

Sappi Limited ('the Company')

Audit and Risk Committee Terms of Reference

Audit and Risk Committee Terms of Reference

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Audit and Risk Committee Terms of Reference

1. Background

- 1.1 These Terms of Reference will apply to the Sappi Limited Audit and Risk Committee ('Committee').
- 1.2 The Committee is a statutory audit committee of Sappi Limited ('Company') in accordance with section 94 of the South African Companies Act 2008 ('Companies Act') and as contemplated in section 3.84(c) of the JSE Listings Requirements, and accordingly performs the functions required of an audit committee under the Companies Act.
- 1.3 The Committee also performs the functions required of an audit committee under the Companies Act on behalf of Sappi Southern Africa Limited ('Sappi Southern Africa'). Accordingly, although the duties and responsibilities imposed on the Committee, and the rights of the Committee, are specified in these Terms of Reference with reference to the Company, they are, as appropriate, to be read as being imposed on, and being held by, the Committee also in relation to Sappi Southern Africa, even if no explicit reference is made to Sappi Southern Africa.
- 1.4 In addition to the duties and responsibilities of an audit committee specifically set out in the Companies Act¹ and the duties and responsibilities of the Committee specifically set out in these Terms of Reference, the board of directors of the Company ('Board') may from time to time require the Committee to assume other duties and responsibilities.
- 1.5 The duties and responsibilities of the Committee do not reduce the duties and responsibilities of the Board, and accordingly do not relieve the directors on the Board from any of their duties and responsibilities, except ² with respect to recommending a firm for appointment as external auditors, formally appointing the firm once elected by shareholders and determining the fees and terms of engagement of the external auditors for which the Committee has sole responsibility. As a result, the Committee is accountable to the Board, save in relation to those specific matters. The Committee is also accountable to the Company's shareholders as a whole.³
- 1.6 Section 76 of the Companies Act imposes the same fiduciary and other duties on the members of an audit committee as it does on directors.

¹ Section 94(7) Companies Act

² Section 94(10) Companies Act

³ Paragraph 52 King IV

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- 1.7 The Committee assists the Board in discharging its duties and responsibilities relating to, inter alia:
- Risk management, control and governance (financial, operational, strategic and otherwise).
 - The integrity of the Company's annual financial statements and other external reports issued by the Company.⁴
 - The effectiveness of the Company's assurance functions and services.⁵
 - The effectiveness of the finance function.⁶
 - The Company's process for monitoring compliance with laws and regulations and the Sappi Group's Code of Ethics.
- 1.8 These Terms of Reference are to be read with the provisions of the Companies Act, other applicable laws and regulatory provisions, the Company's Memorandum of Incorporation, the King IV Report on Corporate Governance for South Africa 2016 ('King IV') and relevant securities exchange requirements.
- 1.9 In these Terms of Reference, the term:
- 'Sappi Group' means the Company and its subsidiaries;
 - 'subsidiaries' means 'subsidiaries' (as defined in the Companies Act), but irrespective of the jurisdiction in which the subsidiaries are incorporated.

2. Purpose of these Terms of Reference

The purpose of these Terms of Reference is to set out the Committee's role and responsibilities, as well as the requirements for its composition and meeting procedures.

3. Committee membership (Constitution)

- 3.1 The members of the Committee are elected by shareholders at each annual general meeting. The Board, with input from the Nomination and Governance Committee, will determine which persons are recommended to shareholders for election as members of the Committee.
- 3.2 The membership of the Committee will comprise a minimum of three⁷ and a maximum of five persons, all of whom must-
- (i) be independent non-executive directors of the Company, and

⁴ Paragraphs 51 b. and 54. King IV

⁵ Paragraph 51 a. King IV

⁶ Paragraph 59 f. King IV

⁷ Section 94(2) Companies Act

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- (ii) meet certain statutory requirements.^{8 9 10 11 12}
- 3.3 The Chairperson of the Committee will be an independent non-executive director of the Company and will be appointed by the Board from amongst the members of the Committee.¹³
- 3.4 The Chairperson of the Board will not be eligible to be appointed as a member of the Committee.¹⁴
- 3.5 The minimum term of office for the Chairperson will be the period from completion of one annual general meeting until completion of the next annual general meeting. The Board will be entitled at any time to replace the member of the Committee which is the Chairperson with another member of the Committee.
- 3.6 In order to provide for continuity, the Chairperson of the Committee should preferably have served on the Committee for a period of two years prior to being appointed as Chairperson.
- 3.7 The members of the Committee must collectively have the necessary knowledge, skills and experience and the capacity, and financial literacy, skills and experience, to fulfil their duties and responsibilities effectively, including an understanding of the following: integrated reporting (which includes financial reporting), internal financial controls, external and internal audit processes, corporate law, risk management, sustainability issues, manufacturing, commercial, information technology governance, and governance processes within the Company.¹⁵
- 3.8 At least one-third of the members of the Committee at any particular time must have academic qualifications, or experience in economics, law, corporate

