

Sappi Limited ('the Company')

## **Human Resources and Compensation Committee Terms of Reference**

## Human Resources and Compensation Committee Terms of Reference

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## Human Resources and Compensation Committee Terms of Reference

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### 1. Introduction

- 1.1 These Terms of Reference will apply to the Sappi Limited Human Resources and Compensation Committee ('Committee'), which is constituted as a committee of the board of directors of Sappi Limited ('Company') in terms of section 72 of the South African Companies Act 2008 ('the Companies Act') and as contemplated in section 3.84(c) of the JSE Listings Requirements.
- 1.2 In addition to 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 responsibilities.
- 1.3 The duties and responsibilities of the Committee do not reduce the duties and responsibilities of the Board and do not accordingly relieve the directors on the Board from any of their duties and responsibilities.
- 1.4 Section 76 of the Companies Act imposes the same fiduciary and other duties on the members of a board committee as it does on directors.
- 1.5 The Committee will not assume the functions of management, which remain the responsibility of the executive directors and other members of senior management.
- 1.6 The Committee is accountable to the Board and to the Company's shareholders as a whole.
- 1.7 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 ('King IV') and the JSE Listings Requirements.
- 1.8 In these Terms of Reference, the term :
  - 'Sappi Group' means the Company and its subsidiaries; and
  - 'Subsidiaries' means 'subsidiaries' (as defined in the Companies Act), but irrespective of the jurisdiction in which the subsidiaries are incorporated.

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### 2. Purpose of the 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. Composition of the Committee

- 3.1 The Committee must comprise at least three members, all of whom must be non-executive directors<sup>1</sup> and a majority of whom shall be independent non-executive<sup>2</sup> directors. All of the members will be elected and appointed by the Board.
- 3.2 The members of the Committee must collectively have sufficient qualifications, knowledge, skills, qualifications, experience and capacity to fulfil their duties and responsibilities effectively.
- 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, provided that the Chairperson of the Board will not be the Chairperson of the Committee.
- 3.4 The Company Secretary of the Company will be the secretary of the Committee.
- 3.5 The Committee members are required to keep up to date with developments affecting the required skill-set.

### 4. Role

- 4.1 The Committee has an independent role with accountability to the Board and to the Company's shareholders as a whole.
- 4.2 The Committee does not assume the functions of management, which remain the responsibility of the executive directors, prescribed officers and other members of senior management, nor does it assume accountability for the functions performed by other committees of the Board or the Audit and Risk Committee.

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<sup>1</sup> A non-executive director is one who is an individual not involved in the day to day management of the Company business and not a full-time salaried employee of the group. JSE Listings Requirements section 3.84(e)

<sup>2</sup> An independent director is one who has not in the past three financial years been a fulltime salaried employee of the Company or the 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. Further guidance in the assessment of independence is set out in King IV and the Companies Act 2008, which the Board should consider holistically

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- 4.3 The role of the Committee is to assist the Board with the oversight of human resources and compensation matters relating to the Sappi Group and to provide guidance to management in respect of management's duties in the fields of human resources and compensation matters.

### **5. Responsibilities**

The Committee performs all the functions as are necessary to fulfil its role as stated above, including monitoring the Company's activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice, with regards to the following :

#### **5.1 Compensation Responsibilities**

In order to be able to perform its overall function the Committee shall, on behalf of the Board, more specifically :

- 5.1.1 Annual review of the Remuneration Policy and practices.
- 5.1.2 Consider and approve the Remuneration Report (see item 5.2.6 below).
- 5.1.3 Approve the general guidelines to be applied in all annual and any interim salary reviews and shall consider those guidelines specifically in considering and determining the remuneration of :
  - a) the Chief Executive Officer ('CEO') of the Company; and
  - b) all those Executives who report directly to the CEO.
- 5.1.4 Ensure that the mix of fixed and variable pay, in cash, shares and other elements, meets the Company's needs and strategic objectives.
- 5.1.5 Satisfy itself as to the accuracy of recorded performance measures which govern the vesting of incentives.
- 5.1.6 Ensure that all benefits, including retirement benefits and other financial arrangements, are justified and correctly valued and are fair, responsible and transparent.

