

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Sustainable Finance Framework

Sappi Limited
8 March 2024

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	<ul style="list-style-type: none">▪ Sustainability-Linked Bonds
Relevant standard(s)	<ul style="list-style-type: none">▪ Sustainability-Linked Bond Principles, as administered by the ICMA (as of June 2023)
Scope of verification	<ul style="list-style-type: none">▪ Sappi 's Sustainable Finance Framework (as of February 12, 2024)
Lifecycle	<ul style="list-style-type: none">▪ Pre-issuance verification
Validity	<ul style="list-style-type: none">▪ Valid as long as Sappi's Sustainable Finance Framework and benchmarks for the Sustainability Performance target(s) remain unchanged.

CONTENTS

SCOPE OF WORK	3
SAPPI BUSINESS OVERVIEW	3
ASSESSMENT SUMMARY	4
SPO ASSESSMENT	6
PART I: ALIGNMENT WITH ICMA SUSTAINABILITY-LINKED BOND PRINCIPLES	6
PART II: KPI SELECTION & SPT CALIBRATION	7
PART III: CONSISTENCY OF SUSTAINABILITY-LINKED FINANCE INSTRUMENTS WITH SAPPI'S SUSTAINABILITY STRATEGY	23
ANNEX 1: ISS-CORPORATE SUSTAINABILITY-LINKED BONDS METHODOLOGY	31
ANNEX 2: QUALITY MANAGEMENT PROCESSES	32
About the SPO	33

SCOPE OF WORK

Sappi Limited (“Sappi” or “the Issuer” or “the Company”) commissioned ISS Corporate Solutions (ICS) to assist with its Sustainability-linked Finance Bonds by assessing three core elements to determine the sustainability quality of the instruments:

1. Sappi’s Sustainable Finance Framework (as of February 12, 2024) and structural components of the transaction – benchmarked against the Sustainability-Linked Bond Principles (SLBP), as administered by the International Capital Market Association (ICMA).
2. The sustainability credibility of the Key Performance Indicators (KPI) selected and Sustainability Performance Targets (SPT) calibrated – whether the KPIs selected are core, relevant and material to the Issuer’s business model and industry, and whether the associated targets are ambitious.
3. Consistency of the Sustainability-linked Finance Instruments issuance with Sappi Group’s Sustainability Strategy – drawing on the key sustainability objectives and priorities defined by the Issuer.

SAPPI BUSINESS OVERVIEW

Sappi Ltd. operates as a holding company, which engages in the provision of wood-fiber based solutions. The firm operates through the following geographical segments: Europe, North America, and Southern Africa. Its products include dissolving wood pulp, printing papers, packaging and specialty papers, casting and release papers, biomaterials, and forestry. The company was founded on December 17, 1936 and is headquartered in Johannesburg, South Africa. It is classified in the Paper & Forest product industry, as per ISS ESG’s sector classification.

ESG risks associated with the Issuer’s Industry

Sappi Ltd. is classified in the Paper & Forest Products as per ISS ESG’s sector classification. Key sustainability issues faced by companies¹ in this industry are: Sustainability standards of forests and plantations, Sustainable wood/fibre sourcing, Environmental impacts of wood processing, Protection of human rights and livelihoods, Worker safety and accident prevention.

This report focuses on the sustainability credentials of the issuance. Part III. of this report assesses the consistency between the issuance and the Issuer’s overall sustainability strategy.

¹ Please note, that this is not a company specific assessment but areas that are of particular relevance for companies within that industry.

ASSESSMENT SUMMARY

EVALUATION SUMMARY ²			
Part I:			
Alignment with the SLBP	The framework is in line with the Sustainability-Linked Bond Principles (SLBP) administered by the ICMA.		
Part II:	KPI 1. Intensity ratio of absolute Scope 1 and 2 GHG emissions	KPI 2. Sourcing of certified fibre	
KPI Selection			
Relevant	Relevant	Relevant	
Core	Core	Core	
Material	Moderately Material	Material	
Assessment	Aligned	Robust	
SPT Calibration	SPT 1.a Decrease Intensity ratio of absolute Scope 1 and 2 GHG emissions by 18% in 2025 compared to 2019 baseline	SPT 1.b Decrease Intensity ratio of absolute Scope 1 and 2 GHG emissions by 41.5% in 2030 compared to 2019 baseline	SPT 2. Increase the proportion of certified fibre supplied to 82%
Against Issuer's past performance	Ambitious	Ambitious	Ambitious
Against Issuer's industry peer group	In line with peers	In line with peers	In line with peers

² The evaluation is based on the engagement conducted between January – February 2024, on the Sappi's Sustainable Finance Framework (as of February 12, 2024).

SECOND PARTY OPINION

Sustainability Quality of the Issuer and Sustainable Finance Framework

Against international targets	Limited information	Limited information	Likely to contribute to SDG 15.2 or 15.b ³
Level of ambition	Good⁴	Good⁵	Good⁶

<p>Part III:</p> <p>Consistency of Sustainability-linked Finance Instruments with Sappi's Sustainability Strategy</p>	<p>Consistent with the Issuer's sustainability strategy</p> <p>The key sustainability objectives and the rationale for issuing Sustainability-linked Finance Instruments are clearly described by the Issuer. Sappi identified four material key issues in their sustainability strategy report 2023: Principles, Prosperity, People, and Planet.</p> <p>The KPIs selected by the Issuer are related to climate change and biodiversity. These issues have been defined as one of the key priorities of the Issuer in terms of sustainability strategy and have been assessed as a material sustainability topic for the Issuer.</p> <p>This transaction contributes to the Issuer's sustainability strategy thanks to the KPI's clear link to one of the key sustainability priorities of the Issuer and due to an ambitious SPT against the company's past performance.</p> <p>At the date of publication of the report and leveraging ISS ESG Research, no severe controversies have been identified.</p>
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³ Whilst various organizations and industry initiatives are addressing the sustainable aspect of the wood sourcing, there is no one-fit-all quantitative industry benchmarks or targets with metrics similar to the KPI selected. However, the KPI selected covering the entire supply of Sappi contributes to enlarging the number of sustainably managed forest, and halt deforestation, in line with sub-target 15.2 from the UN Sustainability Development Goal 15 'Life on Land'. As well, Their SPT also supports their suppliers in South Africa in their journey towards certifications and is thus in line with the SDG 15.b 'Mobilize significant resources from all sources and at all levels to finance sustainable forest management and provide adequate incentives to developing countries to advance such management, including for conservation and reforestation.

⁴ Two of the three SPT's benchmarking approaches have been assessed positively.