⁸ Section 94(4) and 94(5) Companies Act and Companies Regulation 42

⁹ Paragraph 56 King IV

¹⁰ Each member of the Committee (i) must not be involved in the day-to-day management of the Company's business or have been so involved at any time during the previous financial year, (ii) must not be a prescribed officer, or full-time employee, of the Company or another related or inter-related company, or have been such an officer or employee at any time during the previous three financial years, and (iii) must not be a material supplier or customer of the Company such that a reasonable and informed third party would conclude in the circumstances that the integrity, impartiality or objectivity of that director is compromised by that relationship and (iv) must not be related to any person falling within any of the aforementioned categories. section 94(4) of the Companies Act.

¹¹ A **non-executive director** is one who is not involved in the day-to-day management of the Company's business and not a full-time salaried employee of the Sappi Group. JSE Listings Requirements section 3.84(e).

¹² An **independent director** is one who has not in the past three financial years been a full-time salaried employee of the Company or the Sappi Group and is not a member of the immediate family of such an individual. In addition, a director only qualifies as an independent director if he/she exercises objective, unfettered judgement and there is no interest, position, association or relationship which, when judged from the perspective of a reasonably and informed third party, is likely to influence unduly or cause bias in decision-making.

¹³ Paragraph 57 King IV

¹⁴ Paragraph 36 a King IV

¹⁵ Paragraphs 50 and 59 a. i. King VI

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governance, finance, accounting, commerce, industry, public affairs or human resources management.

- 3.9 At least one member of the Committee must have significant, recent and relevant financial skills and experience.
- 3.10 The Board or Nomination and Governance Committee will, from time to time, review and recommend revision (when appropriate) of the composition of the Committee.
- 3.11 Members of the Committee should access, as well as be provided with, appropriate and timely training, both in the form of induction and on an ongoing basis on matters affecting their role and responsibilities as members of the Committee.
- 3.12 The Board must appoint a person to fill any vacancy on the Committee within 40 business days after the vacancy arises.
- 3.13 The Company Secretary of the Company will be the secretary of the Committee.
- 3.14 In order to enable the Committee's functions to be effectively performed, subsidiary pre-audit and risk discussions may be held within the regions. If practical, an independent non-executive director should attend such meetings and provide feedback on key matters to the Committee.
- 3.15 The Committee members are required to keep up-to-date with developments affecting the required skill-set.

4. Responsibilities and duties of The Committee

To fulfil its responsibilities and duties:

4.1 Combined Assurance and Internal Control

The Committee will endeavour to ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities, and in particular, the Committee will:

- 4.1.1 Endeavour to ensure that the combined assurance received is appropriate and that the significant risks facing the Sappi Group are adequately addressed via suitable mitigating controls.¹⁶

¹⁶ Paragraph 59 g. King IV

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- 4.1.2 Monitor the relationship between the internal and external assurance providers and the Company.
- 4.1.3 Provide an effective counterbalance to executive management, thereby upholding the independence of internal and external assurance providers, to enhance effectiveness.
- 4.1.4 Review the reports by management and the internal audit function on the design, implementation and effectiveness of governance, risk management and internal controls. The nature and extent of the review of controls by management, including the internal audit function, will be assessed by the Committee.¹⁷
- 4.1.5 Consider the appropriateness and effectiveness of the Company's systems of internal control, including internal financial controls, information systems and business risk management, based on the findings of the review conducted by management. This includes providing guidance with the objective that internal controls be embedded in the business processes, evolve over time, are risk-based and are cost-effective.¹⁸
- 4.1.6 Review reports compiled by the internal audit function summarising coverage and results of assurance work for key risk areas from all assurance providers.
- 4.1.7 Review major issues as to the adequacy of the Company's internal controls and any special steps adopted in light of material or potentially significant control deficiencies.
- 4.1.8 Conclude and report to the Board annually on the effectiveness of the Company's governance, risk management and internal controls based on the information provided by management and all other sources of assurance.¹⁹
- 4.1.9 Include material control inadequacies in the report to the Board and check that these inadequacies are included in the Board's report disclosed in the Company's annual integrated report.
- 4.1.10 Review and consider the appropriateness of the positive responsibility statement by the CEO and CFO that the obligations in terms of the JSE

