.

Sappi Limited's AGM was held on 06 February 2019 and ordinary resolutions endorsing the remuneration policy and implementation reports were passed with 95.94% and 93.43% majorities, respectively. This vote by our shareholders is an endorsement of Sappi's good governance and disclosure.

Following positive feedback and support from our shareholders, we have further improved the following in the 2019 report:

- Disclosed reasons why Performance Share Plan (PSP) allocations were being adjusted up or down
- Disclosed executive directors' key objectives
- Included working capital in the calculation of the cash flow return on net assets (CFRONA)
- Adjusted limits of the PSP in line with shareholder recommendation of 5% of issued share capital. See resolutions on page 155.
- Disclosed that the terms and conditions of the annual incentive scheme for executive directors and executive committee members also affords the company the right to seek redress and recoup from an individual where for any reason the board determines within a 12-month period of such payment.

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

As detailed in the Chairman and CEO's report, in the year ended September 2019 a number of major factors influenced the group's results, namely:

- Prolonged weakness in global graphic paper markets was experienced
- In the second half of the year, the graphic paper segment started to benefit from a reduction in input costs, particularly paper pulp, helping to mitigate the impact of lower volumes
- The year started strongly for dissolving wood pulp (DWP) markets, with pricing above long-term averages for the first six months. Thereafter, the combination of the impact from global trade wars on Chinese textile markets, excess viscose staple fibre (VSF) capacity and a weaker Renminbi exchange rate drove DWP prices to historical lows, impacting profitability in this segment

REMUNERATION REPORT continued

- To mitigate the impact from lower profitability, capital expenditure was postponed and reduced. Tighter working capital measures were also implemented.

During the year, Sappi made further strides towards diversifying its product portfolio into higher-margin growth segments. This involved plant conversions to increase our packaging capacity in Sappi North America (SNA) and Sappi Europe (SEU), and in Sappi Southern Africa (SSA) to debottleneck and to improve our DWP plants, for both capacity and sustainability footprint. These projects removed production capacity from our operations during the conversion and subsequent ramp-up periods which had an impact on short-term EBITDA. In the year ahead we will continue the project to boost DWP capacity by 110,000 tons at Saiccor Mill in South Africa. Following the recent conversions at Somerset, Maastricht and Lanaken, the product portfolio will be further optimised with a significant increase in packaging volumes.

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

Two resolutions will be put forward to shareholders at the AGM in February 2020 to reset the number of shares under the plan (Performance Share Plan). Our existing number of shares under the plan and the scheme have been in place for 14 years and the board was prudent in the allocation of the shares over this time. This allowed for an effective annual burn rate of just under 1%. However, these shares are almost fully utilised. During the year we engaged with and received the input from large shareholders before finalising the resolutions.

For 2020, the focus for Mr Binnie and his leadership team will be as follows:

- Drive the Safety-first programme
- Continue leading the Sappi Values (of integrity, speed, courage and Smart decision making)
- Lead the roll out of the Sappi 2025 strategy
- Execute Saiccor expansion projects as planned and guide the DWP business through challenging times
- Grow the packaging and speciality business with optimal volumes
- Manage the graphics business capacity
- Drive operational excellence across all plants
- Integrate Matane Mill into the Sappi environment
- Drive One Sappi initiatives across all regions

- Ongoing training and development of people
- Drive Sappi's sustainability footprint
- Work to ensure the short-term incentive plan is mindful of challenging trading conditions and to gain optimum performance in FY20 results
- Show significant progress on commercialisation of new biotech products
- Talent management and succession – managing key retirements over the next 12 months and near-term succession.

Our remuneration policy is continuously benchmarked against relevant industry peers to ensure it motivates our senior team to achieve the group's objectives and deliver sustained returns and value creation for our stakeholders. The committee also believes that the remuneration of executives in 2019 reflects our challenges and successes to date in the delivery of our strategy. Thank you for the support and advice that you have given for our 2019 Remuneration Report. The improved disclosures on our policy and the implementation report reflect this feedback. I look forward to continuing engaging with you in future.

Mike Fallon

Chairman of the Human Resources and Compensation Committee

Statement of voting at AGM

The AGM of Sappi Limited was held on 06 February 2019 and the requisite resolutions endorsing the remuneration policy and implementation report were passed as follows:

Ordinary resolution number 7: Non-binding endorsement of remuneration policy

For	Against	Shares voted	Abstain
401,173,338	16,971,270	418,144,608	287,954
95.94%	4.06%	74.75% (voteable shares)	(0.05%)

Ordinary resolution number 8: Non-binding endorsement of implementation report

For	Against	Shares voted	Abstain
388,806,540	27,338,144	416,144,684	287,878
93.43%	6.57%	74.39% (voteable shares)	(0.05%)

At the February 2018 AGM, results for the requisite ordinary resolutions endorsing the remuneration policy and implementation report were 99.43% and 92.14% respectively.

Human Resources and Compensation Committee

The purpose of the committee is to oversee remuneration matters for all controlled subsidiaries of Sappi Limited. Its key objectives include:

- Make recommendations on remuneration policies and practices, including Sappi's employee share schemes
- Ensure effective executive succession planning
- Review compliance with all statutory and best practice requirements on labour and industrial relations management.

At the end of the year, the committee consisted of five independent non-executive directors:

- Mr MA Fallon – Chairman
- Mr B Beamish
- Mr NP Mageza
- Mr JD McKenzie
- Mr RJ Renders

The Chairman of the company, Sir Nigel Rudd, attends committee meetings ex officio while the Group CEO, Mr SR Binnie and Group Head Human Resources, Mr Fergus Marupen attend meetings by invitation. Mr JD McKenzie retires at the end of December 2019.

Mrs A Mahendranath, Company Secretary, attends the meeting as secretary to the committee.

The Human Resources and Compensation Committee met four times during the year and held one telephone conference.

Attendance at meetings by individual members is detailed on page 109.

None of the committee members has any significant personal financial interest, or conflict of interest, or any form of cross directorship, or day-to-day involvement in running the business.

Executive directors and managers are not present during committee discussions relating to their own compensation.

The committee ensures that compensation practices and structures in the group support its strategy and performance goals. The policy also enables the attraction, retention and motivation of executives and all employees.

Key activities of the committee in 2019 are summarised as follows:

- Reviewed and approved the vesting, or otherwise, of performance share plan awards awarded on 04 December 2015
- Approved winding up of the Sefate employee empowerment scheme for South Africa
- Approved allocation of 2019 performance share awards to executive directors and all other eligible participants
- Reviewed and approved salary increases and bonus payments for executive directors and other key senior managers for 2020
- Recommended fee levels for non-executive directors of Sappi Limited for consideration and recommendation to shareholders for approval

REMUNERATION REPORT continued

- Approved the allocation model and comparator peer group for the 2019 performance share plan
- Reviewed the Remuneration Report, including the content of the company compensation policy and practices, which was put to shareholders for a non-binding vote at the AGM in February 2019
- Approved the 2020 Management Incentive Scheme rules and reviewed the Share Incentive Plan rules, including changes to the Performance Share Plan
- Reviewed the share limits of the PSP and recommended two resolutions to the AGM
- Reviewed succession, retirement and development plans for key management positions
- Reviewed the group's Industrial Relations Policy and implementation
- Reviewed the group's training and development policy and implementation
- Sought advice on the implementation of a return measure, ROCE, as part of future incentive plans.

Independent advice

Management engaged the services from the following organisations to assist in compensation work during the year:

- Mercer Kepler, United Kingdom
- Korn Ferry, South Africa
- KPMG Inc, South Africa
- Bowmans, South Africa
- PricewaterhouseCoopers Tax Services, South Africa.

Compliance statement

The Human Resources and Compensation Committee is committed to maintaining high standards of corporate governance and supports and applies the principles of good governance advocated by King IV. Our remuneration approach and disclosures fully comply with regulatory and statutory provisions relating to reward governance in all the countries in which we operate. The committee ensures compliance with legal and regulatory requirements as they pertain to compensation.

The committee believes the objectives stated in the remuneration policy have been achieved for the period under review. The committee is satisfied it has fulfilled its responsibilities in accordance with its terms of reference and with the status of remuneration and incentives in the group.

Areas of focus for 2020

Key activities for the committee in 2020 will include the approval of the remuneration and bonuses for executive directors and senior management.

In addition to the annual work plan as approved by the committee, the chairman of the committee and senior executives from Sappi will, if required, visit key shareholders to discuss issues of mutual concern. The committee will also consider options available for a future Sappi empowerment scheme to replace the Sefate scheme that vested in August 2019.

Section B: Overview of the remuneration policy

Compensation strategy and policy

Our compensation packages:

- Are designed to attract, retain and motivate executives and all employees to deliver on performance goals and strategy
- Are simple, transparent and aligned with the interests of shareholders
- Reflect the views of our investors, shareholder bodies and stakeholders
- Are structured in a way that superior rewards are only paid for exceptional performance and that poor performance does not earn an incentive award
- Encourage behaviour consistent with the group's risk and reward philosophy
- Have an appropriate and balanced reward mix for executive directors and other executive managers based on base pay; benefits and short and long-term incentives within the context of the industry sector
- Are applied consistently across the group to promote alignment and fairness
- Through the executive management incentive bonus scheme, provide for a voluntary deferral of 40% of the CEO's annual bonus, and 30% of executive managers' annual bonuses (to purchase Sappi shares), as this ensures a long-term focus on the company's performance by the individual concerned and establishes a personal stake in the company.

Summary of reward components of executive directors and other members of the Group Executive Committee

The compensation of executive directors and other executive committee members comprises fixed and variable components.

Purpose	Structure	Opportunity
Fixed	↓	↓
Component – base salary	<ul style="list-style-type: none"> • Paid monthly in cash • Reviewed annually with any increases to be effective from 01 January each year • Base salary reviews take into account prevailing market practices, economic conditions and the levels of base salary increase mandates provided to the general employee population. 	<ul style="list-style-type: none"> • Increases are applied in line with outcomes of performance discussions with the individuals concerned and market conditions.
Component – benefits	<ul style="list-style-type: none"> • Private medical insurance • Income in the event of death or disability <p>These are:</p> <ul style="list-style-type: none"> • Appropriate in terms of level of seniority • Market related • Death benefit is a multiple of base salary • Non-pensionable. 	<ul style="list-style-type: none"> • None
Component – pension	<ul style="list-style-type: none"> • Comprises defined benefit and defined contribution plans • A large number of defined benefit plans are closed to new hires • Employees in legacy defined benefit plans continue to accrue benefits in such plans for both past and future service • Retirement plans differ by region. 	<ul style="list-style-type: none"> • Executive members of defined contribution plans receive a company contribution of up to 18.47% of salary • Executive members of defined benefit plans receive company contributions of up to 31.24% of salary. This applies to only one executive committee member. The contribution varies based on the actuarial valuation of the reserves of the relevant schemes.

REMUNERATION REPORT continued

Purpose

Structure

Opportunity

Variable



Component – annual cash incentive

- Focus participants on targets relevant to the group’s strategic goals
- Drive performance
- Motivate executives to achieve specific and stretching short-term goals
- Reward individuals for their personal contribution and performance
- Deferred share proportion of the annual bonus aligns interests with shareholders.

- All measures and objectives are reviewed and set at the beginning of the financial year.
- Payments are reviewed and approved at year-end by the committee based on performance against targets
- Threshold must be met for any bonus payment to occur
- Target level of bonuses varies from 65% to 85% of base salary
- Weightings for 2019 were: EBITDA – 50%, working capital – 20% and safety – 10%, individual – 20%
- Bonuses are paid in cash. The Group CEO and executive committee members have volunteered to purchase shares with 40% and 30% of their after-tax cash bonus respectively. The right to sell the shares is deferred for up to three years, subject to individual members not being terminated for cause
- Non-pensionable.

- The maximum bonus for executive directors is 116% of base salary
- Executive committee members and other senior managers may earn a maximum bonus of up to 95% of base salary
- The number of shares arising from the deferred Executive Management Incentive Scheme – will be increased by 20% of the original number of shares purchased, provided the employee holds all the shares for a period of three years.

Component – long-term share incentive plans

- Align the interests of executive members with those of the shareholder
- Reward execution of strategy and long-term outperformance of our competitors
- Encourage long-term commitment to the company
- Is a wealth-creation mechanism for executive members if the company outperforms the peer group.

- Conditional grants awarded annually to executive directors, executive committee members and other key senior managers of the company
- Straight-line vesting after four years
- Performance is measured relative to a peer group of 16 other industry-related companies
- The number of conditional shares allocated varies from 142,000 conditional share awards to the CEO, and between 39,000 and 79,000 conditional share awards to each executive committee member
- Measures for 2019 awards were relative total shareholder return (TSR) – 50% and relative cash flow return on net assets (CFRONA) – 50%.