⁵ *ibid*

⁶ *ibid*

SPO ASSESSMENT

PART I: ALIGNMENT WITH ICMA SUSTAINABILITY-LINKED BOND PRINCIPLES

This section describes our assessment of the alignment of the Sappi's Sustainable Finance Framework (as of 12 February, 2024) with the Sustainability-Linked Bond Principles (SLBP).

SLBPRINCIPLES	ASSESSMENT	OPINION
1. Selection of KPIs		A detailed analysis of the sustainability credibility of the KPI selection is available in Part 2 of this report.
2. Calibration of SPTs		A detailed analysis of the sustainability credibility of the SPT calibration is available in Part 2 of this report.
3. Bond Characteristics	✓	The description of the Sustainability-Linked Bond Characteristics provided by the Issuer is aligned with the SLBP. The financial characteristics of any security issued under this Framework, including a description of the selected KPI(s), SPTs, step-up margin amount or the premium payment amount, as applicable, will be specified in the relevant documentation of the specific transaction.
4. Reporting	✓	The Reporting description provided by the Issuer is aligned with the SLBP. The Issuer commits to disclose the allocation of proceeds transparently and to report in an appropriate frequency. The reporting will be publicly available on the Issuer's website. The reporting will include valuable up to date information enabling investors to monitor the progress of each KPI towards the SPTs, such as the baseline and -qualitative and/or quantitative explanation of the contribution of the main factors driving the evolution of the SPT.
5. External verification	✓	The Verification description provided by the Issuer is aligned with the SLBP. The performance of the SPTs against the KPIs will be externally verified with a Non-Financial reporting annually and at "Limited Assurance" standard until the target is reached."

PART II: KPI SELECTION & SPT CALIBRATION

1. Selection of KPI 1

KPI 1 is defined as 'Intensity ratio of absolute Scope 1 and 2 GHG emissions'

Opinion	<i>The KPI is relevant, core, and moderately material to the Issuer's overall business, and of strategic significance to the Issuer's current and future operations. It is appropriately measurable, quantifiable, externally verifiable and benchmarkable. It covers Scope 1 and 2 GHG emissions, which represent 58% of the company's total GHG.</i>
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Assessment⁷	Not Aligned	Aligned	Best Practice
KPI 1 Characteristics and Features	KPI definition:	Intensity ratio of absolute Scope 1 and 2 GHG emissions (kg of CO ₂ eq) by saleable production measured in air-dried metric tones (adt). ⁸	
	Scope and perimeter:	The KPI scope and perimeter are transparently defined as it covers Scope 1 and 2 GHG emissions of all Sappi operations. Scope 1 and 2 GHG emissions cover 58% of the company's total GHG emissions in the fiscal year of 2023.	
	Quantifiable/Externally verifiable:	The KPI is quantifiable since it is calculated as the absolute Scope 1 and 2 GHG emissions (kg of CO ₂ eq) divided by saleable production (adt). It is externally verifiable because GHG emissions intensity per ton of pulp and paper produced KPI is widely disclosed and standardized in the market. The Issuer is referring to key reporting and accounting protocols for GHG emissions such as the Greenhouse Gas Protocol (GHG Protocol).	
	Externally verified:	The historical and baseline data for the KPI selected have been verified by a qualified third party. The Issuer commits to having the future data verified by an external reviewer as well.	
	Benchmarkable:	By referring to commonly acknowledged GHG accounting standards and protocol, the KPI is easily comparable with the data reported by	

⁷ The KPI selection assessment is classified on a 3-level scale: 'Not Aligned', 'Aligned' or 'Best Practice'. For further information on the ISS methodology related to the KPI assessment please refer to Annex 2 at page 20.

⁸ Air Dry Tons (ADT) is defined as dry solids content of 90% and moisture content of 10%

	other companies. Benchmarking of the SPT in relation to this KPI has been analyzed below.
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KPI 1	The KPI considered is:
Analysis	

Relevant to Sappi’s business as the Pulp and Paper industry has negative environmental impacts due to GHG emissions as a result of wood processing and non-fibrous components production and it is considered a key ESG issue faced by the pulp and paper industry according to key ESG standards⁹ for reporting and ISS ESG assessment. The Pulp and Paper industry is responsible for around 2% of all emissions from industry in 2022 with one metric ton of paper generating 951 kg CO₂eq GHG emissions cradle to gate. Hence, according to the IEA this industry is not on track with the net zero emissions scenario implying that greater efforts should be delivered to reduce the emission intensity of production.¹⁰ The Pulp and Paper sector accounted for 6% of global industrial energy use, ranking among the top 5 most energy-intensive industries globally and ranking top 4 among industrial energy usage.¹¹ Most energy is consumed in the drying process where a large amount of water must be evaporated in drying pulp and paper, also in the pulping phase in mills using chemical pulping where the chemical structure of lignin is broken down as well as in the refining and beating phase where the paper quality finally emerges by increasing the surface area of the fibers, which enhances the bonding between them. Via its action plan Sappi is looking to reduce the energy intensity of its pulping phase and decrease the carbon footprint of its operations by transitioning to renewable energy and investing in modern and more energy-efficient equipment.

Core to the Issuer’s business as Scope 1 and 2 CO₂ emission reduction measures affect key processes and operations. The company will decarbonize energy for existing and new processes mainly through Power Purchase Agreements (PPA) by negotiating with independent renewable energy providers. ISS-Corporate notes that PPAs are long-term contracts, which require negotiation and ensure that renewable energy will be supplied for longer time spans than Renewable Energy Certificates (RECs) or Renewable Energy Guarantees of Origin (REGOs), which act as one-off purchases and carry significant limitations.¹²

In addition, Sappi validates maintenance and sustainability capex every year, which looks to improve the energy efficiency of plants. Expansion capex is approved to replace older inefficient equipment with new efficient equipment. Sappi also looks to increase the usage of Biomass for its mills to utilize low-carbon fuels to replace the use of coal and natural gas for power generation for its operations.

⁹ Key ESG Standards include SASB and TCFD, among others.

¹⁰ Decarbonizing the pulp and paper industry: A critical and systematic review of the sociotechnical developments and policy options’ <https://doi.org/10.1016/j.rser.2022.112706>

¹¹ International Energy Agency for the Global Alliance for buildings and construction, 2010, ‘2019 Global status report for buildings and construction’ <https://www.iea.org/energy-system/industry/paper#tracking>

¹² Bjørn et al., 2022, *Nature Climate Change*, [Renewable energy certificates threaten the integrity of corporate science-based targets](#)

Moderately Material¹³ to Sappi's business model and sustainability profile from an ESG perspective:

- The KPI is material to the company's direct operations because the KPI focuses on Scope 1 and 2 emissions covering the entirety of the company's operations. However, Scope 1 and 2 emissions only represent 58% of the total Scope 1, 2, and 3 GHG emissions of Sappi. Therefore, KPI 1 is deemed moderately material to the entire Corporate Value Chain of the company as per ISS-Corporate's methodology.

