

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Sustainability-Linked Financing Framework

Sappi Limited

26 February 2025

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, ICMA, June 2024
Scope of verification	<ul style="list-style-type: none">▪ Sappi's Sustainability-Linked Financing Framework (as of Jan. 27, 2025) and KPI/SPT 1 and 2 in the Sustainability-Linked Financing Framework
Lifecycle	<ul style="list-style-type: none">▪ Pre-issuance verification
Validity	<ul style="list-style-type: none">▪ Valid as long as Sappi's Sustainability-Linked Financing Framework, the selected KPIs/SPTs and benchmarks for the sustainability performance target(s) remain unchanged.

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SCOPE OF WORK

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

1. Sappi’s Sustainability-Linked Financing Framework (as of Jan. 27, 2025) 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 bonds issuance with Sappi’s sustainability strategy, drawing on the key sustainability objectives and priorities defined by the Issuer.

SAPPI BUSINESS OVERVIEW

Sappi Limited operates as a holding company that 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 Dec. 17, 1936, and is headquartered in Johannesburg. It is classified in the paper and forest product industry, as per ISS ESG’s sector classification.

ESG risks associated with the Issuer’s industry

Sappi is classified in the paper and forest product industry, as per ISS ESG’s sector classification. Key sustainability issues faced by companies¹ in this industry are environmental impacts of processing, sustainable wood/fiber sourcing, sustainable management of forests and plantations, protection of human rights and livelihoods, and 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 rather areas that are of particular relevance for companies within that industry. Key ESG issues by industry are sourced from ISS ESG’s Corporate Rating methodology.

ASSESSMENT SUMMARY

EVALUATION SUMMARY ²			
Part I: Alignment with the SLBP	The Sustainability-Linked Financing Framework and KPI/SPT 1 and 2 are in line with the Sustainability-Linked Bond Principles.		
Part II:	KPI 1. Reduce the ratio of absolute Scope 1 and 2 GHG emissions	KPI 2. Sourcing of certified fiber	
KPI selection			
Relevant	Relevant	Relevant	
Core	Core	Core	
Material	Moderately Material	Material	
Assessment	Aligned	Best Practice	
SPT calibration	SPT 1.a 35.6% reduction in the intensity ratio of Scope 1 and 2 GHG emissions (kgCO ₂ e) by 2028 from a 2019 base year	SPT 1.b 41.5% reduction in the intensity ratio of Scope 1 and 2 GHG emissions (kgCO ₂ e) by 2030 from a 2019 base year	SPT 2. Increase the proportion of certified fiber supplied to Sappi mills annually to above 75%
Against Issuer's past performance	Ambitious	Ambitious	Qualitatively 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 and February 2025, on the Issuer's Sustainability-Linked Financing Framework (as of Jan. 27, 2025).

EVALUATION SUMMARY²			
Against international targets	Limited information	Limited information	Likely to contribute to SDG 15.2 or 15.b ³
Level of ambition	Good⁴	Good⁵	Good⁶

Consistent with the Issuer’s sustainability strategy.

Part III: The key sustainability objectives and the rationale for issuing sustainability-linked bonds are clearly described by the Issuer.

Consistency of sustainability-linked bonds with Sappi’s sustainability strategy The KPIs selected by the Issuer are related to climate change and sustainable forestry. GHG emissions and certified fiber sourcing have been defined as key priorities of the Issuer’s sustainability strategy and have been assessed as material sustainability topics for the Issuer. This transaction contributes to the Issuer’s sustainability strategy due to the KPIs’ clear link to one of the key sustainability priorities of the Issuer and due to an ambitious SPT against the Company’s past performance and peer group.

³ While various organizations and industry initiatives address the sustainable aspect of wood sourcing, there is no one-size-fits-all quantitative industry benchmark or target with metrics similar to the KPI selected. However, the KPI selected, covering Sappi’s entire supply, contributes to enlarging the number of sustainably managed forest and halting deforestation, in line with sub-target 15.2 from U.N. Sustainability Development Goal 15 (Life on Land). Additionally, the SPT supports Sappi’s suppliers in South Africa in their journey toward certifications and is thus in line with 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 SPT’s three benchmarking approaches have been assessed positively.

⁵ Ibid.

⁶ Ibid.

SPO ASSESSMENT

PART I: ALIGNMENT WITH THE SUSTAINABILITY-LINKED BOND PRINCIPLES

This section describes ISS-Corporate's assessment of the alignment of Sappi's Sustainability-Linked Financing Framework (as of Jan. 27, 2025) and KPI/SPT 1 and 2 with the SLBP.