- None

Purpose	Structure	Opportunity
Variable <small>continued</small>	↓	↓
Component – broad-based black economic empowerment	<ul style="list-style-type: none"> Established to meet the requirements of the Forestry Sector Charter BBBEE codes Eligible employees receive an allocation based on seniority of A ordinary shares Shares vest 40% after three years and 10% each year thereafter Shares can only be taken up after September 2019 Managers receive the net value in shares or cash at the end of the lock-in period. 	<ul style="list-style-type: none"> In terms of the rules of the scheme, A units for both schemes lapsed as the threshold of R73.50 was not achieved. B units delivered value for participants. The board approved an ex gratia payment, in lieu of all units that lapsed under the scheme of approximately US\$1 million. This was distributed to current permanent Sappi employees. Value to each participant was determined based on the number of A units they hold.
Component – service contracts	<ul style="list-style-type: none"> Executive committee members have notice periods of 12 months or less Separation agreements, when appropriate, are negotiated with the individual concerned with prior approval being obtained in terms of our governance structures. 	<ul style="list-style-type: none"> In circumstances where there is a significant likelihood of a transaction involving the Sappi group or a business unit, limited change in control protections may be agreed and implemented if deemed necessary for retention purposes.

Service contracts

Messrs Binnie and Pearce have an ongoing employment contract which requires six months’ notice of termination by the employee and 12 months’ notice of termination by the company.

Depending on their location, executive committee members have ongoing employment contracts which require between three to six months’ notice of termination by the employee and six to 12 months’ notice of termination by the company.

Other than in the case of termination for cause, the company may terminate the executive directors’ service contracts by making payment in lieu of notice equal to the value of the base salary plus benefits which they would have received during the notice period.

Executive directors are required to retire from the company at the age of 63. The retirement age of executive committee members is generally between 63 and 65 years, and differs by region.

+ REMUNERATION REPORT continued

Choice of performance measures and approach to target setting

Short-term incentive

The table below shows the metrics for 2019, why they were chosen and how targets are set.

Metric	Percentage (%)	Relevance	How do we set the targets?
EBITDA	50	A key indicator of the underlying profit performance of the group, reflecting both revenues and costs. Aligns closely with our strategic goals of achieving cost advantages and growth. More efficient water, energy and raw material usage is also encouraged.	Targets and ranges are set each year by the board taking account of required progress towards strategic goals, and the prevailing market conditions.
Working capital	20	A key indicator of accounts payable, accounts receivable, cash management and stock levels. Achieving optimum working capital levels in the business requires efficient use of resources throughout the supply chain and influences cash management, a key pillar of our strategy.	Targets and ranges are set each year by the board taking account of the required progress towards strategic goals, and the prevailing market conditions.
Safety	10	One of the key indicators of whether the business is meeting its sustainability goal of zero harm.	The committee considers input from the SETS Committee, and sets appropriate standards and goals.
Individual performance	20	An indicator of the contribution of each executive director. Individual performance includes several key non-financial targets for sustainability (environment, energy consumption, water usage and waste management), living the Sappi values, discipline in executing all projects and operating machines as efficiently as possible, BBBEE in the case of South Africa.	Priorities are set for the CEO by the Chairman of the board in line with the business plan for the applicable year. Targets and ranges are then cascaded to the rest of the business teams.

Performance Share Plan (PSP)

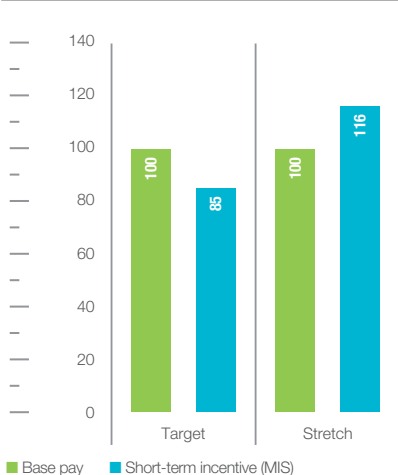
The table below shows the metrics for 2019 grants, why they were chosen and how targets are set.

Metric	Relevance	How do we set the targets?
Total shareholder return (TSR)	TSR measures the total returns to Sappi's shareholders, so provides close alignment with shareholder interests.	The committee sets the performance requirements for each grant. A peer group of packaging and paper sector companies is used. Nothing vests in positions 10 – 17 of the peer group. Vesting increases from 25% at position 9 to 100% for positions 1 – 5.
Cash flow return on net assets	A key indicator of the effective use of capital. Cash flow return on net assets (CFRONA) is calculated as cash generated by operations after working capital movements (before interest, tax and dividends) divided by average total assets (excluding cash) less interest-free liabilities.	The committee sets the performance requirements for each grant. A peer group of packaging and paper sector companies is used. Nothing vests in positions 10 – 17 of the peer group. Vesting increases from 25% at position 9 to 100% for positions 1 – 5.

Remuneration scenarios at different performance levels

The chart below illustrates the total potential remuneration (base pay and short-term incentives) for executive directors at different performance levels.

Remuneration levels (CEO and CFO)



Performance Share Plans (PSPs) are excluded from these scenarios as their vesting depends on performance conditions being met. Vesting is based

on a linear vesting schedule over a four-year period.

Statement of fair and responsible remuneration

The group's compensation policy for the remuneration of executive directors and other senior executives is set taking appropriate account of remuneration and employment conditions of other employees in the group.

The committee annually receives a report from management on pay practices across the group, including salary levels and trends, collective bargaining outcomes and bonus participation. At the time that salary increases are considered, also the committee receives a report on the approach management proposes to adopt for general staff increases. Both these reports are taken into account in the committee's decisions about the remuneration of executive directors and other senior executives.

In some countries where the group operates, more formal consultation arrangements with employee representatives are in place relating

to employment terms and conditions, in accordance with local legislation and practice. The group also conducts employee engagement surveys every two years which gauge employees' satisfaction with their working conditions. The Sappi board is given feedback on these survey results.

Approach to remuneration benchmarks

Executive compensation is benchmarked on data provided in national executive compensation surveys, for countries in which executives are domiciled, as well as information disclosed in the annual reports of listed companies of the JSE. Sappi participates in global remuneration surveys and uses data from global remuneration surveys ie PwC, Mercer, et al to determine appropriate remuneration levels.

Ensuring an appropriate peer group to retain the integrity and appropriateness of the benchmark data is a key task of the Human Resources and Compensation Committee. Executive pay is benchmarked every alternate year.

REMUNERATION REPORT continued

The remuneration package for a newly appointed executive director would be set in accordance with the terms of the group’s approved remuneration policy in force at the time of appointment. The variable remuneration for a new executive director would be determined in the same way as for existing executive directors. For internal and external appointments, the group may meet certain relocation expenses, as appropriate.

Remuneration policy for non-executive directors (fees)

Element	Purpose	How it works?	Fees
Non-executive Chairman (fees)	<ul style="list-style-type: none"> To attract and retain high-calibre chairman, with the necessary experience and skills To provide fees which take account of the time commitment and responsibilities of the role. 	<ul style="list-style-type: none"> The Chairman receives an all-inclusive fee. 	<ul style="list-style-type: none"> The Chairman’s fees are reviewed periodically by the committee Fees are set by reference to market median data for companies of similar size and complexity to Sappi.
Other non-executive directors (fees)	<ul style="list-style-type: none"> To attract and retain high-calibre non-executives, with the necessary experience and skills To provide fees which take account of the time commitment and responsibilities of the role. 	<ul style="list-style-type: none"> The non-executives are paid a basic fee. Attendance fees are also paid to reflect the requirement for non-executive directors to attend meetings in various international locations. The chairmen of the main board committees and the lead independent director are paid additional fees to reflect their extra responsibilities. 	<ul style="list-style-type: none"> Non-executive directors’ fees are reviewed periodically by the Chairman and Human Resources and Compensation Committee Fees are set by reference to market median data for companies of similar size and complexity to Sappi.

Sappi may reimburse the reasonable expenses of board directors that relate to their duties on behalf of Sappi. Sappi may also provide advice and assistance with board directors’ tax returns where these are impacted by the duties they undertake on behalf of Sappi.

All non-executive directors have letters of appointment with Sappi Limited for an initial period of three years. In accordance with best practice, non-executive directors are subject to re-election at the AGM after the three-year period. Appointments may be terminated by Sappi with six months’ notice.


No compensation is payable on termination, other than accrued fees and expenses.

Voting on remuneration

As required by King IV, Sappi’s remuneration policy and implementation report need to be tabled for separate non-binding advisory votes by shareholders at the upcoming AGM. In the event that either the remuneration policy or the implementation report, or both, are voted against by 25% or more of the voting rights entitled to be exercised by shareholders at such AGM, then the committee will ensure that the

following measures are taken in good faith and with best reasonable efforts:

- An engagement process to ascertain the reasons for the dissenting votes
- Appropriately addressing legitimate and reasonable objections and concerns raised which may include amending the remuneration policy or clarifying or adjusting remuneration governance and/or processes.

You can also view the full remuneration policy on www.sappi.com 

Section C: Remuneration implementation report

Compensation structure

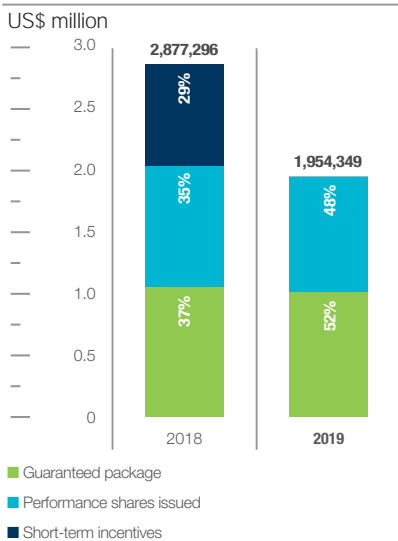
Total compensation comprises fixed pay (ie base salary and benefits) and variable performance-related pay, which is divided further into short-term incentives with a one-year performance period and long-term incentives which have a four-year performance period.

Compensation mix

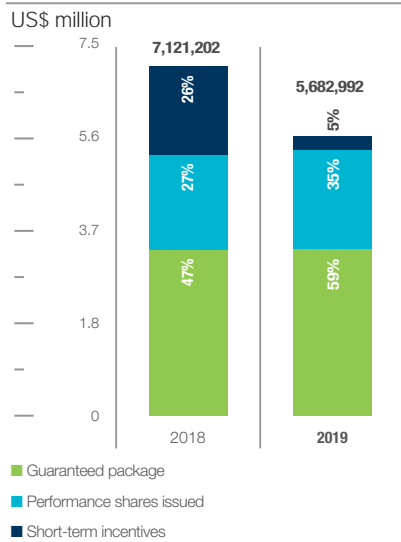
The compensation mix for executive directors and executive committee members is shown in the schematics below and alongside.

The long-term incentive awards are based on the face value of the performance plan shares issued in December 2019 (share price at date of allocation: ZAR80.60 November 2018). Details of the executive directors' remuneration can be found on page 138.

Executive directors (number of employees at September 2019 = 2) (%)



Executive Committee (number of employees at 30 September 2019 = 7) (%)



Our compensation policy aims to have a balance between base salary, short and long-term incentives. No short-term bonuses were paid in 2019 to the majority of executive committee members.

Base salary

The Compensation Committee approved the level of base salary for each executive director, executive committee member and other key senior managers.

Increases are effective from 01 January each year. There are no automatic annual base salary adjustments.

The 2019 salary increases were based on individuals' performances and contributions, internal relationships, inflation rates in the countries of operation, general market salary movement and overall affordability.

The same salary increase percentages were applied in determining the salaries for executive directors and executive committee members' increases as was the mandate for general staff, dependent on location.

For 2019 Mr Binnie received a salary increase of 5% on the South African portion of his salary and 1.5% on the offshore portion. His salary with effect from 01 January 2019 was US\$539,629 per annum.

Mr Pearce received a salary increase of 5% on the South African portion of his salary and 1.5% on the offshore portion. Mr Pearce's salary with effect from 01 January 2019 was US\$312,014 per annum.

For the Executive Committee, two members were awarded a short-term bonus.

Retirement benefits

Retirement benefits are largely in the form of defined contribution schemes. In some instances, legacy defined benefit schemes exist. Almost all the defined benefit schemes are closed to new hires.

Mr Binnie and Mr Pearce are both members of defined contribution funds and the total employee and company contribution is ZAR350,000 each.