It should be noted that this KPI is an intensity target. While the overall GHG emissions intensity may decrease, it does not necessarily result in an absolute reduction in GHG emissions.

Strategic significance to Sappi's current and future operations as the KPI is consistent with the company's commitment to taking actions to combat climate change impacts.

¹³ ISS-Corporate bases this analysis on the Issuer's own emissions reporting and makes no comment on the quality or consistency of the Issuer's Scope 1, 2 or 3 emissions reporting, either in relation to GHG Protocol, or to established norms for the Issuer's sector. ISS-Corporate notes that Scope 3 reporting may be different between companies in the same sector and does not undertake any benchmarking of an Issuer's reporting.

2. Calibration of SPT 1

SPT 1 is defined as achieving

SPT 1.a: 18% reduction in intensity ratio of Scope 1 and 2 GHG emissions (kg of CO₂eq) by 2025 from a 2019 base year

SPT 1.b: 41.5% reduction in intensity ratio of Scope 1 and 2 GHG emissions (kg of CO₂eq) by 2030 from a 2019 base year

Opinion	<p><i>The SPT1.a is (i) ambitious against the company's past performance, (ii) in line with industry peers, and (iii) Limited information to assess the level of ambition of the target against international target. The target is set in a clear timeline and is supported by a strategy and action plan disclosed in the company's framework.</i></p> <p><i>The SPT1.b is (i) ambitious against the company's past performance, (ii) in line with industry peers, and (iii) Limited information to assess the level of ambition of the target against international target. The target is set in a clear timeline and is supported by a strategy and action plan disclosed in the company's framework.</i></p>
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Level of Ambition of SPT 1.a¹⁴	No Evidence	Limited	Good	Robust
Level of Ambition SPT 1.b¹⁵	No Evidence	Limited	Good	Robust

SPT 1 Characteristics and Features	SPT definition:	<p>SPT 1 is divided into two Sub-SPTs:</p> <p>SPT 1.a is defined as reducing the intensity ratio of absolute Scope 1 and 2 GHG emissions (kg of CO₂eq) to saleable production (adt) by 18% in 2025</p> <p>SPT 1.b is defined as reducing the intensity ratio of absolute Scope 1 and 2 GHG emissions (kg of CO₂eq) to saleable production (adt) by 41.5% in 2030</p>
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¹⁴ The SPT selection assessment is classified on a 4-level scale: 'No Evidence', 'Limited', 'Good' or 'Robust'. For further information on the ISS methodology related to the SPT assessment please refer to Annex 2 at page 21.

¹⁵ Ibid.

	<p>Baseline performance and year:</p>	<p>0.89 t CO₂eq/adt in 2019</p>
	<p>Target performance and observation date:</p>	<p>SPT 1.a: 18% reduction by September 30, 2025 (0.73 t CO₂eq/adt) SPT 1.b: 41.5% reduction by September 30, 2030 (0.52 t CO₂eq/adt)</p>
	<p>Trigger event:</p>	<p>The trigger events are to be specified in the bond documentation.</p>
	<p>Long-term target:</p>	<p>Not applicable</p>
	<p>Strategy and action plan to reach the target:</p>	<p>To reduce its Scope 1 and 2 GHG emissions, Sappi is focusing its efforts on two key levers for action:</p> <ul style="list-style-type: none"> ▪ Transition to renewable energy via a Private Partnership Agreement with an independent renewable energy provider ▪ Enhancing the usage of Biomass for its mills to utilize low-carbon fuels to replace the use of coal and natural gas for power generation for its operations. ▪ Maintenance capex, efficiency improvement capex and specific sustainability capex (e.g. replacing inefficient equipment with new efficient equipment)
	<p>Key factors/risks beyond the Issuer’s direct control that may affect the achievement of the SPTs:</p>	<ul style="list-style-type: none"> ▪ Global and accelerated adoption of regulation frameworks encouraging the production and use of renewable energies as well as other low-carbon technologies ▪ The targets are based on a long-term capex plan. Capital allocation could be different if the underlying results differ from the current assumptions. This could change the timetable to achieve the targets (both positively and negatively). ▪ The cyclicity of the pulp and paper business. These cycles are not predictable and often depend on external factors (e.g. unplanned pandemics, invasion of countries, extreme weather). The cyclicity

SECOND PARTY OPINION

Sustainability Quality of the Issuer and Sustainable Finance Framework

		<p>impacts Sappi's operating rates with the knock-on effect for energy usage and emissions.</p> <ul style="list-style-type: none"> ▪ Corporate action could impact the targets. Sappi will grow the specialty paper business and DP business while the structurally declining graphic paper business will shrink. The current capex plan is based on the existing operations. If assets are bought or sold over the next few years the targets will have to be reviewed based on changes to manufacturing operations. ▪ Acceleration of strategies and measures taken by countries in favor of the development of sustainable cities ▪ Faster-than-anticipated global coordination around the adoption of a circular economy business model
	Historical data verified:	The Issuer confirms that limited assurance was carried out by an external verifier. The Issuer also commits to having the future data verified by an external reviewer.
	Recalculations or pro-forma adjustments of baselines	The Sustainable Finance Framework includes a recalculation policy.

SPT 1

Analysis

The level of ambition of the SPT is assessed as follows:

(i) Against past performance:

The Issuer provided 5 years of relevant historical data, including for the baseline year of 2019. The data are shown in Table 1. Calculating the compound annual growth rate (CAGR) of the past performance shows that the Issuer has achieved an average yearly change of 1.39% increase between 2019 and 2023 for GHG emissions (kg of CO₂eq) divided by saleable production (adt).

TABLE 1.	2019 – BASELINE	2020	2021	2022	2023	2025 – SPT 1.A	2030 – SPT 1.B
Scope 1 and 2 emissions (in kg CO₂eq/Saleable production ADT)	0.89	0.91	0.86	0.81	0.94	0.73	0.52
CAGR 2019 – 2023					1.39%		
CAGR 2019 – 2025						-3.31%	
CAGR 2019 – 2030							-4.76%

Source: Sappi Finance Framework

Sappi sets SPT 1.a to achieve a reduction of Scope 1 and 2 emissions per ton of product by 18% in 2025 compared to a 2019 baseline. Calculating the compound annual growth rate (CAGR) amounts to an average of 3.31% annual reduction between 2019 and 2025.