SLBP	ASSESSMENT	OPINION
1. Selection of KPIs	A detailed analysis of the sustainability credibility of the KPI selection is available in Part II of this report.	
2. Calibration of SPTs	A detailed analysis of the sustainability credibility of the SPT calibration is available in Part II of this report.	
3. Bond characteristics	✓	<p>The description of the sustainability-linked bond characteristics provided by the Issuer is aligned with the SLBP. The Issuer gives a detailed description of the potential variation of the financial characteristics of the securities (e.g., an increase in the coupon) in the relevant bond documentation for each specific transaction. Additionally, the fallback mechanism will be included in the bond documentation and no neutral bracket is involved.</p> <p>KPI 1 measures the intensity ratio of absolute Scope 1 and 2 GHG emissions, while KPI 2 focuses on the global sourcing of certified fiber. The emissions target is aligned with the Science Based Targets initiative (SBTi).</p>
4. Reporting	✓	<p>The reporting description provided by the Issuer is aligned with the SLBP. This will be made available annually to investors and include up-to-date information on SPT performance, including the baseline (where relevant) and the performance against the SPT. Additionally, any additional relevant information enabling investors to monitor the progress of each KPI toward the SPT(s) and limited assurance statement by Sappi's auditor or an independent qualified external reviewer, such as an environmental consultant or independent rating agency.</p>

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SLBP	ASSESSMENT	OPINION
		Information may also include when feasible and possible: qualitative and/or quantitative explanation of the contribution of the main factors driving the evolution of the SPT on an annual basis, and reassessments of SPTs, restatement of the SPTs and/or pro-forma adjustments of baselines or SPT scope.
5. External verification	✓	The verification description provided by the Issuer is aligned with the SLBP. This report constitutes the SPO. The performance of the SPTs against the KPIs will be externally verified with a limited assurance annually until the target is reached.

PART II: KPI SELECTION AND 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/or future operations. It is appropriately measurable, quantifiable, externally verifiable and benchmarkable. It covers Scope 1 and 2 GHG emissions, which represent 52.99% of the Company’s total GHG emissions.</i>
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Assessment⁷	Not Aligned	Aligned	Best Practice
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KPI 1 Characteristics and features	KPI definition:	Intensity ratio of absolute Scope 1 and 2 GHG emissions (kgCO ₂ e) divided by saleable production measured in air-dried metric tons (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 52.99% of the Company’s total GHG emissions in the 2024 fiscal year.
	Quantifiable/Externally verifiable:	The KPI is quantifiable because it is calculated as the absolute Scope 1 and 2 GHG emissions (kgCO ₂ e) divided by saleable production (ADT). It is externally verifiable because GHG emissions intensity per ton of pulp and paper produced is a widely disclosed and standardized KPI in the market. The Issuer refers to key reporting and accounting protocols for GHG emissions such as the GHG Protocol.
	Externally verified:	The historical and baseline data for the KPI selected have been verified by a qualified third

⁷ The KPI selection assessment is classified on a three-level scale: “Not Aligned,” “Aligned” or “Best Practice.” For further information on ISS-Corporate’s methodology for assessing KPIs, please refer to Annex 1.

⁸ Air-dried tons refers to dry solid content of 90% and moisture content of 10%.

		party. The Issuer commits to having the future data verified by an external reviewer, as well. ⁹
	Benchmarkable:	By referring to commonly acknowledged GHG accounting standards and protocol, as well as the Intergovernmental Panel on Climate Change (IPCC) calculation methodology for Scope 1 scoping this year, the KPI is easily comparable with the data reported by other companies and with international targets such as the Paris Agreement. Benchmarking of the SPT in relation to this KPI has been analyzed below.

KPI 1	
Analysis	The KPI considered is:

Relevant to Sappi’s business as the pulp and paper industry has negative environmental impacts due to GHG emissions from wood processing and non-fibrous components production, and the KPI is considered a key ESG issue faced by the pulp and paper industry according to [SASB Standards](#) and ISS ESG’s 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 kgCO₂e in GHG emissions cradle to gate. Hence, according to the [International Energy Agency](#), 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. The pulp and paper sector [accounted](#) for 6% of global industrial energy use, ranking among the top five most energy-intensive industries globally and ranking top four among industrial energy usage. Most energy is consumed in the drying process, where a large amount of water must be evaporated in drying pulp and paper, in the pulping phase in mills, which uses chemical pulping as 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.