No additional payments were made to any retirement fund on behalf of the executive directors.

Short-term incentive

Performance-related annual bonuses may be paid to executive directors and other executive and senior managers under the Management Incentive Scheme. The scheme is designed to incentivise the achievement of pre-defined annual financial targets and personal objectives which are critical measures of business success.

For the 2019 financial year, the financial business performance criteria were: EBITDA (50%), working capital (20%) and safety (10%) – which accounted for 80% of the bonus calculation, with the remaining 20% being based on individual performance during the year.

+ REMUNERATION REPORT continued

The bonus payment opportunity available to executive directors and executive committee members is as follows:

	On-target bonus	Stretch target
Executive director	85% of base salary	116% of base salary
Regional chief executive officer	70% of base salary	95% of base salary
Other prescribed officers (ie Executive Committee members)	65% of base salary	88.5% of base salary

A performance threshold of 85% of budgeted EBITDA for the group is required before any bonus can be paid to participants in the group scheme.

Furthermore, if a region does not achieve the 85% bonus threshold target, no bonus is paid to participants in the region irrespective of overall group performance. Only Sappi Southern African will be entitled to a bonus payment for fiscal 2019. They have met the 85% threshold on EBITDA.

The group's performance for the 2019 financial year:

Performance criteria	Points	2019 actual achievement
EBITDA*	50	0
Working capital**	20	0
Safety***	10	0
Total	80	0

* Budgeted EBITDA as less than the 85% threshold, hence zero.

** Working capital needs to be at least 110% of target, 2019 was above at 112%, hence zero.

***The group and regional safety performance improved, zero was allocated to the Executive Committee and applicable regions due to the tragic fatalities.

Personal objectives of executives for 2019 Management Incentive Scheme

Key objectives and achievements

The executives share many key objectives and have individual objectives specific to their role, some examples are as follows:

Rationalising declining business	<p>→ During 2018 Sappi continued to balance paper supply and demand. Capacity was reduced by conversions, carouselling opportunities. The graphic paper manufacturing capacity reduced by approximately 550,000 tons since 2014.</p> <p>Converting paper machines to higher-margin businesses with the implementation of transformation programmes in Europe and North America. In total, 11 mills are now converted in the group to produce speciality and/or packaging paper.</p>
Maintain healthy balance sheet	<p>→ The focus was on strong cash generation, sale of non-core assets and debt reduction.</p> <p>The improved balance sheet enabled the investment in further pulp integration with the acquisition of the Matane Mill from Rayonier.</p>
Accelerate growth in higher margin growth segments	<p>→ Expanding the packaging grades is an ongoing process. The Cham operations have been successfully integrated in the Sappi Europe business.</p> <p>The specialised cellulose portfolio is also being enhanced by expansion at Ngodwana (completed), Saiccor (in progress) and Cloquet (completed).</p> <p>The lignosulphonate business was expanded, but, commercialising biotech products are more challenging than expected.</p>
Achieve cost advantages	<p>→ The optimisation of the business process continues to gain momentum with the establishment of global business centres and the Global Business Council.</p> <p>IT centres of excellence were established, HR was unified into nine global processes and a brand council was created to focus on global marketing efforts.</p> <p>Through our cost-saving initiatives, pulp buying and the global freight programme, Sappi's savings for 2019 exceeded US\$80 million.</p> <p>Energy and efficiency investments were made at several of the operations.</p>
Sustainability	<p>→ Developed the Sappi sustainability strategy. See more details on Sappi's sustainability performance in our key material issues on page 58 of the Annual Integrated Report.</p>
Talent and succession	<p>→ During this period, a new CEO for Sappi North America (SNA) was appointed from the SNA team. This is proof of the good succession planning process in place. CEO and Chairman of the board followed a rigorous process to appoint three new non-executive directors.</p>
Sappi Southern Africa's (SSA) performance relative to the Employment Equity Act and new Forestry Charter	<p>→ Sappi Southern Africa retained a level 2 rating after the independent Empowerdex audit in 2019 and 2018.</p>

REMUNERATION REPORT continued

2019 Management Incentive Scheme outcomes for executives

%	EBITDA	Working capital	Safety	Personal	Total
Weight	50	20	10	20	100
Steve Binnie	-	-	-	20	-
Glen Pearce	-	-	-	18	-

Based on 2019 performance against the set targets as defined by the board in October 2018, neither Mr Binnie or Pearce will not qualify for a bonus payment in 2019.

The terms and conditions of the annual incentive scheme for executive directors and executive committee members affords the company the right to seek redress and recoup from an individual where for any reason the board determines, within a 12-month period of such payment, that the performance goals (whether for the participant or for the group) were in fact not achieved following the restatement of financial results or otherwise.

Long-term incentive

The Sappi Performance Share Plan (PSP) provides for annual awards of conditional performance shares which are subject to meeting performance targets measured over a four-year period. These awards will only vest if Sappi's performance, relative to a peer group of 16 other industry-related companies, is ranked at median or above the median.

The performance criteria are relative total shareholder return (TSR) and relative cash flow return on net assets (CFRONA).

The peer group for the 2019 PSP award consisted of:

- Fortress Paper
- Lenzing
- Rayonier Advance Materials
- Ahlstrom-Munksjo
- Borrogaard
- Domtar
- West Rock

- Sun Paper
- UPM-Kymmene
- Holmen
- Metsá Board
- Verso
- Mondi plc
- International Paper
- Stora Enso
- Resolute Forest Products.

Performance Share Plan

As disclosed in previous reports, the committee approved the linear vesting schedule for 2015 allocations which will be applicable from the 2019 vesting and onwards. This will have the impact that, at median performance, 25% of the allocation vests. The vesting schedule for 2015 allocation for both TSR and CFRONA is as follows:

Position	Vesting %
1 – 5	100
6	80
7	65
8	45
9	25
10 – 17	-

The historical vesting of PSP awards:

Share awards	2015 %	2016 %	2017 %	2018 %	2019 %
TSR	-	100	100	100	80
CFRONA	100	100	100	100	100
Aggregate	50	100	100	100	90

For the four-year period ended September 2019, Sappi's performance relative to the peer group measured on TSR was ranked sixth, which meant that 80% TSR component shares vested on the due date in December 2019.

The determination of the vesting of the shares was provided by Mercer Kepler, an independent third party.

Sappi's performance relative to the peer group measured on CFRONA for the same period resulted in 100% of this portion of the awards vesting, as Sappi's performance was ranked in third place. The determination of the vesting of this portion of the shares was verified by KPMG.

In aggregate, therefore 90% of the total 2015 awards vested.

In December 2015, Mr Binnie was granted 190,000 conditional performance plan shares of which 171,000 will vest in December 2019.

In December 2015, Mr Pearce was granted 90,000 conditional performance plan shares of which 81,000 will vest in December 2019.

Vesting since 2016 which had been at 100% on both performance criteria, reduced to 90% for 2019. However, the markets we operate in are expected to remain challenging in the coming year, and profitability is likely to be negatively impacted as a result. DWP pricing, in particular, will have a significant impact on earnings as this segment is a major contributor to our profits and cash flow generation.

Performance Share Plan allocations for 2019

Each year, Mercer Kepler provides management with a recommendation for an appropriate pool size. For the 2019 allocation, it was approved to grant the number of shares implied by the same ZAR value of prior-year PSP awards, where value is based on trailing long-run average share price at grant (eg 12 months). This approach has been applied for the last three years and is consistent with recommendations by our shareholders, to disclose the allocation method. This meant the pool size was adjusted by some 10% (6% based on share price movement and 4% based on an average salary adjustment across all regions).

Mr Binnie was awarded 156,000 conditional performance plan shares in December 2019 that will vest in December 2023.

Mr Pearce was awarded 71,000 conditional performance plan shares in December 2019 that will vest in December 2023.

Changes to the long-term incentive scheme

Sappi received authority to use 7.95% of shares for the Sappi Limited Share Incentive Trust (the scheme) and/or the Sappi Limited Performance Share Incentive Trust (the plan) from shareholders at the AGM on 07 March 2005. This was equivalent to 19 million shares subject to adjustment in case of any increase

or reduction of Sappi's issued share capital on any conversion, redemptions, consolidations, subdivision and/or any rights or capitalisation issues of shares.

After the rights issue undertaken by Sappi in November 2008, this number increased to 42.7 million (still equivalent to 7.95% of the shares in issue at the time). Since obtaining shareholder approval in 2005, Sappi has been allocating shares to participants and currently has only 5.8 million shares available to issue and is therefore close to the shareholder-approved limit. The authority to use the shares in the plan and the scheme has been in place for 14 years and with an annual burn rate of just under 1%.

Sappi has prepared the requisite ordinary resolutions to be tabled at the AGM in February 2020, requesting shareholders to (i) approve an additional 27.8 million shares, being approximately 5% of Sappi's issued shares as at September 2019, that can be used to incentivise management under the rules of the plan in years ahead and (ii) to place these shares under the specific control of directors to issue in terms of the rules of the plan. Approval will be sought from shareholders to reset the numbers of shares under the plan only as Sappi is liquidating the scheme. This reset will happen with effect from date of approval of the resolution and all future outstanding shares will be calculated accordingly.

Employee Share Ownership Plan (broad-based black economic empowerment)

The Employee Share Ownership Plan (Sefate) was established in 2009 to meet the requirements of broad-based black economic empowerment established in the Forestry Sector Charter and in line with the codes set out by the South African Department of Trade and Industry.

There are two schemes which make up Sappi's Employee Share Ownership Plan, namely the Employee Share Ownership Plan (ESOP) and Management Share Ownership Plan (MSOP). There were 5,607 participants in the schemes at the end of September 2014. Eligible employees receive an allocation based on seniority, of A ordinary shares and ordinary shares. Shares vest 40% after three years and 10% each year thereafter.

Shares may, however, only be taken up after September 2019. Employees receive the net value in shares or cash at the end of the lock-in period.

In terms of the rules of the scheme, the A units for both schemes lapsed as the threshold of ZAR73.50 was not achieved. The B units delivered value for the participants. The board approved an ex gratia payment, in lieu of all the units that lapsed under the scheme of approximately US\$1 million. This was distributed to current permanent Sappi employees. Value to each participant was determined based on the number of A units they hold. The scheme has come to an end. Management, together with the board, are working on alternatives to replace the Sefate scheme. Sappi will, however, retain its ownership points under the Forestry Charters for the next nine years.

Dilution

If all outstanding option and plan shares were to be exercised or vest as at September 2019, the resulting dilution effect would be 2.26% (2018: 2.42%) of issued ordinary share capital excluding treasury shares. To the extent possible, treasury shares will continue to be used to meet future requirements for shares arising from the exercise of options and vesting of awards.

Share ownership guidelines and restrictions

The Chief Executive Officer, Mr Binnie, volunteered to hold a target number of shares equal to 2 x his annual base

REMUNERATION REPORT continued

salary by December 2020. He currently holds shares to the value of approximately 134% of his annual base salary. The lower share price has impacted the short-term value of his holding, however, he is committed to achieving this target as soon as possible. There is no requirement for the Chief Financial Officer and the executive committee members to hold a specific number of shares during their employment with the company.

Remuneration disclosure of executive directors and prescribed officers

Executive directors' emoluments for 2019 (US\$)

US\$	Salary	Performance-related remuneration	Sums paid by way of expense allowance	Contributions paid under pension and medical aid schemes	Share-based payment benefit	Total
SR Binnie ¹	539,629	–	14,819	82,317	635,321	1,272,086
GT Pearce ²	312,014	–	8,422	60,185	301,641	682,263

¹ SR Binnie received a 5% increase on the South African portion (72% of total salary), and a 1.5% increase on the offshore portion (28% of total salary). Overall salary expressed in reporting currency was 3.3% lower than in 2018.

² GT Pearce received a 5% increase on the South African portion (73% of total salary), and a 1.5% increase on the offshore portion (27% of total salary). Overall salary expressed in reporting currency was 3.4% lower than in 2018.

- Base salary – the actual salary earned during 2019
- Retirement benefits – the annual contribution paid by the company into a defined benefit fund on behalf of the members determined as a percentage of their base salary
- Other payments – expense allowances
- Annual cash bonus – the actual bonus earned in 2019 based on the rules of the Management Incentive Scheme
- Long-term incentive – conditional performance plan shares awarded in 2019 financial year which will vest in 2023 if the TSR and CFRONA targets are met
- Local earnings are translated into the reporting currency (US Dollar) using the average exchange rate over the financial year. The average rate for the South African Rand depreciated by 10%, and for the Swiss Franc 2.2%
- Due to the earnings currencies (ZAR) depreciating against the reporting currency (US\$) over the year, this had the effect of showing earnings in US Dollar terms to be lower than last year.