Sappi sets SPT 1.b to achieve a reduction of Scope 1 and 2 intensity emissions per tone of product by 41.5% in 2030 compared to a 2019 baseline. Calculating the compound annual growth rate (CAGR) amounts to an average of 4.76% annual reduction between 2019 and 2030.

Since the projected compound annual growth rate to achieve SPT 1 and SPT 2 are quantitatively larger than the historical data, we conclude that the SPT is ambitious against past performance.

It is worth noting that Sappi confirms it is growing its packaging and specialty paper product which has a higher demand for pulp and is more energy-intensive. As indicated by the Issuer, the packaging and specialty paper pulp content is much higher. A high-grammage piece of paper uses less pulp than certain packaging grades. The transition to a product with heavier pulp content poses the risk that transitioning a new, more pulp-intensive product category such as packaging, boosts the denominator of the intensity KPI selected (ADT), which could help meet the targets by expanding the resource intensity of production without necessarily reflecting a GHG reduction. Sappi confirms that the transition to a different product is due to market demand, and the risk stated is not an intended result of the product transition.

(ii) Against peers:

We conducted a benchmarking of the SPT set by Sappi against the Paper and Forest Products peer group of 18 companies (including the Issuer) as per the ISS ESG Universe.

Aside from Sappi, 14 other peers have set targets for GHG emissions reduction, where only 4 peers among the 14 have set intensity targets for specifically scope 1 and 2 GHG emissions with the intensity unit being comparable with the unit of Sappi's intensity target (kg CO₂e/adt), while the others have set absolute targets which not comparable with Sappi's Target. Henceforth, among the peers in the peer group used to benchmark the ambition of SPT 1.a and SPT 1.b (excluding those with absolute targets), SPT 1.a is ranked 4th when compared amongst its peer group, and SPT 1.b is ranked 3rd. This places SPT 1.a in the top 50% of the peer group, and SPT 1.b in the top 37.5% of its peer group.

Therefore, both SPT 1.a and SPT 1.b are assessed to be in line with peers.

(iii) Against international targets:

Paris Agreement

Sappi had a Science-Based Targets initiative (SBTi) approved emission reduction target of cutting Scope 1 and 2 emissions by 18% by 2025 and by 41.5% by 2030 from a 2019 base year. This target had been confirmed by the SBTi to be consistent with the reductions required to keep the global mean temperature increase to well-below 2°C.

However, it is worth mentioning that SBTi has suspended non-FLAG SBTi targets set by the pulp and paper industry. The Issuer confirms that it has been one of the signatory companies that have challenged the SBTi methodology resulting in its temporary suspension. Furthermore, the issuer has been actively participating in the GHG protocol technical working group as well as participating as a pilot company for testing the GHG protocol for the forestry sector which will be utilized by SBTi for the issuance of validated science-based targets for this industry.

Until the GHG protocol for land emissions and removals is finalized pulp and paper companies are unable to set SBTi-validated targets. ISS-Corporate concludes that for SPT 1.a and SPT 1.b the information is limited to assess alignment with the Paris Agreement.

Consistency with the Issuer sustainability strategy: Sappi has identified climate change mitigation as one of its priority long-term goals. As such, the company has developed a focus on issues such as decarbonization and the responsible management of natural resources. More notably, Sappi claims to support the global drive to achieve net zero by 2050.

3. Selection of KPI 2

KPI 2 is defined as ‘Sourcing of certified fiber in South Africa’

Opinion	<i>The KPI is relevant, core and material to the Issuer’s overall business, and of strategic significance to the Issuer’s current and/or future operations. It is appropriately measurable, quantifiable, externally verifiable and benchmarkable with limitations. The KPI covers 100% of the fiber supplied to Sappi Southern Africa (SSA).</i>
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Assessment¹⁶	Not Aligned	Aligned	Best Practice
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KPI 2 Characteristics and Features	KPI definition:	Share of certified fiber supplied to Sappi’s mills in South Africa.
	Scope and perimeter:	The KPI scope and perimeter are transparently as it covers 100% of the fiber supplied to Sappi Southern Africa (SSA)
	Quantifiable/Externally verifiable:	The KPI is quantifiable, since it is calculated as “a percentage of certified fiber in relation to the overall fiber supply”. It is externally verifiable, because KPIs related to sustainable fiber sourcing is widely disclosed and standardized in the market. The Issuer is referring to widely recognized certifications scheme such as FSC (Forest Stewardship Council) and PEFC (Programme for the Endorsement of Forest Certification).
	Externally verified:	The historical and baseline data for the KPI selected have been verified by a qualified third-party. The Issuer commits to having the future data verified by an external reviewer as well.
	Benchmarkable:	In the Paper and Forest Products sector, similar sustainable sourcing KPIs are reported using external certifications like FSC (Forest Stewardship Council) and PEFC (Programme for the Endorsement of Forest Certification). The utilization of these widely recognized certifications establishes a common benchmark for assessing and comparing

¹⁶ The KPI selection assessment is classified on a 3-level scale: ‘Not Aligned’, ‘Aligned’ or ‘Best Practice’. For further information on the ISS methodology related to the KPI assessment please refer to Annex 2 at page 20.

	sustainable sourcing practices across companies within the industry.
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KPI 2	The KPI considered is:
Analysis	

Relevant to Sappi’s business as sustainable sourcing of (wood)fiber is considered as a key ESG issue faced by the Paper & Forest Products industry according to key ESG standards.¹⁷ Moreover, the importance of sustainable forest management is a mission shared by all United Nations member states through the UN Forum on Forests (UNFF). Forests are important because they “offer nature-friendly solutions to many global challenges, from combatting climate change, land degradation and biodiversity loss, to building resilience against future crises”.¹⁸ Moreover, under the UNFF Global Forest Goals, goal 3.3 specifically targets the forest area under an independently verified forest management certification scheme. Certification systems, such as the Forest Stewardship Council (FSC) are designed to ensure the environmental and social sustainability of these natural resources.

Core to the Issuer’s business as the sourcing of sustainable fiber affect key processes and operations that are core to the business model of the Issuer. While the overall Group target for sustainable sourcing is 75%, South Africa stands out with a higher target exceeding 82%. This is primarily due to all the fiber supplied by Sappi Forests being certified, covering approximately 67% of the wood requirements for the mills.

Sappi confirms that it will continue to endeavour to purchase plantations, or purchase land and acquire certification after purchase. For land that were not certified at the time of purchasing, Sappi confirms that it will begin the process to acquire certification once the purchasing is completed.