¹⁷ Paragraph 59 f. King IV

¹⁸ Paragraph 59 e. King IV

¹⁹ Section 94(7)(h) Companies Act

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Listings Requirements (3.84(k)). (Relating to the establishment and maintenance of Internal Controls over the accuracy of the Financial Reporting process and related monitoring and reporting activities).

4.2 Internal Audit

The Committee is responsible for overseeing the internal audit function, and in particular, the Committee will:

- 4.2.1 Review and approve the internal audit charter (mandate).²⁰
- 4.2.2 Review and approve the internal audit annual budget. Consider whether the objectives, organisational, resources and staffing plans, financial budgets, audit plans and standing of the internal audit function provide adequate support to enable the Committee to meet its objectives.
- 4.2.3 Satisfy itself that the internal audit coverage plans and approach are informed by and address the strategy and risks of the Company.
- 4.2.4 Review and approve any required changes to internal audit scope or access to required information.
- 4.2.5 Review the co-operation and co-ordination between the Senior General Manager Audit and the external auditors, and other assurance providers, as well as the risk management and compliance functions with the objective of achieving completeness of coverage and effective use of resources, avoiding duplication, and dealing with any issues of material or significant dispute or concern.
- 4.2.6 Consider the appointment, performance assessment, effectiveness, and any need for the dismissal or re-assignment of the Senior General Manager Audit.²¹
- 4.2.7 Ensure that the Senior General Manager Audit reports functionally to and has unrestricted access to the Chairperson of the Committee.²²
- 4.2.8 Consider the results of work performed by, and the conclusions of, the internal audit function.

²⁰ Paragraph 58 a. King IV

²¹ Paragraph 59 d. King IV

²² Paragraphs 53 and 60 King IV

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- 4.2.9 Review the adequacy of management's corrective action taken in response to significant internal audit findings, and any significant differences of opinion between management and the internal audit function.
- 4.2.10 Assess and evaluate the independence and effectiveness of the internal audit function, in accordance with these Terms of Reference.²³
- 4.2.11 Review the results of the ongoing internal audit quality assurance and improvement programme, and oversee independent quality reviews every five years.²⁴

4.3 External Audit

The Committee is responsible for recommending the appointment of external auditors²⁵ and to oversee the external audit process and in this regard, the Committee will:

- 4.3.1 Be responsible for recommending for appointment, and for the terms of engagement, retention, fees, and dismissal of, the external auditors, as well as oversight of the work of the external auditors. The external auditors will report directly to the Committee and the Chairperson of the Committee will sign the engagement letter on an annual basis. If the external auditors resign, the Committee will investigate the issues giving rise to such resignation and consider whether any action is required.²⁶
- 4.3.2 Develop and recommend to the Board the Company's policy regarding the rotation of external auditors and audit partners, and ensure that the appointment and reappointment of the external auditors comply with relevant legislation and regulations (including IRBA, the Companies Act, relevant securities exchange requirements and the South African Auditing Profession Act, 2005).²⁷
- 4.3.3 Discuss and review with the external auditors, before the audit commences, the nature and scope of the audit, the impact of regulatory changes and related audit requirements, and the external auditors' quality control procedures.