Executive directors' emoluments for 2018 (US\$)

US\$	Salary	Performance-related remuneration	Sums paid by way of expense allowance	Contributions paid under pension and medical aid schemes	Share-based payment benefit	Total
SR Binnie	558,318	525,830	14,907	85,129	701,472	1,885,656
GT Pearce	322,878	303,971	8,473	63,461	292,857	991,640

Prescribed officers/executive committee members

Prescribed officers are members of the Group Executive Committee.

The table below sets out the remuneration for prescribed officers for 2019:

US\$	Salary	Bonuses and performance-related payments	Sums paid by way of expense allowance	Contributions paid under pension and medical aid schemes	Share-based payment benefit	Total
B Wiersum	756,218	–	2,820	258,045	360,596	1,377,679
M Gardner ⁽¹⁾	564,133	–	–	57,222	360,596	981,951
A Thiel	325,447	189,876	9,379	57,939	360,596	943,237
M van Hoven	167,871	–	4,964	43,939	282,976	499,750
G Bowles	253,087	–	7,865	106,199	301,641	668,792
F Marupen	182,354	–	5,219	47,238	235,658	470,469
M Mansoor	276,886	106,828	157,904	105,498	111,072	758,188

The table below sets out the remuneration for prescribed officers for 2018:

US\$	Salary	Bonuses and performance-related payments	Sums paid by way of expense allowance	Contributions paid under pension and medical aid schemes	Share-based payment benefit	Total
B Wiersum	779,507	511,203	2,976	261,304	353,023	1,908,013
M Gardner	548,690	442,734	–	56,125	353,023	1,400,572
A Thiel	336,541	230,261	9,435	61,199	384,436	1,021,872
A Rossi ⁽²⁾	84,049	43,391	2,460	–	–	129,900
M van Hoven	173,061	123,824	4,994	47,087	279,116	628,082
G Bowles	250,935	183,597	7,534	104,581	297,682	844,329
F Marupen	188,705	134,788	5,250	50,189	196,818	575,750
M Mansoor ⁽³⁾	205,370	152,653	115,083	73,390	66,188	612,684

⁽¹⁾ Retired in September 2019.

⁽²⁾ Retired in December 2017.

⁽³⁾ Appointed in January 2018.

REMUNERATION REPORT continued

Non-executive directors' fees

Directors are normally remunerated in the currency of the country in which they live or work from. Their remuneration is translated into US Dollar, the group's reporting currency, at the average exchange rate prevailing during the financial year. Directors' fees are established in local currencies to reflect market conditions in those countries.

Non-executive directors' fees reflect their services as directors and services on various sub-committees on which they serve. The quantum of committee

fees depends on whether the director is an ordinary member or a chairman of the committee. Non-executive directors do not earn attendance fees, however, additional fees are paid for attendance at board meetings more than the five scheduled meetings per annum.

The Chairman of the Sappi Limited board receives a flat director's fee and does not earn committee fees. Non-executive directors do not participate in any incentive schemes or plans of any kind.

In determining the fees for non-executive directors, due consideration is given to the fee practice of

companies of similar size and complexity in the countries in which they are based. The extreme volatility of currencies, in particular the ZAR/US Dollar exchange rate in recent years, caused distortions of the relative fees in US Dollar paid to individual directors. Every second year, Mercer provides a recommendation on fees to the committee.

Non-executive directors' fees are proposed by the Executive Committee, agreed by the Compensation Committee, recommended by the board and approved at the AGM by the shareholders.

The non-executive directors' fees for 2019 financial year were approved by shareholders. The table below sets out the remuneration for non-executive directors for 2019:

US\$	2019			
	Board fees	Committee fees	Travel allowance	Total
KR Osar	69,320	35,050	18,500	122,870
JD McKenzie	44,944	19,518	7,400	71,862
ANR Rudd	402,325	–	11,100	413,425
NP Mageza	30,037	40,950	7,400	78,387
MV Moosa	30,037	28,512	7,400	65,949
MA Fallon	58,687	65,376	11,100	135,163
RJAM Renders	69,238	64,601	11,100	144,939
B Mehlomakulu	30,037	9,759	7,400	47,196
Z Malinga ¹	30,037	15,596	7,400	53,033
BR Beamish ²	34,235	8,271	–	42,506
JM Lopez ²	40,419	4,175	7,400	51,994
JE Stipp ³	23,097	5,842	3,700	32,639
Total	862,413	297,650	99,900	1,259,963

¹ Appointed to the board in October 2018.

² Appointed to the board in March 2019.

³ Appointed to the board in June 2019.

US\$	2018			
	Board fees	Committee fees	Travel allowance	Total
D Konar ⁽¹⁾	13,686	14,344	–	28,030
KR Osar	74,140	34,100	18,000	126,240
JD McKenzie	50,394	20,511	7,200	78,105
ANR Rudd	419,684	–	10,800	430,484
NP Mageza	34,729	37,569	7,200	79,498
R Thummer ⁽²⁾	24,700	7,478	7,000	39,178
MV Moosa	34,729	24,834	7,200	66,763
MA Fallon	66,335	67,223	10,800	144,358
RJ De Koch ⁽³⁾	65,806	21,357	14,400	101,563
RJAM Renders	78,937	67,022	10,800	156,759
B Mehlomakulu	31,565	10,255	7,200	49,020
Total	894,705	304,693	100,600	1,299,998

⁽¹⁾ Retired from the board in January 2018.

⁽²⁾ Retired from the board in December 2017.

⁽³⁾ Retired from the board in August 2018.

Statement by the board regarding compliance with the remuneration policy

The board annually receives a report from the Human Resources and Compensation Committee on pay practices across the group, including salary levels and trends, collective bargaining outcomes and bonus participation.

The board endorses the Human Resources and Compensation Committee position that Sappi's remuneration policy is set taking appropriate account of remuneration and employment conditions of other employees in the group and external factors. It is the view of the board that this policy, as detailed herein, drives business performance and value creation for all stakeholders.

+ SOCIAL, ETHICS, TRANSFORMATION AND SUSTAINABILITY COMMITTEE REPORT



Introduction

The Social, Ethics, Transformation and Sustainability (SETS) Committee presents its report for the financial year ended September 2019. This is a statutory committee with a majority of independent non-executive members, whose duties are delegated to them by the board of directors. The committee conducted its affairs in compliance with a board-approved terms of reference and discharged all its responsibilities contained therein.

The committee was established during the 2012 financial year in response to the requirements of section 72(4) of the South African Companies Act 71 of 2008, read with regulation 43 of the Companies Regulations, 2011. These regulations required the establishment of a Social and Ethics Committee, to which were added the Transformation and Sustainability oversight roles previously contained in the Sustainability and Human Resources and Transformation Committees.

Multifunctional Regional Sustainability Councils provide strategic and operational support to a Group Sustainability Council which in turn provides support to the SETS Committee in dealing with key sustainability issues.

During the financial year, the committee formally met three times to deliberate on all aspects relating to its terms. A 100% attendance record was achieved by board committee members for 2019.

Objectives of the committee

The role of the SETS Committee is to assist the board with the oversight of the company and to provide guidance to management's work in respect of its duties in the fields of social, ethics, transformation and sustainability. The 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 to ensure that our business, our environment and our people can prosper on an ongoing basis. The responsibilities include monitoring the company's activities, having regard to any relevant legislation, other legal requirements and prevailing codes of best practice. The committee meets a minimum of three times each year.

Membership of the committee

The members of the SETS Committee during the 2019 financial year were:

- Mr MV Moosa (Chairman from 01 March 2016)
- Mr SR Binnie
- Dr B Mehlomakulu
- Mr BR Beamish (from 01 August 2019)
- Mr JM Lopez (from 01 August 2019)

Four members of the committee were independent non-executive directors and one the CEO. In addition, the Chairman of the board attends committee meetings ex officio. The regional Chief Executive Officers, the Group Head Strategy and Legal, the Group Head Technology, the Group Head Human Resources, the Group Head Corporate Affairs, the Executive Vice-President Dissolving Wood Pulp and the Group Head Investor Relations and Sustainability attend meetings by invitation.

Committee activities reviewed and actioned during the year

- Reviewed and revised the committee terms of reference and annual work plan
- Approved the Public Affairs and CSR programmes and policy
- Reviewed the Corporate Social Development programme
- Reviewed the UN Sustainable Development Goals most relevant to Sappi
- Reviewed Sappi's standing in terms of:
 - The principles set out in the United Nations Global Compact
 - The OECD recommendations regarding corruption
 - The Employment Equity Act, and
 - The Broad-based Black Economic Empowerment Act
- Reviewed the Code of Ethics, ethics programme and their effectiveness
- Obtained feedback from the ethics reporting hotlines
- Reviewed the South African skills audit as well as the training and development plan

- Reviewed the staff training progress
- Reviewed the company performance relative to the Employment Equity Act, Broad-based Black Economic Empowerment (BBBEE) Act and the company's transformation strategies
- Reviewed the Sappi Southern Africa Transformation Charter
- Reviewed Sappi's policy and standing in terms of the International Labour Organization (ILO) protocol on decent work and working conditions
- Reviewed the group safety programmes, safety performance and actions being taken to improve the safety performance of the group
- Reviewed the group unfair discrimination and equality policy
- Reviewed the Group Sustainability Charter and Environmental Policy
- Reviewed the material indicators of the group's environmental performance
- Reviewed regional sustainability performance against goals for 2019
- Reviewed regional and global public policy matters affecting the group and its operations
- Reviewed the various production unit operating efficiencies, reliability and unscheduled downtime metrics for 2019
- In-depth review of the European industry dynamics, particularly risks and opportunities related to the single use plastic directive and the transition to a low-carbon economy
- In-depth review of factors influencing the sustainability of Sappi's timber plantations and related actions taken to mitigate risks and improve growth
- In-depth review of Sappi North America's energy and carbon emissions strategy
- Reviewed the SETS Committee Report for the Annual Integrated Report as well as sustainability information presented in the Annual Integrated Report.

At each meeting a topic is selected for an in-depth review, typically matters which in the view of the committee represent key risks or opportunities for

the business. In the past year the three focus areas were European industry dynamics, including the single-use plastic legislation, shift to paper packaging and the transition to a low-carbon economy. Secondly, factors influencing the sustainability of Sappi's South African timber plantations and new technologies being implemented to lower cost, enhance productivity and improve safety. Lastly, the committee reviewed Sappi North America's energy and carbon emissions reduction strategy.

Conclusion

The committee confirms that the group gives its social, ethics, transformation and sustainability responsibilities the necessary attention. Appropriate policies and programmes are in place to contribute to social and economic development, ethical behaviour of staff towards colleagues and other stakeholders, fair labour practices, environmental responsibility and good customer relations. In fulfilling their mandate, the committee has sought to ensure the needs of a wide set of stakeholders, including employees, local communities, customers and shareholders are considered and that key sustainability risks are identified and managed.

There were no substantive areas of non-compliance with legislation and regulation, nor non-adherence with codes of best practice applicable to the areas within the committee's mandate that were brought to its attention. The committee has no reason to believe that any such non-compliance or non-adherence has occurred.

MV Moosa

Chairman

Social, Ethics, Transformation and Sustainability Committee





+ DETERMINATION

DIRECTION
 DEDICATED
 MOTIVATION
 PASSION IMPETUS
 PERFORMANCE
 SPEED
 MOMENTUM
 LEAD TENACITY
 COMPETE
 PURPOSE

Every marathon runner has their own individual race strategy – intervals and tempo runs that increase cardio capacity, rest and recovery periods that help prevent injuries. However different their strategies may be, they all have one characteristic in common: determination.

It begins with the long, hard slog of training, often at inconvenient times, sometimes in inclement weather.

Determination continues as runners have to contend with meeting the increasingly stringent criteria for cut off times.

Nobody forces anybody to participate, nobody needs to participate. For all the hundreds of thousands of those who participate in marathons every year, it is not only a competition against other runners, it is a competition against

themselves. That is what drives them to finish the race even when their bodies are saying they cannot possibly do so and the power of the mind and positive thinking drives them on.

This individual and collective determination demonstrates how success is achieved – not just by the record breakers or race winners, but everyone who finishes within the cut-off time.

At Sappi, we believe in the power of determination, of overcoming the impossible and constantly challenging ourselves to do better than our best. It is what underpins our focus on our chosen markets, our approach to leveraging the power of woodfibre and our drive to be a trusted and sustainable organisation with an exciting future.