In addition to increasing its own land assets, Sappi explains that it will provide on-going support and practical assistance to growers and external suppliers, as well as having implemented a group certification scheme to overcome financial barriers for small and micro farmers through two initiatives. To facilitate small forest landowners, farmers and community growers in developing skills and expertise, Sappi will continue to expand its Sappi Khulisa initiative. The initiative provides training on forest management, operational skills, safety, legal compliances and business management skills to facilitate the farmers.¹⁹ In addition to helping the farmers to gain knowledge in managing forest, Sappi also partners with PEFC endorsed South African Forestry Assurance Scheme (SAFAS) forest certification,²⁰ which allows small

¹⁷ Key ESG Standards include SASB and TCFD, among others.

¹⁸ UNFF, 2021, ‘Global Forest Goals Report 2021’, <https://www.un.org/esa/forests/wp-content/uploads/2021/04/Global-Forest-Goals-Report-2021.pdf>

¹⁹ Sappi, Making a positive social impact with Sappi Khulisa, <https://www.sappi.com/making-a-positive-social-impact-with-sappi-khulisa>

²⁰ Sustainable African Forest Assurance Scheme, <https://safas.org.za/>

landowners to acquire forest certification through the use of Value Based Platform, a risk management system for sustainable land use decision making.

Material to Sappi South Africa's business model and sustainability profile from an ESG perspective:

- The KPI addresses one of the key ESG issues faced by the Paper & Forest products industry, enabling Sappi to have material impact on the issue. The manufacturing process of paper products heavily relies on wood fiber, constituting the primary ingredient in Sappi's products (comprising approximately 60-70% of paper content). Ensuring a more sustainable sourcing of fiber necessitates companies to disclose the origin of their wood supply while implementing measures and strategies to enhance the utilization of certified wood.²¹ Since Sappi is addressing all these points with this KPI, it can be deemed fully material.
- It should be noted that this KPI only covers Sappi's operation in South Africa but not the whole group, therefore this KPI is Material to SSA but Partially Material at a group level.

Strategic significance to Sappi current and future operations as the KPI is consistent with the overall company's sustainability strategy and business model . It serves as a key component in achieving the company's global target of 75% certified fiber across diverse geographical locations.

²¹ISS-Corporate notes that in the public domain, there are some known inconsistencies with the existing forestry certification schemes, which may lead to the certified sources of fiber being not completely free from negative environmental impacts.

4. Calibration of SPT 2

SPT 2 is defined as 'Increase the proportion of certified fibre supplied to the mills annually to 82% or above'

Opinion	<i>The SPT is (i) qualitatively ambitious against the company's past performance based on limited evidence, (ii) in line with industry peers, and (iii) likely to contribute to SDG 15.2 and 15.b, the assessment against international targets is not applicable as there are no relevant quantitative targets that could be used for comparison. The target is set in a clear timeline and is supported by a strategy and action plan disclosed in the company's framework.</i>
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Level of Ambition ²²	No Evidence	Limited	Good	Robust
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SPT 2 Characteristics and Features	SPT definition:	Increase the proportion of certified fibre supplied to the South Africa mills annually to 82% or above
	Baseline performance and year:	82% of certified fibre in 2019
	Target performance and observation date:	82% of certified fiber by September 30, 2025
	Trigger event:	The trigger events are to be specified in the bond documentation.
	Long-term target:	Not Applicable
	Strategy and action plan to reach the target:	To increase its supply of certified fiber, Sappi will focus its effort on three key levers: <ul style="list-style-type: none"> ▪ On-going land acquisition ▪ Support to growers in the Sappi Khulisa scheme ▪ Maintaining FSC and PEFC certification standards
	Key factors/risks beyond the Issuer's direct control that may affect the	<ul style="list-style-type: none"> ▪ Sappi acknowledges the potential impact of legislative changes and evolving stakeholder expectations as a transitional risk. Certification standards may become progressively more demanding/expensive for

²² The SPT selection assessment is classified on a 4-level scale: 'No Evidence', 'Limited', 'Good' or 'Robust'. For further information on the ISS methodology related to the SPT assessment please refer to Annex 2 at page 21.

SECOND PARTY OPINION

Sustainability Quality of the Issuer and Sustainable Finance Framework

	achievement of the SPTs:	small holders, making the sustained maintenance of certifications, rather than their expansion, potentially more challenging in the future.
	Historical data verified:	The historical and baseline data for the KPI selected have been verified by a qualified third-party. The Issuer also commits to having the future data verified by an external reviewer.
	Recalculations or pro-forma adjustments of baselines	The Sustainable Finance Framework includes a recalculation policy.

SPT 2

Analysis

The level of ambition of the SPT is assessed as follows:

(i) Against past performance:

The Issuer has calibrated SPT 2 as a percentage target to reach 82% of certified fibre supply. The Issuer provided 5 years of relevant historical data, including for the baseline year of 2019. The data are shown in Table 2).

TABLE 2.	2019 – BASELINE	2020	2021	2022	2023	2025 – SPT 2
Share of certified fibre supplied to Sappi's mills	82%	83%	85%	85%	83%	82%
Yearly change in percentage point from 2019 to 2023					+0.25 p.p	

Yearly Change in percentage point from 2019 to 2025							0 p.p
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Source: Sappi Sustainable Finance Framework

Sappi sets this SPT 2 to reach a percentage of 82% of certified fiber supplied to the mills in 2025. This equates to no changes percentage points from 2019 to 2025. While from 2019 to 2023, the percentage has increased yearly, in average of 0.25 p.p.

Since the projected percentage point change to achieve SPT 2 is quantitatively smaller than the historical data, we conclude that the SPT 2 is quantitatively not ambitious against past performance.

However, Sappi explains that as the mills expand and the business grows, the difficulty to secure PEFC certified forests grows accordingly, as the supply of certified wood is limited and that Sappi primarily uses hardwood Eucalyptus for its own dissolving pulp production. According to the report provided by the Department of Forestry, Fisheries and the Environment of South Africa in 2019, among the total plantation area of 1,194,663 hectares, about 44.2% (528,449 hectares) are used as Eucalyptus plantations.²³ Further, while there are no data available for 2019 from PEFC, as of June 2023, only 2.3% of South Africa's forests, equivalent to 396,831 hectares, are PEFC certified²⁴, irrespective of the type of wood. Particularly for pulpwood, the total sales volume of South Africa amounts to 8,437,390 tons in 2019, irrespective of certification status.²⁵

Given the limited availability of certified wood fibre, Sappi highlights that it becomes increasingly challenging to secure a consistent supply of certified fiber outside of Sappi's own forests. Sappi explains that despite all the tangible benefits of forest certification and positive impact on forest management and sourcing practices, forest certification is complex, expensive and at times not financially viable or operationally practical for small private forest landowners, farmers, and/or community growers. Thus, Forest Certification may not be the preferred choice for all landowners.