Core to the Issuer’s business as Scope 1 and 2 GHG emissions reduction measures affect key processes and operations that are core to the Issuer’s business model. The Company has undertaken decarbonization initiatives over the years, with ongoing efforts focused on transitioning to renewable energy and improving energy efficiency. Through power purchase agreements (PPAs), Sappi has a long-term renewable energy supply. 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

⁹ The historical and baseline data differ from Sappi’s [Sustainable Finance Framework 2024](#), as Sappi established a new 2019 baseline in FY24 to align with the adoption of a refined Scope 1 landfill emissions model by the IPCC. This involved backdating Scope 1 emissions to 2019, increasing the baseline from 893.3 kgCO₂e/ADT to 908.1 kgCO₂e/ADT. The revision primarily impacted Scope 1 emissions at the Cloquet, Somerset and Matane mills in the U.S. and Canada, as these mills own landfills. The overall 18% reduction target over the five-year period remains unchanged, with only the baseline and interim annual targets adjusted.

of Origin (REGOs), which act as one-off purchases and carry limitations. Specific mill-level transitions include the Gratkorn Mill in Austria, where boiler modernization in 2022 increased renewable energy usage from 41% in 2022 to 56% in 2023, with Phase 2 initiated to enhance biomass handling. At the Kirkiniemi Mill in Finland, the transition to biofuels such as bark, sawdust and wood chips led to a 90% emissions reduction and a renewable energy share of 95% in 2023. Additional efforts include replacing natural gas with biomass at the Cloquet Mill, reducing fossil fuel consumption at the Saiccor Mill through better boiler efficiency and increased use of black liquor and alternative biomass, and reducing Scope 1 emissions globally by closing fossil fuel-reliant mills like Lanaken and Stockstadt. In South Africa, while Sappi has integrated renewable energy sources like black liquor and biomass, full self-reliance has not yet been achieved due to dependence on Eskom's coal-based grid.

In the 2025 fiscal year, Sappi plans to expand the use of biomass across its mills to further reduce coal and natural gas consumption, invest in self-owned renewable energy assets, and continue improving energy efficiency through annual maintenance and sustainability CapEx. Additionally, an estimated 70 million dollars in sustainability CapEx is allocated to replacing outdated equipment with modern, energy-efficient alternatives, reinforcing Sappi's long-term commitment to decarbonization.

Moderately Material¹⁰ 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 GHG emissions covering the entirety of the Company's operations. However, Scope 1 and 2 GHG emissions only represent 52.99% of Sappi's total Scope 1, 2 and 3 GHG emissions. To be in line with SBTi criteria, companies must set Scope 3 targets. These are supplier engagement targets and/or reduction targets that collectively cover at least 67% of total Scope 3 emissions if these emissions represent over 40% of total Scope 1, 2 and 3 emissions. Therefore, KPI 1 is deemed Moderately Material to the Company's entire corporate value chain as per ISS-Corporate's methodology.

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.

Of strategic significance to Sappi's current and future operations as the KPI is consistent with the Company's overall sustainability strategy and business model, as it is taking actions to combat impacts on climate change.

¹⁰ 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 the GHG Protocol or to established norms for the Issuer's sector. 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: 35.6% reduction in the intensity ratio of Scope 1 and 2 GHG emissions (kgCO₂e) by 2028 from a 2019 base year

SPT 1.b: 41.5% reduction in the intensity ratio of Scope 1 and 2 GHG emissions (kgCO₂e) by 2030 from a 2019 base year

Opinion	<p><i>SPT 1.a (i) is ambitious against the Company's past performance, (ii) is in line with industry peers, and (iii) contains limited information to assess the target's level of ambition against international targets. 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>SPT 1.b (i) is ambitious against the Company's past performance, (ii) is in line with industry peers, and (iii) contains limited information to assess the target's level of ambition against international targets. 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.a¹¹	No Evidence	Moderate	Good	Robust
Level of Ambition of SPT 1.b¹²	No Evidence	Moderate	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 (kgCO₂e) to saleable production (ADT) by 35.6% in 2028.</p> <p>SPT 1.b is defined as reducing the intensity ratio of absolute Scope 1 and 2 GHG emissions</p>
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¹¹ The SPT selection assessment is classified on a four-level scale: "No Evidence," "Moderate," "Good" or "Robust." For further information on ISS-Corporate's methodology for assessing SPTs, please refer to Annex 1.