+ FIVE-YEAR REVIEW

US\$ million	2019	2018	2017	2016	2015
Income statement					
Sales	5,746	5,806	5,296	5,141	5,390
Variable manufacturing and delivery costs	3,530	3,521	3,147	3,061	3,414
Fixed costs	1,771	1,767	1,601	1,571	1,613
Sundry expenses (income) ¹	43	38	22	22	6
Operating profit excluding special items	402	480	526	487	357
Special items – (gains) losses	19	(9)	–	(57)	(54)
Operating profit	383	489	526	544	411
Net finance costs	85	68	80	121	182
Profit (loss) before taxation	298	421	446	423	229
Taxation charge	87	98	108	104	62
Profit (loss) for the year	211	323	338	319	167
EBITDA excluding special items	687	762	785	739	625
Balance sheet					
Total assets	5,623	5,670	5,247	5,177	4,913
Non-current assets	3,789	3,766	3,378	3,171	3,174
Current assets	1,834	1,904	1,869	2,006	1,739
Current liabilities	1,214	1,173	1,043	1,474	1,092
Shareholders' equity	1,948	1,947	1,747	1,378	1,015
Net debt	1,501	1,568	1,322	1,408	1,771
Gross interest-bearing debt	1,894	1,931	1,872	2,111	2,227
Cash	(393)	(363)	(550)	(703)	(456)
Capital employed	3,449	3,515	3,069	2,786	2,786
Cash flow					
Cash generated from operations	673	709	748	693	544
Decrease (increase) in working capital	(15)	(79)	(27)	4	(11)
Finance costs paid	(51)	(84)	(96)	(107)	(148)
Finance revenue received	9	18	15	16	13
Taxation paid	(51)	(73)	(100)	(56)	(16)
Dividends paid	(92)	(81)	(59)	–	–
Cash generated from operating activities	473	410	481	550	382
Net cash generated (utilised)	1	(254)	108	359	145
Cash effects of financing activities	56	68	(279)	(130)	(127)
Capital expenditure (gross)	471	541	357	241	248
To maintain operations	148	167	140	155	175
To expand operations	323	374	217	86	73
Exchange rates					
US\$ per one Euro exchange rate – closing	1,094	1,161	1,181	1,123	1,120
US\$ per one Euro exchange rate – average (financial year)	1,128	1,190	1,106	1,111	1,150
ZAR to one US\$ exchange rate – closing	15,156	14,147	13,556	13,714	13,914
ZAR to one US\$ exchange rate – average (financial year)	14,346	13,052	13,381	14,788	11,964

¹ Sundry items include all income and costs not directly related to manufacturing operations such as debtor securitisation costs, commissions paid and received and results of equity-accounted investments.

US\$ million	2019	2018	2017	2016	2015
Statistics					
Number of ordinary shares (millions)¹					
In issue at year-end	542.8	539.3	535.0	530.6	526.4
Basic weighted average number of shares in issue during the year	542.0	538.1	533.9	529.4	525.7
Per share information (US cents)					
Basic earnings (loss)	39	60	63	60	32
Diluted earnings (loss)	39	59	62	59	31
Headline earnings (loss)	42	59	64	58	32
Diluted headline earnings (loss)	42	58	63	57	31
EPS excluding special items (US cents)	44	60	64	57	34
Net asset value	359	361	327	260	193
Profitability ratios (%)					
Operating profit to sales	6.7	8.4	9.9	10.6	7.6
Operating profit excluding special items to sales	7.0	8.3	9.9	9.5	6.6
EBITDA excluding special items to sales	12.0	13.1	14.8	14.4	11.6
Operating profit excluding special items to capital employed (ROCE)	11.5	14.6	18.0	17.5	12.4
Net debt to EBITDA excluding special items	2.2	2.1	1.7	1.9	2.8
Interest cover	9.3	11.0	9.1	7.3	4.4
Return on average equity (ROE)	10.8	17.5	21.6	26.7	16.2
Debt ratios (%)					
Net debt to total capitalisation	43.5	44.6	43.1	50.5	63.6
Efficiency ratios					
Asset turnover (times)	1.0	1.0	1.0	1.0	1.1
Inventory turnover ratio	7.0	6.7	7.0	7.0	7.9
Liquidity ratios					
Current asset ratio	1.5	1.6	1.8	1.4	1.6
Trade accounts receivable days outstanding (including receivables securitised)	46	45	45	44	45
Cash interest cover (times)	7.6	9.3	8.1	5.6	3.0
Other non-financial information²					
Sales volumes	7,622	7,591	7,410	7,253	7,306
Number of full-time equivalent employees	12,821	12,645	12,158	12,051	12,548
Lost-time injury frequency rate (including contract employees)	0.54	0.43	0.44	0.46	0.48
Energy					
Energy intensity (GJ/adt)	22.84	22.44	22.63	22.75	22.64
Renewable energy to total energy (%)	52.93	52.15	53.71	53.78	54.84
Water					
Specific process water drawn (m ³ /adt)	34.17	34.28	33.74	34.93	34.32
Specific process water returned (m ³ /adt)	32.32	32.15	31.66	31.74	31.27
Waste					
Specific total landfill (ton/adt)	0.059	0.064	0.079	0.069	0.077
Emissions					
Specific Scope 1 emissions (ton CO ₂ eq/adt)	0.69	0.69	0.68	0.69	0.67
Absolute Scope 1 (ton CO ₂ e)	4,395,556	4,456,032	4,330,484	4,233,863	4,098,481
Specific Scope 2 emissions (ton CO ₂ eq/adt)	0.25	0.24	0.25	0.28	0.27
Absolute Scope 2 (ton CO ₂ e)	1,608,661	1,537,231	1,583,499	1,699,092	1,667,942

Refer to share statistics section for other market and share-related information.

¹ Net of treasury shares (refer to note 18 to the group financial statements).

² Certain energy, water, waste and emissions data for the comparative years have been restated using the latest reporting standards and measurement methodology.

Note: Definitions for various terms and ratios used above are included in the glossary section.

SHARE STATISTICS

as at September 2019

Shareholding

Ordinary shares in issue	Number of shareholders	%	Number of shares ¹	% of shares in issue
1 – 5,000	5,145	81.1	2,714,091	0.5
5,001 – 10,000	210	3.3	1,526,010	0.3
10,001 – 50,000	396	6.3	9,952,385	1.9
50,001 – 100,000	157	2.5	11,063,470	2.0
100,001 – 1,000,000	357	5.6	110,244,899	20.3
Over 1,000,000	76	1.2	407,274,585	75.0
	6,341	100.0	542,775,440	100.0

¹ The number of shares excludes 5,278,023 treasury shares held by the group.

Shareholder spread

Type of shareholder	% of shares in issue
Non-public	0.4
Sappi Limited directors and prescribed officers	0.4
Associates of group directors	–
Trustees of the company's share and retirement funding schemes	–
Shareowners who, by virtue of any agreement, have the right to nominate board members	–
Share owners interested in 10% or more of the issued shares	–
Public (the number of public shareholders as at September 2019 was 6,330)	99.6
	100.0

Sappi has a primary listing on the JSE Limited and a Level 1 ADR programme that trades in the over-the-counter market in the United States.

A large number of shares are held by nominee companies for beneficial shareholders. Pursuant to section 56(7) of the Companies Act 71 of 2008 of South Africa, the directors have investigated the beneficial ownership of shares in Sappi Limited, including those which are registered in the nominee holdings. These investigations revealed as of September 2019, the following are beneficial holders of more than 5% of the issued share capital of Sappi Limited:

Beneficial holder	Shares	%
Public Investment Corporation	81,646,282	15.0

Further, as a result of these investigations, the directors have ascertained that some of the shares registered in the names of the nominee holders are managed by various fund managers and that, as of September 2019, the following fund managers were responsible for managing 5% or more of the share capital of Sappi Limited:

Fund manager	Shares	%
Allan Gray Proprietary Limited	89,790,341	16.5
Public Investment Corporation	73,976,923	13.6
Prudential Investment Managers	68,923,170	12.7

Share statistics

	2019	2018	2017	2016	2015
Ordinary shares in issue (millions) ¹	542.8	539.3	535.0	530.6	526.4
Net asset value per share (US cents)	359	361	327	260	193
Number of shares traded (millions)					
JSE	537.1	557.4	630.7	544.7	351.0
New York	0.3	0.4	3.1	0.9	1.1
Value of shares traded					
JSE (ZAR million)	33,141.3	49,837.1	54,760.0	35,428.6	15,642.5
New York (US\$ million)	1.5	2.9	20.3	4.2	4.4
Percentage of issued shares traded	99.0	103.4	118.5	102.8	66.9
Market price per share					
– year-end					
JSE (South African cents)	3,629.0	8,875.0	9,206	7,226	4,069
New York (US cents)	251.0	639.0	681	522	286
– highest					
JSE (SA cents)	9,059.0	10,579.0	10,438	7,942	5,279
New York (US cents)	640.0	749.0	797	522	448
– lowest					
JSE (SA cents)	3,542.0	7,180.0	6,953	3,982	3,610
New York (US cents)	241.0	613.0	509	282	267
Earnings yield (%) ²	16.29	9.56	9.28	11.39	10.94
Price/earnings ratio (times) ²	6.14	10.46	10.78	8.78	9.14
Total market capitalisation (US\$ million) ²	1,300	3,383	3,633	2,796	1,539

¹ The number of shares excludes 5,278,023 treasury shares held by the group.

² Based on financial year-end closing prices on the JSE Limited. Income statement amounts have been converted at average year-to-date exchange rates.

Note: Definitions for various terms and ratios used above are included in the Glossary section.

+ 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%.

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

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

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

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

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

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

CEPI – Confederation of European Paper Industries.

Cham Paper Group Holding AG (CPG) – Speciality paper business acquired by Sappi, which included CPG's Carmignano and Condino Mills (Italy) and its digital imaging business 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 materials, consisting of pigments and binders, act 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.

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

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

EIA – Environmental impact assessment.

ESG – Environmental, social and corporate governance.

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

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

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

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

Forestry South Africa – Largest forestry organisation representing growers of timber in South Africa.

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

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.

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

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

Ideas that Matter (ITM) – More than a decade ago Sappi North America established the Ideas that Matter grant programme to recognise and support designers who use their skills and expertise to solve communications problems for a wide range of charitable activities.

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

JSE Limited – The main securities exchange in South Africa.

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

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

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

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

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

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

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

managed forest – Naturally occurring forests that are harvested commercially.

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

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

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

National Development Plan (NDP) – Aims to eliminate poverty and reduce inequality by 2030. South Africa can realise these goals by drawing on the energies of its people, growing an inclusive economy, building capabilities, enhancing the capacity of the state, and promoting leadership and partnerships throughout society.

natural/indigenous forest – Pristine areas not used commercially.

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.

NBSK – Northern Bleached Softwood Kraft pulp. One of the main varieties of market pulp, produced from coniferous trees (ie spruce, pine) in Scandinavia, Canada and northern United States of America. The price of NBSK is a benchmark widely used in the pulp and paper industry for comparative purposes.

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

NGO – Non-governmental organisation.

NPO – Non-profit organisation.

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

OTC – Over-the-counter trading of shares.

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, non-governmental organisation 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.

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

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

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

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

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

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 Wood Pulp – The business unit within Sappi which oversees the production and marketing of dissolving wood pulp (DWP).

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.

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
- Indirect GHG emissions are emissions from purchased electricity, steam, heat or cooling.

SETS – Social, ethics, transformation and sustainability.

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

solid waste – Dry organic and inorganic waste materials.

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

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

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

Sustainable Forestry Initiative® (SFI®) – 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 in the PEFC™ programme. (<http://www.sfiprogram.org>). 

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.

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

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

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

woodfree paper – Paper made from chemical pulp.

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

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 – Is 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.

operation – A component of the group:

- That represents a separate major line of business or geographical area of operation that is distinguished separately for financial and operating purposes.

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.

asset turnover (times) – Sales divided by total assets.

+ GLOSSARY continued

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 – 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 4/2018, issued by the South African Institute of Chartered Accountants in April 2018, 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 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 and overdraft).

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.

total shareholder return (TSR) – A measure of the performance of different companies' stocks and shares over time. It combines share price appreciation and dividends paid to show the total return to the shareholder expressed as an annualised percentage.

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.

+ NOTICE TO SHAREHOLDERS

Notice of Annual General Meeting

This document is important and requires your immediate attention.

If you are in any doubt as to what action you should take, please consult your stockbroker, banker, attorney, accountant or other professional advisor immediately.