Sappi also adds that it is not the only player in the region to procure certified wood. Other packaging and paper manufacturers also compete for the certified wood, increasing the difficulty to source certified wood externally. While there could be certified wood in neighbouring countries, Sappi explains that importing wood to South Africa is financially not viable, and in many cases can negatively impact a business model. ISS-Corporate also notes that importing wood may increase GHG emissions.

²³ Department of Forestry, Fisheries and the Environment of Republic of South Africa, Report on Commercial Timber Resources and Primary Roundwood Processing in South Africa, https://www.forestrysouthafrica.co.za/wp-content/uploads/2023/06/TimberStats-2018_19.pdf
²⁴ Programme for the Endorsement of Forest Certification, Facts and figures, <https://pefc.org/discover-pefc/facts-and-figures>
²⁵ Department of Forestry, Fisheries and the Environment of Republic of South Africa, Report on Commercial Timber Resources and Primary Roundwood Processing in South Africa, https://www.forestrysouthafrica.co.za/wp-content/uploads/2023/06/TimberStats-2018_19.pdf

In addition to the limited supply of certified hardwood, Sappi explains that in light of the ongoing expansion of its mills and the consequent growth of its business, it projects that the demand by the Sappi mills in South Africa for certified fibre will grow from 3.48 million tons in 2023 to 3.78 million tons in 2025. Despite achieving a 100% certification for their owned forests in the region, the challenge arises as Sappi’s production increases, necessitating the procurement and assurance of external supply. The table below shows the increase in demand of Sappi’s mills in South Africa for certified wood from 2019 to 2023, and the projected demand from 2023 to 2025.

TABLE 3.	2019	2020	2021	2022	2023	2024 – ESTIMATED	2025 - ESTIMATED
Demand from Sappi S.A. mills (kt)	3,188	2,686	2,812	3,010	3,481	3,684	3,776
CAGR from 2019 to 2023					2.22%		
CAGR from 2019 to 2025							2.86%

Using the numbers provided by Sappi, ISS-Corporate has conducted an analysis by calculating the compound annual growth rate (CAGR) from the baseline year 2019 to 2023, and from baseline year to the target year 2025. The CAGR of the certified wood demand from 2019 to 2023 amounts to an average of 2.22% increase, whereas the CAGR of the certified wood demands amounts to an average of 2.86% increase between 2019 and 2025. Since the projected average annual increase of certified wood to achieve SPT 2 are quantitatively larger than the historical data, it suggests that the growth rate in demand for certified wood is greater than in the past.

Given the limited availability of certified wood in South Africa, and the projected increase in demand of certified wood from Sappi’s mills, it is concluded that SPT 2 is qualitatively ambitious against past performance based on limited evidence.

(ii) Against peers:

We conducted a benchmarking of the SPT set by Sappi against the Paper and Forest Products peer group of 18 companies (including the Issuer) as per ISS ESG Universe.

Out of this peer group, 6 companies, including Sappi, have established at least one target related to the share of certified fiber sourced. Among these 6 companies, four have set a goal of achieving 100% certified wood fiber for their managed or owned production. One company has set a goal of achieving 80% certified wood fiber for their managed or owned production.

Sappi has articulated a group level target of achieving 75% certified wood fiber for their managed or owned production and a South Africa specific target of achieving 82% certified wood fiber for their managed or owned production.

Among the peer group, Sappi's group target rank 6th, and Sappi South Africa operation's target rank 5th with this whole peer group. This places Sappi's group target and Sappi's South Africa target among the top 50%.

It should be noted that SPT 2 is a South Africa Operation-specific target, while targets set by peers may be set referencing to Group-level. A limitation in comparison should therefore be noted. Therefore, SPT2 is assessed to be in line with its peers based on limited information.

(iii) Against international targets:

Contribution to SDGs²⁶

The United Nations Sustainable Development Goal 15 "Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss" defines the following sub-targets: "15.2: By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally" and 15.b "Mobilize significant resources from all sources and at all levels to finance sustainable forest management and provide adequate incentives to developing countries to advance such management, including for conservation and reforestation".

SPT 2 through its supports for growers and the mitigation of financial barriers linked to the certification scheme, contributes to expand the scope of sustainably managed forests in South Africa. Sappi confirms that through the SAFAS, it has identified 8,930 hectares of forest that are ready to be certified by PEFC. Thus, SPT 2 is likely to contribute to SDG 15.2 and 15.b.²⁷

Consistency with the Issuer sustainability strategy as this SPT is integral to a broader global initiative aiming to achieve a minimum of 75% certified fiber supplied to Sappi's mills worldwide by the year 2025.

²⁶ The Sustainable Development Goals (SDGs) mapping in this SPO considers the Key Performance Indicators and the associated Sustainable Performance Targets, ISS ESG SDGA proprietary methodology and resources and guidelines from public institutions, such as the [ICMA KPI registry](#), [the ICMA High-Level Mapping to the Sustainable Development Goals](#) and the UN SDG targets and indicators.

²⁷ It is not possible (i) to assess the SPT's level of contribution and (ii) to quantitatively compare the SPT ambition against the SDGs mentioned.

PART III: CONSISTENCY OF SUSTAINABILITY-LINKED FINANCE INSTRUMENTS WITH SAPPI'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the Issuer

TOPIC	ISSUER APPROACH
<p>Strategic ESG</p>	<p>The Issuer focuses on the impact of wood processing, worker safety, and accident prevention, Sustainable wood fiber/sourcing, and the sustainable management of forests and plantations. These sustainability pillars have been defined through a materiality analysis, ensuring that the most relevant and impactful issues are addressed in Sappi's sustainability strategy. This approach aligns with market practices such as the Global Reporting Initiative (GRI) and reflects Sappi's commitment to addressing the most significant environmental, social, and governance (ESG) challenges within its operations and value chain.</p>
<p>ESG goals/targets To achieve its strategic ESG topics, the Issuer has set the following objectives:</p>	<ul style="list-style-type: none"> ▪ Reduction of Scope 1 and 2 greenhouse gas emissions per ton of product: <ul style="list-style-type: none"> ○ Reduce Scope 1 and 2 emissions by 18% by 2025 against a 2019 baseline ○ Reduce total Scopes 1 and 2 GHG emissions by 41.5% by 2030 against a 2019 baseline ▪ Increase the share of renewable and clean energy by 8% by 2025 against a 2019 baseline ▪ Decrease specific total energy consumption by 5% by 2025 against a 2019 baseline ▪ Reduce Landfill waste by 15% by 2025 against a 2019 baseline ▪ Reduce specific water use in water-stressed locations by 25% by 2025 against a 2019 baseline ▪ Protect and enhance biodiversity <ul style="list-style-type: none"> ○ Increase share of certified fiber sourcing by 75% against a 2019 baseline ○ Increase share of certified fiber sourcing by 82% against a 2019 baseline ○ Enhance biodiversity in conservation areas ▪ Advance Broad-Base black economic empowerment ▪ Build and activate mutually beneficial partnerships ▪ Zero workplace injuries LIFR: own employees