¹² Ibid.

	(kgCO ₂ e) to saleable production (ADT) by 41.5% in 2030.
Baseline performance and year:	0.91 kgCO ₂ e/ADT in 2019.
Target performance and observation date:	SPT 1.a: 35.6% reduction by 2028 (0.58 kgCO ₂ e/ADT) SPT 1.b: 41.5% reduction by 2030 (0.53 kgCO ₂ e/ADT) Target observation date for SPT 1 is September 2028. ¹³
Trigger event:	The trigger events are to be specified in the bond documentation.
Long-term target:	Not applicable ¹⁴
Strategy and action plan to reach the target:	To reduce its Scope 1 and 2 GHG emissions, Sappi is implementing the following initiatives: <ul style="list-style-type: none"> ▪ Transitioning to renewable energy and improving energy efficiency. ▪ Having a long-term renewable energy supply through PPAs, which provide longer-term renewable energy compared to RECs or REGOs, which are one-off purchases. ▪ Gratkorn Mill (Austria): <ul style="list-style-type: none"> ▪ Modernizing boilers in 2022, which increased renewable energy usage from 41% in 2022 to 56% in 2023. ▪ Initiating Phase 2 of the project in 2023 to improve biomass handling. ▪ Kirkniemi Mill (Finland): <ul style="list-style-type: none"> ▪ Transitioning to biofuels such as bark, sawdust and wood chips.

¹³ The Issuer states that the observation dates between the two SPTs are different due to the fact that each SPT has a different target date.

¹⁴ Sappi does not currently have longer-term group GHG targets beyond the verified SBTi 2030 targets. This does not affect the assessment. For more information, please refer to Sappi's [2024 TCFD Report](#).

		<ul style="list-style-type: none"> ▪ Achieving a 90% reduction in emissions and 95% renewable energy share in 2023. ▪ Cloquet Mill (U.S.): Replacing natural gas with biomass to reduce Scope 1 emissions. ▪ Saiccor Mill (South Africa): Reducing fossil fuel consumption through improved boiler efficiency and increased use of black liquor and alternative biomass. ▪ Global Scope 1 Emission Reductions: Closing Lanaken and Stockstadt mills, which were heavily reliant on fossil fuels. ▪ South Africa: Integrating black liquor and biomass for renewable energy (but still depends on Eskom’s coal-based grid). ▪ Fiscal Year 2025 plans: <ul style="list-style-type: none"> ▪ Expand biomass usage to reduce coal and natural gas consumption. ▪ Invest in self-owned renewable energy assets. ▪ Continue energy efficiency improvements through annual maintenance and sustainability CapEx. ▪ Allocate 70 million dollars in sustainability CapEx to replace outdated equipment with energy-efficient alternatives.
	<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 and 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

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		<p>change the timetable to achieve the targets (both positively and negatively).</p> <ul style="list-style-type: none"> ▪ The cyclicity of the pulp and paper business. These cycles are unpredictable and often depend on external factors (e.g., unplanned pandemics, invasion of countries, extreme weather). The cyclicity impacts Sappi's operating rates with a knock-on effect on energy usage and emissions. ▪ 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 five 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 achieved an average yearly decrease of 2.15% between 2019 and 2024 for GHG emissions (kgCO₂e) divided by saleable production (ADT).

TABLE 1. ¹⁵	2019 (BASE LINE)	2020	2021	2022	2023	2024	2028 (SPT 1.a)	2030 (SPT 1.b)
Scope 1 and 2 GHG emissions (in tCO₂e/saleable production ADT)	0.91	0.93	0.88	0.83	0.93	0.81	0.60	0.53
CAGR 2019-2024						-2.15%		
CAGR 2019-2028							-4.77%	
CAGR 2019-2030								-4.76%

Source: Sappi's Framework

Sappi sets SPT 1.a to achieve a reduction of Scope 1 and 2 GHG emissions by 35.6% in 2028 compared to a 2019 baseline. Calculating the CAGR amounts to an average yearly decrease of 4.77% between 2019 and 2028.

Sappi sets SPT 1.b to achieve a reduction of Scope 1 and 2 GHG emissions by 41.5% in 2030 compared to a 2019 baseline. Calculating the CAGR amounts to an average yearly decrease of 4.76% between 2019 and 2030.

Because the projected average annual reductions to achieve SPT 1.a and SPT 1.b are quantitatively larger than the historical data, we conclude that SPT 1 is ambitious against past performance.