²³ Paragraph 59 d. King IV

²⁴ Paragraph 60. King IV

²⁵ Section 94(7)(a) and (c) Companies Act

²⁶ Section 94(7)(b) Companies Act

²⁷ Section 94(7)(b) Companies Act

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- 4.3.4 Consider whether any significant ventures, investments or operations are not subject to external audit, and the impact thereof.
- 4.3.5 Develop and recommend to the Board the Company's policy in relation to the provision of non-audit services to the Sappi Group by the external auditors, review whether this policy is complied with; pre-approve any proposed contract with the external auditors for the provision of non-audit services to the Sappi Group, and consider the extent of any consultancy, advisory or any other non-audit work undertaken by the external auditors.²⁸
- 4.3.6 Set clear hiring policies for employees or former employees of the external auditors.
- 4.3.7 Consider any material problems, reservations and observations, or any potentially contentious accounting treatments or judgements, or significant unusual transactions, or going concern issues arising from the external audit.
- 4.3.8 Identify key matters arising in the current year's management letter, consider management's responses and satisfy itself that issues are being dealt with properly.
- 4.3.9 Assist with the resolution of any differences of opinion between the external auditors and management.
- 4.3.10 Obtain the external auditors' assurance that adequate accounting records are being maintained.
- 4.3.11 Review and monitor the external auditors' credibility, independence and objectivity and the effectiveness of the external audit process, taking into consideration relevant professional and regulatory requirements, and their audit and non-audit fees.
- 4.3.12 Assess annually the qualification, expertise and resources of the external auditors, including the audit partners, and obtain a report on the external auditors' own internal quality control procedures. This would include reviewing any findings, action reports, or decision letters, from the regulator ('IRBA') concerning their reviews of the External Auditor, as set out in paragraph 22.15(h) of the JSE Listings Requirements.

²⁸ Paragraph 59 a. i. King IV; Section 94(7)(d) and (e) Companies Act

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- 4.3.13 Obtain written confirmation of the external auditors' independence, and report on the independence of the external auditors in the annual financial statements.
- 4.3.14 Endeavour to ensure co-ordination where more than one firm of external auditors is involved.
- 4.3.15 Review the tenure of the external auditors annually.

4.4 Integrated Reporting

The Committee should oversee integrated reporting and should have regard for all factors and risks that may impact on the integrity of the annual integrated report, with due consideration of key audit matters raised either by internal or external assurance providers. To this end, the Committee will:

- 4.4.1 Examine and review the annual financial statements, the quarterly reports, the accompanying reports to shareholders, the preliminary announcements of results, shareholder circulars, prospectuses and any announcements regarding the Company's results or other financial information to be made public, prior to submission to the Board, focusing particularly on:
 - 4.4.1.1 Major issues regarding accounting principles and financial statement presentation.
 - 4.4.1.2 The implementation of new systems.
 - 4.4.1.3 Tax and litigation matters involving uncertainty.
 - 4.4.1.4 Any significant changes in the selection or application of accounting principles.
 - 4.4.1.5 Major judgmental areas.
 - 4.4.1.6 The basis on which the Company has been determined as a going concern.
 - 4.4.1.7 Capital adequacy.
 - 4.4.1.8 Internal control.

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- 4.4.1.9 Compliance with accounting standards.
- 4.4.1.10 Compliance with local and international legal and regulatory requirements and relevant securities exchange requirements.
- 4.4.1.11 The effect of major adjustments processed at year-end; including significant adjustments from the audit.
- 4.4.1.12 Compliance with the financial conditions of loan covenants.
- 4.4.1.13 Any finance or off-balance sheet structures.
- 4.4.1.14 Significant transactions not directly related to the Sappi Group's normal business.
- 4.4.1.15 Pension and provident fund matters.
- 4.4.1.16 Captive insurance arrangements and related matters.
- 4.4.1.17 Forward-looking statements, to ensure these statements provide a proper appreciation of the key drivers that will enable the Sappi Group to achieve these forward statements.
- 4.4.1.18 Interim results and summarised financial information, in line with IAS 34, the standard on Interim Financial Reporting.
- 4.4.2 Review the annual integrated report as a whole, including the Directors' Report, to ensure it presents a balanced and understandable assessment of the position, performance and prospects of the Sappi Group and that the various reports are consistent and aligned; and review the quality of information produced to ensure reliability and integrity.
- 4.4.3 Ensure that the Sappi Group has established appropriate financial reporting procedures, and that those procedures are operating to ensure that the Company has access to all the financial information of the Sappi Group to allow the Company to effectively prepare and report on the Company's financial statements.
- 4.4.4 Meet with the Disclosure Committee as and when necessary, but at least annually, to address mutual concerns.