	<p><i>Reduction of Scope 1 and 2 emissions per ton of product is verified by SBTi. The goals are public. They are monitored on an annual basis.</i></p>
<p>Consistency with the KPIs</p>	<p>KPI 1: Sappi has set decarbonization as one of its priority long-term goals. KPI 1 focuses on reducing the company’s Scope 1 and 2 GHG emissions per ton of product and is therefore consistent with its decarbonization objective.</p> <p>KPI 2: Sappi has set Biodiversity protection as one of its priority long-term goals. To achieve this goal, the company has outlined strategies including enhancing biodiversity in protected areas. KPI 2 focuses on increasing the company’s certified fiber sourcing and is therefore consistent with the company’s biodiversity protection objective.</p>
<p>Action plan</p>	<p>Sappi's sustainability strategy, as outlined in its Thrive25 strategy and its alignment with the United Nations Sustainable Development Goals (SDGs), focuses on a comprehensive approach to environmental, social, and governance (ESG) issues. The strategy is built around key strategic ESG issues that Sappi aims to address through various programs and initiatives. Below is a detailed overview of these strategic issues, including the specific programs Sappi has in place to achieve these ESG targets/goals.</p> <p>Responsible Sourcing of Materials</p> <p>Sappi implements a rigorous three-step Due Diligence System (DDS) for responsible sourcing, ensuring that the wood fiber used in its products avoids controversial sources and complies with all applicable laws. This system involves gathering information, assessing risk, and mitigating risk for all suppliers and sub-suppliers of wood fiber raw material. Sappi’s mills in North America are certified by the Sustainable Forestry Initiative® (SFI®), the Forest Stewardship Council® (FSC®), and the Programme for the Endorsement of Forest Certification (PEFC) standards</p> <p>Reduction of Scope 1 and 2 Greenhouse Gas Emissions</p>

The company has extended the timeline horizon of KPI1's Sustainability Performance to align with validated long-term targets and renewable energy integration plans. Sappi is looking to develop its climate strategy and has identified projects to mitigate GHG emissions over the next five years. Notable initiatives include the modernization of a boiler at Gratkorn Mill in Austria, resulting in a transition towards more renewable energy, with the mill's share rising from 41% in 2022 to 56% in 2023. Additionally, Kirkniemi Mill in Finland converted to renewable energy in August 2023, significantly reducing direct fossil greenhouse gas emissions by 90%. Acknowledging the need for renewable energy in its South African operations, Sappi is exploring Private Partnership Agreements (PPA) with independent renewable energy providers to enhance the use of renewable energy in its activities

Reduce Landfill waste

Sappi is looking to address environmental sustainability through a multifaceted action plan. In a joint venture named uMkhomazi Fuels, the company established a ZAR80 million cycle plant at Saiccor Mill to generate steam from wood pellets made from mill waste, thereby avoiding landfill disposal of 57,000 tons of waste annually. Sappi Europe is making efforts in water stewardship, incorporating online measurement systems at Kirkniemi Mill and implementing projects at Alfeld Mill to reduce water consumption. Sappi North America received recognition for the Cloquet Mill Effluent TSS Reduction project, focusing on reducing total suspended solids and biological oxygen demand in the mill's effluent discharge through a three-phase program spanning from 2015 to 2022.

Increase in Renewable and Clean Energy

Globally, 53.9% of the total energy consumed by Sappi is from renewable and clean energy sources. Investments have been made to reduce reliance on fossil fuels and increase renewable energy usage, such as the biomass-derived energy project at Ngodwana Mill in South Africa

Decrease in Specific Total Energy Consumption

Sappi aims to improve energy efficiency and decrease its reliance on purchased fossil energy by increasing the use of renewable energy. This includes making process changes and installing Best Available Technology (BAT) that is more energy-efficient

Zero workplace injuries LTIFR: own employees and contractors

Sappi's action plan to achieve net zero injuries revolves around communication of incidents and best practices and a commitment to Project Zero with a focus on improved personal behavior and safe choices. The plan includes three regions with safety programs aiming to create an environment where permanent disability or loss of life is avoided. Regional initiatives in 2023 include safety awards, environmental recognition, incident investigations, behavior-based safety audits, a 'Safety Star of the Week' initiative, sharing lessons learned, engagement with stakeholders, and reinforcement of safety culture through programs like Lean on Me and Visible Felt Leadership. Highlights for 2023 include zero fatalities, continuous improvement in the lost-time injury frequency rate, and the extension of safety awards in Sappi South Africa to include environmental recognition.

Reduce specific water process usage in South Africa

In order to reduce water usage in its South African operations the company has set water-related Thrive25 targets to address this issue. Key initiatives include:

- **Innovative Research Project:** Sappi Forests collaborates in a project at the Shaw Research Centre to simulate reduced rainfall effects on various tree genotypes. The project includes a tree physiology and genomic study to understand how these factors influence drought tolerance and recovery. This initiative is supported by Forestry South Africa's Sector Innovation Funding.
- **Saiccor Mill Expansion:** The commissioning of a 110,000 tpa capacity expansion project at Saiccor

	<p>Mill in FY2022 incorporates new technology with improved washing techniques, optimizing water and energy efficiency</p> <ul style="list-style-type: none"> Water Stewardship Agreement: Sappi has finalized a Water Stewardship agreement with the World Wide Fund for Nature South Africa (WWF-SA) to enhance water security in the uMkhomazi catchment area. <p>Capital Projects for Water Efficiency: Various smaller capital projects at each manufacturing site aim to reduce steam usage and enhance water efficiency. These projects contribute to Sappi's overall goal of minimizing water withdrawal for all purposes, including processing, community use, and cooling.</p>
<p>Climate Transition Strategy</p>	<p>There is no information available on the Issuer's Climate Transition Strategy.</p>
<p>ESG Risk and Sustainability Strategy Management</p>	<p>Sappi has implemented a sustainability governance structure to embed its sustainability strategy and monitor ESG risk into decision-making processes at various levels. The Regional Sustainable Councils (RSCs) in Europe, North America, and South Africa are responsible for translating macro-level sustainable strategies into localized solutions. These councils establish and implement on-the-ground sustainability strategies, overseen by the Group Sustainable Development Council (GSDC), which reviews key trends and developments. Recommendations from the GSDC are forwarded to the Social, Ethics, Transformation, and Sustainability (SETS) Committee and, ultimately, to the Sappi Limited board of directors. The SETS Committee, comprising non-executive members, should monitor compliance with international practices and relevant laws, addressing issues related to corporate social investment, ethical conduct, diversity, transformation, and ongoing sustainability practices. Additionally, Sappi has established the Sappi Sustainable Financing Committee (SSFC) to oversee sustainability in debt issuances, with representatives from Sustainability, Treasury, Compliance, and Finance departments. The SSFC manages updates to the sustainability framework and evaluates financing structures based on use-of-proceeds criteria. The committee meets when projects with</p>