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- 5.1.7 Consider the results of the evaluation of the performance of the CEO and other executive directors, both as directors and as Executives in determining their remuneration.
- 5.1.8 Satisfy itself that the comparative peer groups used when comparing compensation levels are appropriate.
- 5.1.9 Regularly review and approve :
- (i) the rules and any amendments ~~thereto~~ of the Performance Share Plan ('PSP') offered by the Company and its subsidiaries;
  - (ii) the PSP annual allocation pool size;
  - (iii) PSP performance conditions;
  - (iv) Status report on PSP : TSR performance condition;
  - (v) IFRS accounting charge for PSP pool;
  - (vi) the general allocation from time to time of shares in terms of any such share incentive schemes to employees of the Company and its subsidiaries, with specific approval of the allocation of such shares to :
    - a) the CEO of the Company; and
    - b) all those executives who report directly to the CEO.
- 5.1.10 Regularly review and approve :
- (i) the rules and any amendments to the Management Incentive Scheme ('MIS') offered within the Company and its subsidiaries; and
  - (ii) the bonus award amounts to be paid to participants based on business and individual performance against agreed targets in such schemes of :
    - a) the CEO of the Company; and
    - b) all those executives who report directly to the CEO.
- 5.1.11 In general, approve all benefits and conditions of employment for new hires reporting to :
- a) the CEO of the Company, and
  - b) all those executives who report directly to the CEO.
- 5.1.12 Delegate such responsibilities concerning the approval of annual and interim increases; share incentive scheme allocations; incentive bonuses and all benefits and conditions of employment applicable to executives

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who report directly to the CEOs of the regions, to the CEO of the Company.

- 5.1.13 Recommend to the Board the appropriate compensation for non-executive directors for final submission to shareholders for approval at the annual general meeting.
- 5.1.14 Oversee the preparation of, and recommend to the Board, the Remuneration Report to be included in the annual integrated report, for whether including ensuring that it :
  - a) is accurate, complete and transparent;
  - b) provides a clear explanation of how the compensation policy has been implemented; and
  - c) provides sufficient forward-looking information for the shareholders to pass special resolutions in terms of section 66(9) of the Companies Act (shareholder approval of non-executive director compensation).
- 5.1.15 Ensure that the implementation and execution of the Remuneration Policy achieve the objectives of such policy.

### **5.2 HR Responsibilities**

In order to be able to perform its overall function the Committee shall, on behalf of the Board, satisfy itself on the overall effectiveness of HR practices and processes and more specifically carry out the following duties :

#### **5.2.1 Current Benefits**

Approve the general material terms and conditions of employment to be applied to all employees of the Sappi Group, depending on the regions (i.e. countries) in which they work.

#### **5.2.2 Retirement Benefits**

- a) Approve on behalf of the Company the general retirement policies of the Sappi Group and approve the appointment of management members to the Boards of Trustees.

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- b) Recommend to the Boards of Trustees any changes in such policies or to the rules of the retirement benefit funds.
- c) Review the financial status of benefit funds.

### 5.2.3 **Appointments**

- a) Review the selection and appointment of all executives and senior management who report directly to the CEO, when vacancies occur and when new positions are created, provided that the appointment of such persons to the Board will be the decision of the Board itself.
- b) Review the selection and appointment of management trustees and similar officers responsible for the Company's retirement benefit funds and medical aid funds.

### 5.2.4 **Review succession planning and talent management**

Review the succession planning for all executives who report directly to the Group CEO and the policies and procedures regarding management of talent within the group. The Board itself will review succession planning for the CEO.

### 5.2.5 **Review the prevailing industrial relations policies**

Review the Company's strategies in relation to industrial relations in order to ensure that the appropriate industrial relations policies are being applied in the Sappi Group, as well as receive feedback on union membership numbers, representation and participation in Company activities.

### 5.2.6 **Remuneration Report**

- a) Ensuring that remuneration is disclosed in the annual integrated report by means of a Remuneration Report in the following three parts :
  - (i) a background statement;
  - (ii) an overview of the main provisions of the Remuneration Policy;



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(iii) an Implementation Report which contains details of all remuneration awarded to directors and prescribed officers during the reporting period;

in accordance with the requirements of King IV.

- b) Ensuring that the Remuneration Policy records the measures that the Board commits to take if either the Remuneration Policy or the Implementation Report, or both, are voted against by 25% or more of the voting rights exercised, to give effect to the minimum measures referred to in King IV. If 25% or more of the voting rights are so exercised, the Committee should also ensure that :
- (i) the voting results announcement contains an invitation to dissenting shareholders to engage with the Company to ascertain the reasons for dissenting votes, and sets out the manner and form of such engagement; and
  - (ii) the background statement in the next Remuneration Report states with whom the Company engaged, the manner of engagement and the steps taken to address legitimate and reasonable objections and concerns.
- c) Feedback from AGM and previous Remuneration Report – Provide feedback to the Committee on all actions contained in (ii) above.

### **6. Meetings and procedures**

The members of the Committee will meet together for the dispatch of business, and 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.

#### **6.1 Frequency**

The Committee will hold sufficient scheduled meetings to discharge all its duties as set out in these Terms of Reference and in its annual work plan (as set out at the back of these Terms of Reference), but subject to a minimum of three meetings per year.