Sappi Limited
(Registration number: 1936/008963/06)
(Sappi or the Company)

The eighty-third Annual General Meeting (AGM) of Sappi will be held at Sappi's registered office, in the Oxford Room, Ground Floor, 108 Oxford Road (entrance on Ninth Street), Houghton Estate, Johannesburg, 2198, Republic of South Africa on Wednesday, 05 February 2020 at 14:00. The following business will be transacted and, if deemed fit, the following resolutions will be passed with or without modification.

The record date on which shareholders must be recorded as such in the register maintained by the transfer secretaries of the company for the purposes of determining which shareholders are entitled to attend and vote at the AGM is Friday, 31 January 2020.

1. Ordinary resolution number 1: Presentation of annual financial statements

Ordinary resolution number 1 is proposed to present the Group Annual Financial Statements of the company for the year ended September 2019, including the Directors' Report, the Report of the Auditors and the Report of the Audit and Risk Committee.

Summarised financial information is contained in the Financial Officer's Report of the Annual Integrated Report (see page 80). The complete Group Annual Financial Statements for the year ended September 2019 are available on the Sappi website: www.sappi.com/2019AFS

"Resolved that the Group Annual Financial Statements for the year ended September 2019 of the company, including the Directors' Report, the Report of the auditors and the Report of the Audit and Risk Committee, be and are hereby received and accepted."

In order for this resolution to be adopted, the support of more than 50% of the voting rights exercised on the resolution by shareholders present or represented by proxy at the AGM and entitled to exercise voting rights on the resolution is required.

2. Ordinary resolution number 2: Approval and confirmation of appointment of directors appointed subsequent to the last AGM and subsequent to the financial year-end

Ordinary resolution number 2.1

"Resolved that the appointment of Mr BR Beamish with effect from 01 March 2019 is approved and confirmed as required in terms of Sappi's Memorandum of Incorporation."

Ordinary resolution number 2.2

"Resolved that the appointment of Mr JM Lopez with effect from 01 March 2019 is approved and confirmed as required in terms of Sappi's Memorandum of Incorporation."

Ordinary resolution number 2.3

"Resolved that the appointment of Ms JE Stipp with effect from 01 June 2019 is approved and confirmed as required in terms of Sappi's Memorandum of Incorporation."

The board recommends and supports the approval and confirmation of the appointment of Mr BR Beamish, Mr JM Lopez and Ms JE Stipp. For their brief biographical details, see note 1 in Notice to shareholders on page 162.

In order for these resolutions to be adopted, the support of more than 50% of the voting rights exercised on the resolution by shareholders present or represented by proxy at the AGM and entitled to exercise voting rights on the resolution, is required.

3. Ordinary resolutions numbers 3.1 to 3.2: Re-election of the directors retiring by rotation in terms of Sappi's Memorandum of Incorporation

The board has evaluated the performances of each of the directors who are retiring by rotation and recommends and supports the re-election of each of them. For brief biographical details of those directors, refer to note 2 in Notice to shareholders on page 162.

It is intended that all the directors who retire by rotation will, if possible, attend the AGM, either in person or by means of video-conferencing.

+ NOTICE TO SHAREHOLDERS continued

In order for these resolutions to be adopted, in each case the support of more than 50% of the voting rights exercised on the resolution by shareholders present or represented by proxy at the AGM and entitled to exercise voting rights on the resolution is required:

Ordinary resolution number 3.1

“Resolved that Mr MA Fallon is re-elected as a director of Sappi.”

Ordinary resolution number 3.2

“Resolved that Mr NP Mageza is re-elected as a director of Sappi.”

Ordinary resolution number 3.3

“Resolved that Dr B Mehlomakulu is re-elected as a director of Sappi.”

Ordinary resolution number 3.4

“Resolved that Mr GT Pearce is re-elected as a director of Sappi.”

4. Ordinary resolution number 4: Election of Audit and Risk Committee members

Ordinary resolution number 4 is proposed to elect the members of the Audit and Risk Committee in terms of section 94(2) of the South African Companies Act, 71 of 2008 (as amended) (the Companies Act) and the King IV Report on Corporate Governance for South Africa 2016 (King IV).

Section 94 of the Companies Act requires that, at each AGM, shareholders of the company must elect an Audit and Risk Committee comprising of at least three members.

The Nomination and Governance Committee assessed the performance and independence of each of the directors proposed to be members of the Audit and Risk Committee and the board considered and accepted the findings of the Nomination and Governance Committee. The board is satisfied that the proposed members meet the requirements of section 94(4) of the Companies Act, that they are independent according to King IV and that they possess the required qualifications and experience as prescribed in regulation 42 of the Companies Regulations, 2011, which requires that at least one-third of the members of a company's Audit and Risk Committee at any particular time must have academic qualifications or experience in economics, law, corporate governance, finance, accounting, commerce, industry, public affairs or human resource management.

Brief biographical details of each member of the Audit and Risk Committee are included in the biographies of all directors contained under Our leadership of the Annual Integrated Report (see page 104).

“Resolved that an Audit and Risk Committee be and is hereby elected, by separate election to the committee of the following independent directors:

4.1	Mr NP Mageza	Chairman*
4.2	Mrs ZN Malinga	Member
4.3	Dr B Mehlomakulu	Member*
4.4	Mr RJAM Renders	Member
4.5	Ms JE Stipp	Member**

in terms of the Companies Act, to hold office until the conclusion of the next AGM and to perform the duties and responsibilities stipulated in section 94(7) of the Companies Act and in King IV and to perform such other duties and responsibilities as may from time to time be delegated to it by the board.”

In order for these resolutions to be adopted, the support in each case of more than 50% of the voting rights exercised on the resolution by shareholders present or represented by proxy at the AGM and entitled to exercise voting rights on the resolution is required.

* Subject to his/her re-election as a director pursuant to ordinary resolution number 3.2 and 3.3, respectively.

** Subject to her confirmation as a director pursuant to ordinary resolution number 2.3.

5. Ordinary resolution number 5: Appointment of auditors

The board has evaluated the performance of KPMG Inc. and recommends their reappointment as auditors of Sappi.

“Resolved that KPMG Inc. (with the designated registered auditor to be Mr Coenie Basson) be reappointed as the auditors of Sappi for the financial year ending September 2020 and to remain in office until the conclusion of the next AGM.”

In order for this resolution to be adopted, the support of more than 50% of the voting rights exercised on the resolution by shareholders present or represented by proxy at the AGM and entitled to exercise voting rights on the resolution is required.

6. Ordinary resolution number 6: Authority from shareholders

In March 2005, shareholders approved the maximum allocation of shares allowed under The Sappi Limited Share Incentive Trust (**the scheme**) and The Sappi Limited Performance Share Incentive Trust (**the plan**). Sappi intends liquidating the Scheme but believes that the plan is an effective long-term incentive plan for employees. Over the last 14 years, since the approved maximum allocation for the scheme and the plan, the shares originally allocated for these purposes have almost been utilised, and the company wishes to seek the requisite approval and authority from shareholders for 27,402,673 ordinary shares, being 5% of the issued shares of the company at the date of the passing of this resolution, to be set aside for the purposes of the plan in order to settle obligations to employees under the plan in the years ahead. The plan document is available for inspection by shareholders during normal business hours at the company's registered office until 05 February 2020.

"Resolved that, from the date of the passing of this resolution, the maximum number of ordinary shares which may be allocated and issued or acquired in respect of which shares may be granted to employees of the company under The Sappi Limited Performance Share Incentive Trust (the plan) (excluding any broad-based ownership schemes replacing the Sappi ESOP Trust and the Sappi MSOP Trust) be set at 27,402,673 ordinary shares, which constitutes 5% of the total issued shares of the company at the date of the passing of this resolution."

The percentage of voting rights required for ordinary resolution number 6 to be adopted is 75% (seventy-five percent) majority of the votes.

7. Ordinary resolution number 7: The provision of Sappi Limited shares as required by the Sappi Limited Performance Share Incentive Trust

The passing of resolution number 7 will enable the directors to continue to meet the share requirements of The Sappi Limited Performance Share Incentive Trust (the plan), which is already in place and is subject to the Listings Requirements of the JSE Limited (JSE).

"Resolved that, subject to the passing of ordinary resolution number 7, 27,402,673 ordinary shares required for the purposes of carrying out the terms of the plan be and are hereby specifically placed under the control of the directors who are hereby authorised to issue and deal with those shares in terms of the rules of the plan."

In order for this resolution to be adopted, the support of more than 50% of the voting rights exercised on the resolution by shareholders present or represented by proxy at the AGM and entitled to exercise voting rights on the resolution is required.

8. Ordinary resolution number 8: Remuneration policy

"Resolved as an ordinary resolution, that the company's remuneration policy as contained under Remuneration Report of the Annual Integrated Report (see page 126), be and is hereby endorsed by way of a non-binding advisory vote."

This non-binding advisory vote is being proposed in accordance with the recommendations of King IV.

In order for this resolution to be adopted, the support of more than 50% of the voting rights exercised on the resolution by shareholders present or represented by proxy at the AGM and entitled to exercise voting rights on the resolution is required.

9. Ordinary resolution number 9: Remuneration implementation report

"Resolved as an ordinary resolution, that the company's remuneration implementation report under Remuneration Report of the Annual Integrated Report (see page 133), be and is hereby endorsed by way of a non-binding advisory vote."

This further non-binding advisory vote is being proposed in accordance with the recommendations of King IV.

In order for this resolution to be adopted, the support of more than 50% of the voting rights exercised on the resolution by shareholders present or represented by proxy at the AGM and entitled to exercise voting rights on the resolution is required.

+ NOTICE TO SHAREHOLDERS continued

10. Special resolution number 1: Non-executive directors' fees

"Resolved that, with effect from 01 October 2019 and until otherwise determined by Sappi in general meeting, the remuneration of the non-executive directors for their services shall be increased as follows:

Fee structure

	From	To
1. Sappi board fees¹		
<i>Chairperson</i>		
If United Kingdom resident	£315,210	£319,940 ²
<i>Lead independent director</i>		
If South African resident	ZAR644,790	ZAR674,450
If United Kingdom resident	£69,030	£70,070
If United States of America resident	US\$103,950	US\$105,820
If European resident	€92,120	€93,500
<i>Other directors</i>		
If South African resident	ZAR430,930	ZAR450,750
If United Kingdom resident	£45,980	£46,670
If United States of America resident	US\$69,290	US\$70,540
If European resident	€61,370	€62,290
2. Audit and Risk Committee fees¹		
<i>Chairperson</i>		
If South African resident	ZAR447,470	ZAR468,050
If United Kingdom resident	£46,690	£47,390
If United States of America resident	US\$71,770	US\$73,060
If European resident	€62,310	€63,240
<i>Other directors</i>		
If South African resident	ZAR223,740	ZAR234,030
If United Kingdom resident	£23,480	£23,830
If United States of America resident	US\$35,050	US\$35,680
If European resident	€31,320	€31,790

	From	To
3. Human Resources and Compensation Committee, Nomination and Governance Committee, Social, Ethics, Sustainability and Transformation Committee and any other committee fees¹		
<i>Chairperson</i>		
If South African resident	ZAR269,030	ZAR281,400
If United Kingdom resident	£27,740	£28,160
If United States of America resident	US\$41,010	US\$41,750
If European resident	€37,010	€37,570
<i>Other directors</i>		
If South African resident	ZAR140,010	ZAR146,450
If United Kingdom resident	£19,440	£19,730
If United States of America resident	US\$25,050	US\$25,500
If European resident	€25,940	€26,330
4. Additional meeting fees for board meetings in excess of five meetings per annum whether attended in person or by teleconference/video-conference		
If South African resident	ZAR43,200 per meeting	ZAR45,190 per meeting
If United Kingdom resident	£4,560 per meeting	£4,630 per meeting
If United States of America resident	US\$6,930 per meeting	US\$7,050 per meeting
If European resident	€6,080 per meeting	€6,170 per meeting
5. Travel compensation (applicable to long-haul flights with a duration of at least 10 hours)		
If South African resident	US\$3,700 per meeting	US\$3,800 per meeting
If United Kingdom resident	US\$3,700 per meeting	US\$3,800 per meeting
If United States of America resident	US\$3,700 per meeting	US\$3,800 per meeting
If European resident	US\$3,700 per meeting	US\$3,800 per meeting

¹ Fees per annum unless otherwise indicated.

² Inclusive of all board committee fees. If a future chairperson is not United Kingdom domiciled, appropriate benchmark information in relation to his/her domicile will be used to determine fees payable.