	<p>sustainability Key Performance Indicators (KPIs) are approved or when contemplating changes to sustainability targets. Treasury, in collaboration with Sustainability, assesses financing structures to determine whether they qualify as “Green,” “Social,” or “Sustainability-linked” facilities. This governance structure is accountable for compliance, and the overseeing of sustainability initiatives and risk monitoring within Sappi.</p>
<p>Top three areas of breaches of international norms and ESG controversies in the industry²⁸</p>	<p>Failure to prevent deforestation/illegal logging, Failure to prevent depletion of biodiversity, Strike action, Failure to prevent water pollution, Failure to respect the right to just and favorable conditions of work, and Failure to mitigate climate change impacts.</p>
<p>Sustainability Reporting</p>	<p>The Issuer reports on its ESG performance and initiatives on an annual basis. The report is prepared according to the GRI Sustainability Reporting Standards and is subject to a limited assurance engagement.</p>
<p>Industry associations, Collective commitments</p>	<p>The Issuer collaborates with WWF South Africa in a water stewardship project. On top of that, the issuer has also Joined the Circular Bioeconomy Alliance in supporting the mandate and activities of the alliance, especially in contributing to the development of a Living Labs initiative in Africa.</p>
<p>Previous sustainable/sustainability-linked issuances or transactions and publication of sustainable financing framework</p>	<p>Sappi Group issued its first Sustainability Linked Revolving Credit Facility in 2022 maturing in February 2027 which was then followed by the South African Zar2 billion Revolving Credit Facility Maturing in 2027.</p>

²⁸ Based on a review of controversies identified by ISS ESG over a 2-year period, the top three issues that have been reported against companies within the Pulp and paper industry are displayed above. Please note that this is not a company specific assessment but areas that can be of particular relevance for companies within that industry

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SECOND PARTY OPINION

Sustainability Quality of the Issuer
and Sustainable Finance Framework

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ANNEX 1: ISS-CORPORATE SUSTAINABILITY-LINKED BONDS METHODOLOGY

The ISS-Corporate SPO provides an assessment of labelled transactions against international standards using ISS-Corporate proprietary methodology. For more information, please visit: <https://www.issgovernance.com/file/publications/SPO-Sustainability-Linked-Bonds-and-Loans.pdf>

Analysis of the KPI selection and associated SPT

In line with the voluntary guidance provided by the Sustainability-Linked Bond Principles, an in-depth analysis of the sustainability credibility of the KPI selected and associated SPT has been conducted.

The analysis has determined whether the KPI selected is core, relevant and material to the Issuer business model and consistent with its sustainability strategy thanks to long-standing expertise in evaluating corporate sustainability performance and strategy. The analysis also reviewed whether the KPI is appropriately measurable by referring to key reporting standards and against acknowledged benchmarks. Based on the factors derived from the SLBP and using a proprietary methodology, the KPI selection assessment is classified on a 3-level scale:

Not Aligned	Aligned	Best Practice
The KPI is not aligned if one of the core requirements from the SLBP selection of KPIs section is not satisfied.	The KPI is aligned if all the core requirements from the SLBP selection of KPIs section are satisfied.	The KPI follows best practice if all the core requirements from the SLBP selection of KPIs section are satisfied and if the KPI is fully material and follows best-market practices in terms of benchmarkability.

The ambition of the SPT has been analyzed against the Issuer’s own past performance (according to Issuer’s reported data), against the Issuer’s industry peers (for example per ISS ESG Peer Universe data), and against international benchmarks such as the Paris agreement (based on data from the Transition Pathway Initiative or Science-Based Targets initiative). Finally, the measurability and comparability of the SPT, and the supporting strategy and action plan of the Issuer have been evaluated.

Based on the factors derived from the SLBP and using a proprietary methodology, the SPT selection assessment is classified on a 4-level scale:

No Evidence	Limited	Good	Robust
If none of the three dimensions (past performance, industry peers and international benchmarks) are positively assessed.	If the SPT is ambitious against only one of the three dimensions.	If the SPT is ambitious against two of the three dimensions.	If the SPT is ambitious against all the dimensions.

ANNEX 2: QUALITY MANAGEMENT PROCESSES

SCOPE

Sappi commissioned ISS-Corporate to compile a Sustainability-linked Bonds SPO. The Second Party Opinion process includes verifying whether the Sustainable Finance Framework aligns with the Sustainability-Linked Bond Principles, as administered by the ICMA (as of June 2023) and to assess the sustainability credentials of its Sustainability-linked Finance Instruments, as well as the Issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion:

- Sustainability-Linked Bond Principles, as administered by the ICMA (as of June 2023)

ISSUER'S RESPONSIBILITY

Sappi limited's responsibility was to provide information and documentation on:

- Sustainable Finance Framework

ISS-CORPORATE'S VERIFICATION PROCESS

Since 2014, ISS Group, of which ISS-Corporate is part, has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

This independent Second Party Opinion of the Sustainability-linked Finance Bonds to be issued by Sappi has been conducted based on a proprietary methodology and in line with the ICMA Sustainability-Linked Bond Principles.

The engagement with Sappi took place from January to March 2024.

ISS-CORPORATE'S BUSINESS PRACTICES

ISS-Corporate has conducted this verification in strict compliance with the ISS Group Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behavior and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About the SPO

Companies turn to ISS-Corporate for expertise in designing and managing governance, compensation, sustainability and cyber risk programs that align with company goals, reduce risk, and manage the needs of a diverse shareholder base by delivering best-in-class data, tools, and advisory services.

We assess alignment with external principles (e.g. the ICMA Sustainability-Linked Bond Principles/the LMA Sustainability-Linked Loan Principles), analyze the sustainability quality of the assets and review the sustainability performance of the Issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond from a sustainability perspective.

Learn more: <https://www.iss-corporate.com/solutions/sustainable-finance/bond-issuers/>

For information about SPO services, please contact: SPOsales@iss-corporate.com

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