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- 4.4.5 Recommend to the Board that it engage an external assurance provider on sustainability and other issues of a material or significant nature (if considered appropriate) and, if such an external assurance provider is engaged, consider the independence of the external assurance provider.
- 4.4.6 Review the external auditors' proposed audit opinion and schedule of unadjusted errors.
- 4.4.7 Review analyses prepared by management and the external auditors setting forth significant financial reporting issues and judgements made in connection with the preparation of the financial statements, including the effects of alternative accounting methods on the financial statements.
- 4.4.8 Discuss and resolve any significant problems or reservations arising from audits and any matters the external auditors wish to discuss (in the absence of management, where necessary).²⁹
- 4.4.9 Review correspondence between the company regulators regarding financial statement filings and disclosures.
- 4.4.10 Review measures to enhance the credibility and objectivity of the financial statements as well as any evidence that comes to the Committee's attention that brings into question any previously published financial information and consider actions that could be taken by the Board to publicly correct any material misinformation.
- 4.4.11 Meet with management and the external auditors to review and discuss the annual audited financial statements and interim unaudited financial statements, including reviewing the Company's specific disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations".
- 4.4.12 Review the expertise, resources, experience, suitability and effectiveness of the Company's CFO and finance function and disclose the results of the review in the annual integrated report and make any recommendations for change to the Board.³⁰

²⁹ Paragraph 59 b King IV

³⁰ Paragraph 59 f. i. King IV

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- 4.4.13 Provide a summary of the Committee's role and details of its composition, number of meetings and attendances thereat and activities in the annual integrated report. The report should:
- 4.4.13.1 Describe how the Committee carried out its functions.
 - 4.4.13.2 State whether the Committee is satisfied that the external auditors were independent.³¹
 - 4.4.13.3 Comment on the Committee's views on the quality of the external audit.³²
 - 4.4.13.4 Comment as appropriate on the financial statements, combined assurance arrangements, accounting practices, finance function, Senior General Manager Audit, and arrangements for internal audit and internal financial controls, including disclosure controls, of the Company.
 - 4.4.13.5 Disclose the tenure of the external auditors which tenure should, in the event of the external auditors having been involved in a merger or acquisition, include the tenure of the predecessor firm.³³
 - 4.4.13.6 Recommend the annual integrated report for approval by the Board.

4.5 Risk Management

Risk management is an integral component of the Committee's oversight process. The Committee will govern risk in a way that supports the Company in setting and achieving its strategic objectives and will:

- 4.5.1 Oversee the development and implementation of a policy, a plan, a framework and the infrastructure for risk management.
- 4.5.2 Monitor that the risk management policy and plan are implemented through risk management systems and processes that endeavour to ensure that:
 - 4.5.2.1 Systematic and documented formal risk assessments are performed using a top-down approach that considers the risks affecting the various income streams of the Sappi Group, the critical dependencies of the business, sustainability, and the legitimate interests and expectations of stakeholders.

³¹ Paragraph 59 a. i. King IV

³² Paragraph 59 c. King IV; Section 94(7)(f) Companies Act

³³ Paragraph 59 a. iv. King IV

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- 4.5.2.2 Risk management is integrated into the day-to-day activities and organisational culture of the Sappi Group.
- 4.5.2.3 Frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks.
- 4.5.2.4 There are adequate risk review activities for decisions, initiatives, transactions, exposures, including acquisitions, new products, and third parties etc.
- 4.5.2.5 Management addresses risks in a manner that also opens the door to the identification by management of opportunities which, if exploited could improve the performance of the Sappi Group.
- 4.5.2.6 Effective and continual monitoring of risk management takes place within the Sappi Group.
- 4.5.2.7 Risk management and business continuity capabilities are established including communications about escalating risk, crisis preparedness and recovery plans.
- 4.5.2.8 There are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders.
- 4.5.2.9 Reported risk management disclosures are timely, comprehensive and relevant.
- 4.5.3 Review the overall adequacy and effectiveness of the risk management policies and procedures within the Sappi Group.
- 4.5.4 Consider whether, and satisfy itself that, it dedicates sufficient time to oversight of risk management.
- 4.5.5 Monitor the Sappi Group's risk profile and identify and discuss the Sappi Group's major risk exposures and the governance of risk, including the steps management has undertaken to mitigate, monitor or control these exposures.³⁴

³⁴ Paragraph 58 King IV

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- 4.5.6 Recommend the levels of risk tolerance and appetite to the Board, and monitor that risks are managed within the levels of tolerance and appetite as approved by the Board, ensuring that the company does not take excessive risk.

4.6 Taxation

The Committee will:

- 4.6.1 Evaluate and monitor whether sufficient analysis is conducted within the Sappi Group on whether its tax policies are compliant with applicable laws and regulations, are consistent with responsible corporate citizenship and take account of reputational repercussions.
- 4.6.2 Evaluate and monitor whether analysis within the Sappi Group of any tax risks which arise is sufficient in order to achieve the objective of ensuring that the right decisions are made in time to protect the Sappi Group from any significant financial impact.
- 4.6.3 Review any status reports from the Group Tax Manager and consider any significant issues as may be required.