+ NOTICE TO SHAREHOLDERS continued

Sappi's practice, as recorded previously, is to review directors' fees annually. Special resolution number 1 increases the remuneration currently paid to non-executive directors and board committee members by between approximately 1.5% and 4.6% per annum depending generally on the domicile of the directors and the currency in which they are paid, with effect from 01 October 2019. The fees were last increased with effect from 01 October 2018 and have been reviewed to ensure that Sappi's fees remain generally comparable with those of its peer companies in the various countries in which its directors are domiciled.

The review also takes into account that the responsibility of non-executive directors continues to increase substantially flowing from legislative, regulatory and corporate governance developments and requirements in South Africa and elsewhere.

Non-executive directors' fees are paid quarterly (in March, June, September and December each year) and the proposed increase, if approved, will be applicable to payments to be made in December 2019 onwards. Initially the December 2019 payment will be made on the basis of the existing fee structure, and following shareholder approval of the proposed increases, the shortfall in the December 2019 payment will be made up in the March 2020 payment.

The practice has been and will continue to be that directors' fees and board committee fees are paid to non-executive directors only.

In order for this resolution to be adopted, the support of at least 75% of the voting rights exercised on the resolution by shareholders present or represented by proxy at the AGM and entitled to exercise voting rights on the resolution is required.

11. Special resolution number 2: Loans or other financial assistance to related or inter-related companies

The Companies Act provides, among other things, that, except to the extent that the Memorandum of Incorporation of a company provides otherwise, the board may authorise the company to provide direct or indirect financial assistance (which includes lending money, guaranteeing a loan or other obligation and securing any debt or obligation) to a related or inter-related company or corporation, provided that such authorisation shall be made pursuant to a special resolution of the shareholders adopted within the previous two years, which approved such assistance

either for the specific recipient or generally for a category of potential recipients and the specific recipient falls within that category.

"Resolved that the directors of the company be and are hereby authorised, in accordance with the Companies Act, to authorise the company to provide direct or indirect financial assistance to any company or corporation which is related or inter-related to the company."

In order for this resolution to be adopted, the support of at least 75% of the voting rights exercised on the resolution by shareholders present or represented by proxy at the AGM and entitled to exercise voting rights on the resolution is required.

12. Ordinary resolution number 10: Signature of documents

"Resolved that any director of Sappi is authorised to sign all such documents and do all such things as may be necessary for or incidental to the implementation of the resolutions passed at the AGM held on 05 February 2020 or any adjournment thereof."

In order for this resolution to be adopted, the support of more than 50% of the voting rights exercised on the resolution by shareholders present or represented by proxy at the AGM and entitled to exercise voting rights on the resolution is required.

13. To receive a report from the Social, Ethics, Transformation and Sustainability (SETS) Committee

Shareholders are referred to the Social, Ethics, Transformation and Sustainability (SETS) Committee Report in the Annual Integrated Report (see page 142).

Proxies

Shareholders are entitled to appoint one or more proxies to attend, speak and on a poll to vote in their stead. A proxy need not be a shareholder. For the convenience of shareholders, a form of proxy is enclosed.

The attached form of proxy is only to be completed by shareholders who hold Sappi shares in certificated form or have dematerialised their shares (ie have replaced the paper share certificates with electronic records of ownership under JSE's electronic settlement system (Strate Limited) and are recorded in the sub-register in 'own name' dematerialised form (ie shareholders who have specifically instructed their Central Securities Depository Participant (CSDP) or broker to hold their shares in their own name on Sappi's sub-register).

Shareholders who have dematerialised their shares and who are not registered as 'own name' dematerialised shareholders and who wish to:

- attend the AGM must instruct their CSDP or brokers to provide them with a letter of representation to enable them to attend such meeting, or
- vote, but not to attend the AGM, must provide their CSDPs or brokers with their voting instructions in terms of the relevant custody agreement between them and their CSDPs or brokers.

Such a shareholder must not complete the attached form of proxy.

When authorised to do so, CSDPs or brokers recorded in Sappi's sub-register or their nominees should vote either by appointing a duly authorised representative to attend and vote at the AGM to be held on 05 February 2020 or any adjournment thereof or by completing the attached form of proxy and returning it to one of the addresses indicated on the form of proxy in accordance with the instructions thereon.

Electronic participation by shareholders

Should any shareholder (or any proxy for a shareholder) wish to participate in the AGM by way of electronic participation, that shareholder should make application in writing (including details as to how the shareholder or the shareholder's representative or proxy, can be contacted) to so participate to the transfer secretaries, at their address as reflected under Administration (see page 164), to be received by the transfer secretaries at least five business days prior to the AGM in order for the transfer secretaries to arrange for the shareholder (or the shareholder's representative or proxy) to provide reasonably satisfactory identification to the transfer secretaries for the purposes of section 63(1) of the Companies Act and for the transfer secretaries to provide the shareholder (or the shareholder's representative or proxy) with details as to how to access any electronic participation to be provided. The company reserves the right to elect not to provide for electronic participation at the AGM in the event that it determines that it is not practical to do so. The costs of accessing any means of electronic participation provided by the company will be borne by the company.

It should be noted, however, that voting will not be possible via the electronic facilities and for shareholders wishing to vote, their shares will need to be represented at the meeting either in person, by proxy or by letter of representation, as provided for in the notice of meeting.

Questions

The board encourages shareholders to attend and to ask questions at the AGM. In order to facilitate the answering of questions at the meeting, shareholders who wish to ask questions in advance are encouraged to submit their questions in writing to the Group Company Secretary by 17:00 on Friday, 31 January 2020 at:

108 Oxford Road
Houghton Estate
Johannesburg, 2198
South Africa

or

PO Box 52264
Saxonwold, 2132
South Africa

or

By email to Ami.Mahendranath@sappi.com
Secretaries: per A Mahendranath

Group Company Secretary

Sappi Southern Africa Limited
108 Oxford Road
Houghton Estate
Johannesburg, 2198
South Africa

06 December 2019

NOTICE TO SHAREHOLDERS continued

Notes

1. Approval and confirmation of appointment of directors appointed since the last AGM and subsequent to the year-end

Brian Richard Beamish (Brian) (62)
(Independent)

Qualifications: BSc (Mech Eng): HBS PMD

Nationality: British and South African

Appointed: March 2019

Sappi board committee memberships

- Social, Ethics, Transformation and Sustainability Committee
- Human Resources and Compensation Committee

Other board and organisation memberships

- Nordgold (member of the Audit and Risk Committee and Remuneration Committee, as well as Chairman of the Safety and Sustainable Development Committee)
- Sita Capital Global Mining Opportunities Fund (Associate Partner)

Skills, expertise and experience

Mr Beamish, a qualified mechanical engineer with over 40 years of relevant management, business and leadership experience in capital intensive industries. He was appointed to the Lonmin Board in 2013 and served as Chairman from May 2014 until June 2019 when the corporate action with Sibanye-Stillwater completed. He also served as Chair of the Nomination Committee and as a member of the Remuneration and Safety, Health and Environment Committees. His senior executive career was spent within Anglo American, where his final role until retirement was that of Group Director Mining and Technology, before he was the CEO of the Base Metals Division.

James Michael Lopez (Jim) (59)
(Independent)

Qualifications: BA (Economics)

Nationality: American

Appointed: March 2019

Sappi board committee memberships

- Social, Ethics, Transformation and Sustainability Committee

Skills, expertise and experience

Mr Lopez is the former President and CEO of Tembec Inc (2006 – 2017) having progressed through management, senior management and executive positions within Tembec since 1989. In 2017 Mr Lopez successfully negotiated the sale of Tembec Inc., a manufacturer of lumber, pulp, paper/paperboard and specialty cellulose and a global leader in sustainable forest management practices.

Mr Lopez is currently the Co-Chairman of the Bi-National Softwood Lumber Council. Previous chairmanships included the Softwood Lumber Board, Forest products Innovation and Ontario Forest Products Association.

Janice Elaine Stipp (Janice) (60)
(Independent)

Qualifications: BA (Accounting) MBA

Nationality: American

Appointed: June 2019

Sappi board committee memberships

- Audit and Risk Committee

Other board and organisation memberships

- ArcBest Corp (Chairperson of the Audit Committee)
- Commercial Vehicle Group Inc.
- NN Inc.

Skills, expertise and experience:

Ms Stipp retired from Rogers Corporation in 2018 where she served as Senior Vice-President (2017 – 2018), Chief Financial Officer and Treasurer from 2015. Prior to that, Ms Stipp was employed at several companies in senior financial positions, including Tecumseh Products, Acument Global Technologies, GDX Automotive and TI Group Automotive Systems. Ms Stipp holds a Bachelor's degree in Accounting from Michigan State University and a Master of Business Administration from Wayne State University. She is a Certified Public Accountant and a Chartered Global Management Accountant.

Ms Stipp is currently non-executive director and Chair of the Audit Committee of ArcBest Corporation.

2. Directors retiring by rotation who are seeking re-election

Michael Anthony Fallon (Mike) (61)
(Independent)

Qualifications: BSc (Hons) (first class)

Nationality: British

Appointed: September 2011

Sappi board committee memberships

- Human Resources and Compensation Committee (Chairman)
- Audit and Risk Committee (until 31 December 2019)
- Nomination and Governance Committee (appointed from 01 January 2020)

Skills, expertise and experience

Mr Fallon retired as an executive director of Nippon Sheet Glass Company Limited (NSG Group) at the end of June 2012. Prior to retirement, Mr Fallon was President of NSG's Global Automotive Division, with 17,500 employees, heading up all the glass and glazing

operations in the key automotive regions across the world. With annual sales of around €6 billion, the NSG Group is one of the world's largest manufacturers of glass and glazing products for the building, automotive and speciality glass sectors. His management and leadership experience extend across a wide range of functions from plant management, sales and marketing and supply chain to general management, including mergers and acquisition experience.

During his 30-year career in a highly competitive industry he held a wide range of roles, including President of Pilkington operations in North America and has been director and chairman of companies in the United Kingdom, New Zealand and Finland. In his last four years at NSG he was both a main board director and leader of their Global Automotive Division. He was responsible for leading and developing the strategic direction and ultimately the performance and governance of this business. His leadership and experience covered all aspects of the business, from its research and development, sales and marketing, 30 manufacturing sites, supply chain, including 150 warehouses and distribution centres, purchasing, human resources and finance.

Nkateko Peter Mageza (Peter) (64)
(Independent)

Qualifications: FCCA (United Kingdom)

Nationality: South African

Appointed: January 2010

Sappi board committee memberships

- Audit and Risk Committee (Chairman)
- Human Resources and Compensation Committee

Other board and organisation memberships

- Anglo American Platinum Limited
- Ethos Private Equity Proprietary Limited (Chairman)
- RCL Foods Limited
- Remgro Limited
- MTN Group Limited

Skills, expertise and experience

Mr Mageza joined the Sappi board after having held senior executive positions across a wide range of industries. He is a former Group Chief Operating Officer and executive director of Absa Group Limited, Assistant General Manager at Nedcor Limited and Chief Executive Officer of Autonet, the Road Passenger and Freight Logistics division of Transnet Limited.

Dr Bonakele Mehlomakulu (Boni) (46)
(Independent)

Qualifications: PhD (Chemical Engineering)

Nationality: South African

Appointed: March 2017

Sappi board committee memberships

- Social, Ethics, Transformation and Sustainability Committee
- Audit and Risk Committee (appointed from 01 January 2020)

Other board and organisation memberships

Hulamin Limited
Yokogawa South Africa
Ububanzi Investments Proprietary Limited
Renewable Energy Systems Proprietary Limited
The Imp Proprietary Limited

Skills, expertise and experience

Dr Boni Mehlomakulu holds a PhD in Chemical Engineering from the University of Cape Town. Her career started at Sasol before joining the Department of Science and Technology occupying various management roles. Her recent executive role was a Chief Executive Officer of the South African Bureau of Standards (SABS), the position she held for nine years. In addition to her non-executive directorship at Sappi Limited, her portfolio includes non-executive director of Hulamin Limited and Yokogawa South Africa. She is currently managing a portfolio of acquisitions and investments in various industry sectors as a shareholder in Ububanzi Investments Proprietary Limited, Renewable Energy Systems Proprietary Limited and The Imp Proprietary Limited. Her past directorships include PBMR Proprietary Limited, Nuclear Energy Corporation of South Africa (Necsa), Eskom Holdings SOC Limited and the Technology Innovation Agency (TIA), as well as having served as the Deputy Chair of Unisa Council and a country representative on the Council of International Standards Organisation (ISO, Geneva).