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### 6.2 Attendance

- 6.2.1 Every director of the Company is entitled to attend the Committee meeting as an observer.
- 6.2.2 Assurance providers, professional advisors and management may be in attendance at Committee meetings, by invitation only, at the discretion of the Chairperson of the Committee. Representation at Committee meetings should, subject to an invitation from the Chairperson of the Committee, include the Chief Executive Officer of the Company and the Company Head of Human Resources.
- 6.2.3 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.
- 6.2.4 The Chairperson of the Committee will chair meetings of the Committee, provided that if the Chairperson of the Committee is absent from a meeting, the members present must elect one of the members present to act as Chairperson for the duration of that meeting.
- 6.2.5 Individuals in attendance at Committee meetings as observers or by invitation may participate in discussions but do not form part of the quorum for Committee meetings and accordingly may not vote on any matter. Only members of the Committee can vote.

### 6.3 Agenda and minutes

- 6.3.1 A detailed agenda, together with supporting documentation, must be circulated, at least one week prior to each meeting to the members of the Committee and to directors who are to be present as observers, if and to the extent so determined by the Chairperson of the Committee, to other invitees.
- 6.3.2 Committee members must be fully prepared for Committee meetings in order to provide appropriate and constructive input on matters discussed.
- 6.3.3 The minutes of Committee meetings are to be completed as soon as possible after the meeting and circulated to the members for review thereof. The minutes must be formally approved by the Committee at its next scheduled meeting.

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- 6.3.4 Minutes of the meeting, signed by the Chairperson, are sufficient evidence that the matters referred to therein have been discussed and, as applicable, decided.

### **6.4 Quorum and decisions**

- 6.4.1 A quorum for meetings or adjourned meetings of the Committee, and for the consideration of matters at a meeting or adjourned meeting, is a majority of the members who are independent non-executive directors being present at the meeting at the time set for it to commence or at the time that a matter or resolution is first discussed or proposed. If within half an hour (or such longer period of time as is determined by the members present at a meeting or adjourned meeting) after the time appointed for such meeting or adjourned meeting or within half an hour (or such longer period of time as is determined by the members present at a meeting or adjourned 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 or adjourned meeting determine.
- 6.4.2 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.
- 6.4.3 Decisions to be taken at a meeting of the Committee will be taken by 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.

### **6.5 Conflicts of interest/personal financial interests**

- 6.5.1 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

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with a personal financial interest<sup>3</sup> 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 to the Company Secretary the interest at the start of each meeting, in accordance with section 75 of the Companies Act, and must :

- a) Disclose any material information in relation to the matter known to the member;
- b) On request of the Committee, disclose any observations or pertinent insights in relation to the matter;
- c) Leave the meeting for the duration of any other deliberations on the matter and cannot vote on the matter;
- d) Not subsequently execute any document relating to the matter unless the Committee specifically requests or directs the member to do so.

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

### 6.6 Written resolutions

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 of the Committee 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.

## 7. Authority

7.1 The Committee acts in accordance with the delegated authority of the Board as recorded in these Terms of Reference.

7.2 The Committee has the power to investigate any activity within the scope of these Terms of Reference.

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<sup>3</sup> A personal financial interest is, inter alia, "a direct material interest ..., of a financial, monetary or economic nature, or to which a monetary value may be attributed." – Companies Act section 1

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- 7.3 The Committee, in the fulfilment of its duties and responsibilities, may call upon the Chairpersons of the other Board committees and of the Audit and Risk Committee, any of the executive directors, prescribed officers, other members of senior management or assurance providers to provide it with information, subject to it following a Board approved process.
- 7.4 The Committee has reasonable access to the Company's records, facilities and employees necessary to discharge its duties and responsibilities subject to it following a Board-approved process.
- 7.5 The Committee may authorise one or more designated members of the Committee and/or one or more of the executive directors, prescribed officers or other members of senior management to give effect to, or to take steps to facilitate or enable, decisions of the Committee.
- 7.6 The Committee has the right to obtain independent outside professional advice to assist with the execution of its duties and responsibilities, at Company's cost, subject to a Board approved process being followed.
- 7.7 Tenure of Committee: The Committee shall have no fixed tenure and shall remain established if and for so long as required by legislation or King IV or any subsequent governance codes.

### **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.<sup>4</sup>

### **9. Work plan**

The Committee establishes an annual work plan (as set out at the back of these Terms of Reference) for each year to ensure that all relevant matters are covered by the agendas of the meetings planned for the year.

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<sup>4</sup> Paragraph 59 King IV

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### 10. Evaluation

The Committee shall perform an evaluation of its effectiveness at least every two years and report the results thereof to the Board.

### 11. Fees

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

11.1.1 Committee members will be remunerated for their services on the Committee;

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

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

### 12. Approval of these Terms of Reference

These Terms of Reference were recommended to the Board for approval by the Chairperson of the Committee in May 2023.

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Chairperson of the Committee

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

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Chairperson of the Board  
08 May 2023