4.7 Corporate Governance

The Committee will:

- 4.7.1 Review developments in corporate governance and best practice and consider their impact and implications for the Sappi Group's processes and structures.
- 4.7.2 Consider the governance disclosures (including disclosures about the role of the Committee) included in the annual integrated report.
- 4.7.3 Evaluate and monitor the regulatory governance requirements and Code of Ethics of the Sappi Group.
- 4.7.4 Be available to advise the Chairperson of the Board on any questions relating to the financial affairs and internal controls (including financial, operating and compliance controls and risk management) of the Sappi Group.
- 4.7.5 Consider and report on other corporate governance topics, as may be required by the Board.

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4.8 Information and Technology Governance

The Committee will oversee information and technology governance in a way that supports the Company in setting and achieving its strategic objectives. To this end, it will:

- 4.8.1 Consider business continuity and data recovery, information and technology security and cyber-risk, data privacy, information and technology projects and expenditure; and other information and technology matters as these relate to financial reporting and the going concern of the Company.
- 4.8.2 Consider the use of technology to improve internal controls and audit coverage and efficiency.
- 4.8.3 Review information provided by information and technology committees, information and technology management, and internal and external assurance providers regarding significant information and technology risk and control matters.

4.9 Sustainability

The Committee will:

- 4.9.1 Oversee the reporting within the Sappi Group on sustainability matters, including reviewing the annual integrated report to help to ensure that the sustainability information contained in it is reliable and does not contradict the financial aspects of the report.
- 4.9.2 Oversee the provision of assurance over sustainability.
- 4.9.3 Oversee that the Company's risk management process results in management properly assessing risks and opportunities which are presented by the triple context (economic, societal and environmental) in which the Sappi Group operates.

4.10 Ethics, Compliance, and Whistleblowing

- 4.10.1 The Social, Ethics, Transformation and Sustainability Committee has the role of reviewing the Sappi Group's Code of Ethics and associated training programmes and the results of periodic ethics surveys, and of monitoring

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ethics risks, including considering whether there is proper assessment by management of related opportunities.

4.10.2 The Committee will review summarised extracts of the minutes of the Social, Ethics, Transformation and Sustainability Committee's meetings so as to be kept informed of its activities. This may also be achieved by cross attendance in meetings by the respective chairpersons.

4.10.3 The Committee will be responsible for monitoring the ethical conduct of the Company, its executives and senior officials, by:

- i. Reviewing the procedures in place to ensure that the Company:
 - o Is in compliance with Company policies including the requirements of the Memorandum of Incorporation;
 - o Is in compliance with law and regulations and relevant securities exchange requirements;
 - o Will identify any violations of ethical conduct.
- ii. Receiving and dealing appropriately with any concerns or complaints, whether from within or outside the Sappi Group, or on its own initiative, relating to:
 - o The accounting practices of the Company;
 - o The content or auditing of the Company's financial statements;
 - o The internal financial controls of the Company;
 - o Internal Audit;
 - o Any related matter.³⁵
- iii. Reviewing significant cases of employee or Sappi Group conflicts of interest, misconduct or fraud, or any other unethical activity by employees or the Sappi Group.
- iv. Making recommendations on any potential conflict of interest or questionable situations of a material nature.
- v. Reviewing arrangements by which employees and other stakeholders of the Sappi Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, with a view to ensuring that arrangements are in place for the proportionate

³⁵ Section 94(7)(g) Companies Act

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and independent investigation of such matters and for appropriate follow-up action.

- vi. Considering the major findings of internal investigations and management's response thereto.
- vii. Reviewing the findings of any examinations by regulatory agencies, or internal or external audits.
- viii. Reviewing any legal and compliance matters, including tax compliance, litigation, disputes, claims and non-trivial transgressions of the law.

5. Reporting and accountability

- 5.1 The Committee has an independent role with accountability to the Board with regard to its duties and functions, except with respect to recommending a firm for appointment as external auditors, formally appointing the firm once elected by shareholders and determining fees and terms of engagement of the external auditors for which the Committee has sole responsibility.³⁶ The Committee is also accountable to the Company's shareholders as a whole.
- 5.2 The Committee will not assume the functions of management, which remain the responsibility of the executive directors, prescribed officers and other members of senior management.
- 5.3 The Chairperson of the Committee will account to the Board in relation to, and report to the Board on, the Committee's activities, findings and conclusions and make recommendations to the Board concerning matters falling within the ambit of the Committee.
- 5.4 The Committee will report to the shareholders on the matters referred to in paragraph 4.4.13 above. To this end, the Chairperson (or, in his absence, another member) of the Committee will attend the annual general meeting to answer questions concerning matters falling within the ambit of the Committee.