Glen Thomas Pearce (56)
(Chief Financial Officer)

Qualifications: BCom, BCom (Hons), CA(SA)

Nationality: South African

Appointed: July 2014

Sappi board committee memberships

Expected to attend Audit and Risk Committee meetings by invitation

Skills, expertise and experience

Mr Pearce joined Sappi Limited in June 1997 as Financial Manager and subsequently held various senior finance roles in South Africa and in Belgium before being promoted to Chief Financial Officer and executive director of Sappi Limited in July 2014. Prior to joining Sappi, he worked at Murray & Roberts Limited from 1992 to 1996.

+ SHAREHOLDERS' DIARY

Annual General Meeting	05 February 2020
First quarter results released	February 2020
Second quarter and half-year results released	May 2020
Third quarter results released	August 2020
Financial year-end	September 2020
Preliminary fourth quarter and year results	November 2020
Annual Integrated Report posted to shareholders and posted on website	December 2020

+ ADMINISTRATION

Sappi Limited

Registration number: 1936/008963/06
JSE code: SAP
ISIN: ZAE 000006284


Group Company Secretary

Ami Mahendranath

Secretaries

Sappi Southern Africa Limited
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PROXY FORM FOR THE ANNUAL GENERAL MEETING

Sappi Limited

(Registration number: 1936/008963/06)
(Incorporated in the Republic of South Africa)
(Sappi or the Company)
Issuer code: SAP
JSE code: SAP
ISIN: ZAE000006284

For use by shareholders who:

- hold shares in certificated form; or
- hold dematerialised shares (ie where the paper share certificates representing the shares have been replaced with electronic records of ownership under the electronic settlement and depository system (Strate Limited of the JSE Limited) and are recorded in Sappi's sub-register with own name registration (ie shareholders who have specifically instructed their Central Securities Depository Participant (CSDP) to record the holding of their shares in their own name in Sappi's sub-register).

If you are unable to attend the eighty-third Annual General Meeting of the members to be held at 14:00 on Wednesday, 05 February 2020 at Sappi in the Oxford Room, Ground Floor, 108 Oxford Road (entrance on Ninth Street), Houghton Estate, Johannesburg, 2198, Republic of South Africa, you should complete and return the form of proxy as soon as possible, but in any event to be received by not later than 14:00 South African time on Monday, 03 February 2020, to Sappi's transfer secretaries, Computershare Investor Services Proprietary Limited, by way of hand delivery to Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, Republic of South Africa or by way of postal delivery to PO Box 61051, Marshalltown, 2107, Republic of South Africa or handed to the chairman of the Annual General Meeting before the appointed proxy exercises any of the relevant shareholder's rights.

Shareholders who have dematerialised their shares and who do not have own name registration and wish to attend the Annual General Meeting, must instruct their CSDP or broker to provide them with the relevant letter of representation to enable them to attend such meeting, or, alternatively, should they wish to vote, but not to attend the Annual General Meeting, they must provide their CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker. **Such shareholders must not complete this form of proxy.**

I/We

of

being a shareholder(s) of Sappi holding

Sappi shares and entitled to vote at the abovementioned Annual General Meeting, appoint

or failing him/her

or failing him/her

or failing him/her, the chairman of the meeting as my/our proxy to attend and speak and, on a poll, to vote for me/us on the resolutions to be proposed (with or without modification) at the Annual General Meeting of Sappi to be held at 14:00 on Wednesday, 05 February 2020 or any adjournment thereof, as follows:

	Number of shares		
	For	Against	Abstain
Ordinary resolution number 1 – Receipt and acceptance of 2019 Annual Financial Statements, including Directors' Report, Auditors' Report and Audit and Risk Committee Report			
Ordinary resolution number 2 – Approval and confirmation of appointment of directors appointed subsequent to the last AGM and subsequent to the financial year-end			
Ordinary resolution number 2.1 – Approval and confirmation of appointment of Mr BR Beamish as a director of Sappi			
Ordinary resolution number 2.2 – Approval and confirmation of appointment of Mr JM Lopez as a director of Sappi			
Ordinary resolution number 2.3 – Approval and confirmation of appointment of Ms JE Stipp as a director of Sappi			
Ordinary resolution number 3 – Re-election of directors retiring by rotation in terms of Sappi's Memorandum of Incorporation ¹			
Ordinary resolution number 3.1 – Re-election of Mr MA Fallon as a director of Sappi			
Ordinary resolution number 3.2 – Re-election of Mr NP Mageza as a director of Sappi			
Ordinary resolution number 3.3 – Re-election of Dr B Mehlomakulu as a director of Sappi			
Ordinary resolution number 3.4 – Re-election of Mr GT Pearce as a director of Sappi			
Ordinary resolution number 4 – Election of Audit and Risk Committee members			
Ordinary resolution number 4.1 – Election of Mr NP Mageza as member and chairman of the Audit and Risk Committee			
Ordinary resolution number 4.2 – Election of Mrs ZN Malinga as a member of the Audit and Risk Committee			
Ordinary resolution number 4.3 – Election of Dr B Mehlomakulu as a member of the Audit and Risk Committee ²			
Ordinary resolution number 4.4 – Election of Mr RJAM Renders as a member of the Audit and Risk Committee			
Ordinary resolution number 4.5 – Election of Ms JE Stipp as a member of the Audit and Risk Committee ³			
Ordinary resolution number 5 – Reappointment of KPMG Inc. as auditors of Sappi for the year ending September 2020 and until the next Annual General Meeting of Sappi			
Ordinary resolution number 6 – Authority from shareholders for the maximum number of ordinary shares which may be utilised under the plan.			
Ordinary resolution number 7 – Authority from shareholders to place the ordinary shares required for the purposes of the plan under the control of the directors			
Ordinary resolution number 8 – Non-binding endorsement of remuneration policy			
Ordinary resolution number 9 – Non-binding endorsement of remuneration implementation report			
Special resolution number 1 – Increase in non-executive directors' fees			
Special resolution number 2 – Authority for loans or other financial assistance to related or inter-related companies or corporations			
Ordinary resolution number 10 – Authority for directors to sign all documents and do all such things necessary to implement the above resolutions			

¹ See notes in Notice to shareholders on page 155.

² Subject to her re-election as a director pursuant to ordinary resolution 3.3 above.

³ Subject to her appointment under ordinary resolution number 2.3 above.

Insert X in the appropriate block if you wish to vote all your shares in the same manner. If not, insert the number of votes in the appropriate block. If no indication is given, the proxy will vote as he/she thinks fit.

Signed at

on

Assisted by me (where applicable)

Each shareholder is entitled to appoint one or more proxies (who need not be shareholders of Sappi) to attend, speak, and on a poll, vote in place of that shareholder at the Annual General Meeting or any adjournment thereof.

+ NOTES TO THE FORM OF PROXY

The form of proxy must only be used by certificated shareholders or shareholders who hold dematerialised shares with own name registration. Other shareholders are reminded that the onus is on them to communicate with their CSDP or broker.

Instructions on signing and lodging the Annual General Meeting proxy form

1. A deletion of any printed matter (only where a shareholder is allowed to choose between more than one alternative option) and the completion of any blank spaces need not be signed or initialled. Any alteration must be signed, not initialled.
2. The chairman shall be entitled to decline to accept the authority of the signatory:
 - 2.1 under a power of attorney, or
 - 2.2 on behalf of a company,

if the power of attorney or authority has not been lodged at the offices of the company's transfer secretaries, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, Republic of South Africa or posted to PO Box 61051, Marshalltown, 2107, Republic of South Africa.
3. The signatory may insert the name(s) of any person(s) whom the signatory wishes to appoint as his/her proxy in the blank spaces provided for that purpose.
4. When there are joint holders of shares and if more than one of such joint holders is present or represented, the person whose name stands first in the register in respect of such shares or his/her proxy, as the case may be, shall alone be entitled to vote in respect thereof.
5. The completion and lodging of the form of proxy will not preclude the signatory from attending the meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof should such signatory wish to do so.
6. Forms of proxy must be lodged with, or posted to, the offices of Sappi's transfer secretaries, Computershare Investor Services Proprietary Limited, at Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, Republic of South Africa (for hand delivery) or PO Box 61051, Marshalltown, 2107, Republic of South Africa (for postal delivery), to be received by not later than 14:00 on Monday, 03 February 2020 or handed to the chairman of the Annual General Meeting before the appointed proxy exercises any of the relevant shareholder's rights.

7. If the signatory does not indicate in the appropriate place on the face hereof how he/she wishes to vote in respect of a particular resolution, his/her proxy shall be entitled to vote as he/she deems fit in respect of that resolution.
8. The chairman of the Annual General Meeting may reject any proxy form which is completed other than in accordance with these instructions and may accept any proxy form when he is satisfied as to the manner in which a member wishes to vote.

Summary in terms of section 58(8)(b)(i) of the South African Companies Act, 2008, as amended

Section 58(8)(b)(i) provides that if a company supplies a form of instrument for appointing a proxy, the form of proxy supplied by the company for the purpose of appointing a proxy must bear a reasonably prominent summary of the rights established by section 58 of the Companies Act, 2008, as amended, which summary is set out below:

- A shareholder of a company may, at any time, appoint any individual, including an individual who is not a shareholder of that company, as a proxy, among other things, to participate in, and speak and vote at, a shareholders' meeting on behalf of the shareholder
- A shareholder may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by the shareholder
- A proxy may delegate the proxy's authority to act on behalf of the shareholder to another person
- A proxy appointment must be in writing, dated and signed by the shareholder; and remains valid only until the end of the meeting at which it was intended to be used, unless the proxy appointment is revoked, in which case the proxy appointment will be cancelled with effect from such revocation
- A shareholder may revoke a proxy appointment in writing.
- A proxy appointment is suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder
- A proxy is entitled to exercise, or abstain from exercising, any voting right of the shareholder without direction.

+ FORWARD-LOOKING STATEMENTS

Certain statements in this release that are neither reported financial results nor other historical information are forward-looking statements, including but not limited to statements that are predictions of or indicate future earnings, savings, synergies, events, trends, plans or objectives. The words “believe”, “anticipate”, “expect”, “intend”, “estimate”, “plan”, “assume”, “positioned”, “will”, “may”, “should”, “risk” and other similar expressions, which are predictions of or indicate future events and future trends and which do not relate to historical matters, may be used to identify forward-looking statements. You should not rely on forward-looking statements because they involve known and unknown risks, uncertainties and other factors which are in some cases beyond our control and may cause our actual results, performance or achievements to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements (and from past results, performance or achievements). Certain factors that may cause such differences include but are not limited to the following:

- The highly cyclical nature of the pulp and paper industry (and the factors that contribute to such cyclicity, such as levels of demand, production capacity, production, input costs including raw material, energy and employee costs, and pricing)
- The impact on our business of adverse changes in global economic conditions
- Unanticipated production disruptions (including as a result of planned or unexpected power outages)
- Changes in environmental, tax and other laws and regulations
- Adverse changes in the markets for our products
- The emergence of new technologies and changes in consumer trends including increased preferences for digital media
- Consequences of our leverage, including as a result of adverse changes in credit markets that affect our ability to raise capital when needed
- Adverse changes in the political situation and economy in the countries in which we operate or the effect of governmental efforts to address present or future economic or social problems
- The impact of restructurings, investments, acquisitions, dispositions and other strategic initiatives (including related financing), any delays, unexpected costs or other problems experienced in connection with dispositions or with integrating acquisitions or implementing restructuring and other strategic initiatives and achieving expected savings and synergies
- Currency fluctuations.

We undertake no obligation to publicly update or revise any of these forward-looking statements, whether to reflect new information or future events or circumstances or otherwise.

About our theme: Focus

In 2019, the international economic order was under significant pressure, reducing global growth prospects. Ongoing trade conflicts and Brexit uncertainty weighed further on economic prospects. Populism spread and protests erupted around the world.

Given that some 90% of an iceberg's mass is hidden under water making them extremely difficult to navigate around, they are a powerful metaphor for operating in a business context where all the threats are not immediately visible or obvious.

An iceberg is also a valid metaphor in that much of the hard work to achieve our strategy happens away from the public gaze and is not always recognised. Equally so the breadth and depth of engagement with our customers to provide the solutions their customers demand and with our employees to ensure they are aligned with our strategy. Despite the turbulent global economy, we did not lose focus and are well positioned to benefit from our recent investments. We are determined to maintain our line of sight on our end goal as encapsulated in our 2020Vision and strategy: providing enhanced returns to all our stakeholders.

Our 2019 annual integrated report reflects the focused actions we have taken over the last year. It is supported by various other sources of information including our website and our group and regional sustainability reports, available on www.sappi.com.



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