6. Meetings and proceedings

- 6.1 Meetings of the Committee will be held as frequently as the Committee considers appropriate, but it will normally meet not less than four times a year. Further

³⁶ Section 94(10) Companies Act

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meetings may be called by the Board or any director of the Company, including members of the Committee, the external auditors, and the Senior General Manager Audit.

- 6.2 The members of the Committee will meet together for the dispatch of business, adjourn and otherwise regulate their meetings as they deem fit; provided that, unless otherwise determined by the members of the Committee on a unanimous basis, the succeeding provisions will apply to meetings of the Committee.
- 6.3 Committee members must attend all scheduled meetings of the Committee, including meetings called on an ad hoc-basis for special matters, unless a prior apology, with reasons, has been submitted to the Chairperson of the Committee or Committee Secretary.
- 6.4 The Chairperson of the Committee will chair meetings of the Committee, provided that if the Chairperson of the Committee is not present at a meeting or at any time during a meeting, the members present at that meeting will elect one of their members to act as Chairperson for that meeting.
- 6.5 A quorum for meetings of the Committee, and for the consideration of matters at a meeting, is a majority of members being present at the meeting. If within half an hour (or such longer period of time as is determined by the members present at a meeting) after the time appointed for such meeting or within half an hour (or such longer period of time as is determined by the members present at a meeting) after the time that a matter or resolution is first proposed, a quorum is not present, the meeting will be adjourned to such other date and time as the members present at the meeting determine.
- 6.6 If at such adjourned meeting a quorum is not present within half an hour (or such longer period of time as is determined by the members present at a meeting) after the time appointed for the adjourned meeting or within half an hour (or such longer period of time as is determined by the members present at a meeting) after the time that a matter or resolution is first proposed, the members present will constitute a quorum for that adjourned meeting to commence or for that matter or resolution to be considered (as the case may be).
- 6.7 Decisions to be taken at a meeting of the Committee will be taken by a majority vote of those members present and voting (i.e., the support of more than 50% of the votes exercised will be required to approve a resolution), with each member being entitled to exercise one vote. If an equal number of votes are exercised in favour of and against a resolution, the Chairperson of the meeting will not have a casting vote.

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- 6.8 The members of the Committee can participate in a meeting of the Committee by means of teleconference or other electronic equipment by means of which all persons participating in the meeting can hear each other, participate freely in the proceedings and express their views audibly. Any such participation in a meeting will constitute presence at the meeting.
- 6.9 On written notice to all of the members of the Committee of not less than 5 (five) days, or such shorter period as may be agreed unanimously by the members, a written resolution signed by a majority of the members will be valid and effective as if it had been passed at a meeting of the Committee duly called and constituted, and such resolution can be signed in counterparts.
- 6.10 The following persons will, subject to an invitation from the Chairperson of the Committee, normally participate either in person, by teleconference or other electronic equipment, in Committee meetings or relevant parts thereof:
- The Chief Executive Officer and senior regional managers.
 - The Chief Finance Officer.
 - The Group Financial Manager and Regional Chief Financial Officers.
 - The Group Treasurer (as required).
 - The Senior General Manager Audit.
 - The Group Compliance Officer.
 - The Group Internal Control and Risk Manager.
 - The Group Legal Counsel
 - The Chief Information Officer.
 - The Group Tax Manager (as required).
 - Representatives from external auditors.
- 6.11 Every director of the Company is entitled to attend the Committee meeting as an observer.
- 6.12 Invitations to attend Committee meetings will be extended to prescribed officers, other senior management and professional advisers as deemed appropriate by the Chairperson of the Committee.
- 6.13 The Committee or its Chairperson should meet annually, or as requested, with the internal audit function and external auditors (without management present) to discuss any matters that the Committee or these groups believe should be discussed privately with the Committee.³⁷

³⁷ Paragraph 58 King IV

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- 6.14 The Chairperson of the Committee should participate in setting and agreeing the agenda of the Committee for each meeting for the ensuing year.
- 6.15 Reasonable notice of meetings and the agenda (including minutes of any regional or functional management committee meetings, the subject matter of which has a bearing on the work of the Committee) will be given (i) to the members of the Committee, (ii) to directors who are to be present as observers, and (iii) if and to the extent so determined by the Chairperson of the Committee, to invitees.
- 6.16 Only members of the Committee will have a vote at meetings of the Committee.
- 6.17 Minutes of meetings will be taken by the Company Secretary (or as otherwise determined unanimously by the members of the Committee present at the meeting) and will be reviewed and approved by the members of the Committee. The minutes must be formally approved by the Committee at its next scheduled meeting.
- 6.18 Matters arising from minutes and other items will be listed and usually covered by papers presented to the Committee.
- 6.19 The Chairperson of the Committee may attend meetings of the SETS Committee and vice versa, in order to promote effective governance and communication over matters of mutual relevance to the two committees.
- 6.20 The Company Secretary will circulate the minutes of meetings of the Committee to all directors of the Company, and the Chairperson of the Committee will report on the Committee's proceedings and findings to the next meeting of the Board.
- 6.21 Minutes of the meeting, signed by the Chairperson of the meeting, are sufficient evidence that the matters referred to therein have been discussed and, as applicable, decided.
- 6.22 At the beginning of each meeting of the Committee, each member is required to declare whether he/she has any conflict of interest in respect of any matter on the agenda. Without limiting that obligation, a member with a personal financial interest in a matter to be considered at a meeting of the Committee, or who knows that a related person has a personal financial interest in the matter, is required to disclose the interest at the start of each meeting, in accordance with section 75 of the Companies Act, and must:
- Disclose any material information in relation to the matter known to the member

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- On request of any other member of the Committee, disclose any observation or pertinent insights in relation to the matter
- Leave the meeting for the duration of any other deliberations on the matter, and cannot vote on the matter
- Not subsequently execute any document relating to the matter unless the Committee specifically requests or directs the member to do so.

6.23 If a member acquires, or knows that a related person has acquired, any personal financial interest post-approval of a matter by the Committee, he/she must promptly disclose the nature and extent of the interest and material circumstances relating thereto to the Committee.

7. Authority of The Committee

The Committee, in carrying out its tasks under these Terms of Reference:

- 7.1 Is authorised to investigate any activity within the scope of these Terms of Reference.
- 7.2 May consult with and seek any information it requires from any employees, and all employees will be required to co-operate with any request made by the Committee in the course of its duties, in accordance with agreed-upon protocols.
- 7.3 May obtain such internal, external or other professional advice, and secure the attendance of outsiders with relevant experience and expertise if it considers this necessary, to carry out its duties.
- 7.4 May authorise one or more designated members of the Committee to give effect to, or to take steps to facilitate or enable, decisions of the Committee.

8. Review of Terms of Reference and performance

- 8.1 The Committee will review and reassess the adequacy of these Terms of Reference annually (or sooner if it deems it appropriate to do so) and recommend any proposed changes to the Board.
- 8.2 The Committee will formally review and report to the Board annually on the Committee's operating effectiveness and performance.³⁸

³⁸ Paragraph 59 King IV

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9. Fees

9.1 With the approval of shareholders required in terms of section 66(9) of the Companies Act:

9.1.1 Committee members will be remunerated for their services on the Committee.

9.1.2 The Chairperson of the Committee will be paid additional fees for services rendered as Chairperson of the Committee.

9.2 The Board will decide on the amount of the fees to be proposed to shareholders for approval.

10. Informal committees

It is possible that, from time to time, non-statutory informal audit or risk-type committees might be voluntarily established within individual Sappi Group companies, Sappi Group divisions or Sappi Group regions ('Other Sappi Entities'). The establishment or operation of any such other committee will neither alter the functions, duties and powers of the Committee nor alter the provisions of these Terms of Reference or their applicability to the Committee. Nor shall any such other committee form part of, or constitute a sub-committee of, the Committee, or be regarded as assuming, or having had delegated to it, any of the rights, duties and functions of the Committee. Insofar as any such other committee is established, the contents of these Terms of Reference might, as appropriate, provide some guidance on matters to be informally discussed by such committee in relation to the Other Sappi Entity concerned.

Chairperson of the Committee

These Terms of Reference were approved by the Board in May 2023 and will be due for review in May 2024.

Chairperson of the Board
08 May 2023