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

¹⁵ The historical and baseline data differ from the [2024 Framework](#) as Sappi established a new 2019 baseline in FY24 to align with the adoption of a refined Scope 1 landfill emissions model by the IPCC. This involved backdating Scope 1 emissions to 2019, increasing the baseline from 893.3 kgCO₂e/ADT to 908.1 kgCO₂e/ADT. The revision primarily impacted Scope 1 emissions at the Cloquet, Somerset and Matane mills in the U.S. and Canada, as these mills own landfills. The overall 18% reduction target over the five-year period remains unchanged, with only the baseline and interim annual targets adjusted.

the risk that transitioning to 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:¹⁶

ISS-Corporate benchmarked the SPT set by Sappi against the paper and forest products peer group of 18 companies (including the Issuer) as per ISS ESG's peer universe. The peer group was identified based on the Nomenclature of Economic Activities (NACE) classification within ISS ESG's database. Companies within the peer group are located in Austria, Brazil, Canada, Finland, Japan, Poland, Portugal, South Africa, Spain, Sweden and the U.S.

Aside from Sappi, 14 other peers have set GHG emissions reduction targets. Among them, only four peers have set intensity targets for Scope 1 and 2 GHG emissions with the intensity unit being comparable to Sappi's intensity target (kgCO₂e/ADT). The remaining 10 have set absolute targets, which are not comparable to Sappi's target. Additionally, three peers have not set any targets. Among the peers in the group used to benchmark the ambition of SPT 1.a and SPT 1.b (excluding those with absolute targets), SPT 1.a and SPT 1.b are ranked third. This places SPT 1.a 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 SBTi approved emission reduction target at the group level to reduce Scope 1 and 2 GHG emissions by 35.6% by 2028 and by 41.5% by 2030 from a 2019 base year. The 2030 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, while the Issuer confirms that the 2028 target is also in line with the same trajectory as the 2030 target, as the Issuer confirms to have discussed with the SBTi.

However, the SBTi [suspended](#) the use of the timber and wood fiber pathway for setting forest, land and agriculture SBTi targets for the pulp and paper industry. The Issuer confirms that it is one of the signatory companies that challenged the SBTi methodology, resulting in its temporary suspension. Furthermore, the Issuer has actively participated in the GHG Protocol's technical working group and has participated as a pilot company for testing the GHG Protocol's guidelines for the forestry sector, which will be utilized by the SBTi for the issuance of validated science-based targets for this industry.

¹⁶ ISS-Corporate assesses the ambitiousness of the Issuer's SPT against its peers by computing the CAGR of the SPTs and the targets publicly disclosed by the Issuer's sectoral peers. The calculation assumes that every peer will follow a linear trajectory to achieve the targets set, at least until the Issuer's target year.

Until the [GHG Protocol's guidance](#) 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's sustainability strategy:

Sappi is committed to achieving its targets under the Thrive25 business strategy by reducing specific GHG emissions (Scope 1 and 2) through climate action and transitioning to a low-carbon future with the support of advanced technology, renewable energy sources and investment. As a signatory of the United Nations Global Compact, Sappi aims to align its long-term operations with the U.N. SDGs.

3. Selection of KPI 2

KPI 2 is defined as “Sourcing of certified fiber globally.”

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. It covers 100% of the fiber supplied to Sappi globally.</i>
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Assessment¹⁷	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 globally.
	Scope and perimeter:	The KPI scope and perimeter are transparently defined as it covers 100% of the fiber supplied to Sappi globally.
	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 are widely disclosed and standardized in the market. The Issuer refers to widely recognized certifications such as those from the 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 such as FSC and PEFC. The utilization of these widely recognized certifications establishes a common benchmark for assessing and comparing sustainable sourcing practices across companies within the industry.

KPI 2	The KPI considered is:
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¹⁷ The KPI selection assessment is classified on a three-level scale: “Not Aligned,” “Aligned” or “Best Practice.” For further information on ISS-Corporate’s methodology for assessing KPIs, please refer to Annex 1.

Analysis

Relevant to Sappi's business as sustainable sourcing of (wood) fiber is considered as a key ESG issue faced by the paper and forest products industry according to key ESG standards, including SASB Standards and ICMA's KPI registry. The importance of sustainable forest management is a mission shared by all United Nations member states through the United Nations 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," as outlined in the [Global Forest Goals Report 2021](#). 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 FSC are designed to ensure the environmental and social sustainability of these natural resources.

Core to the Issuer's business as sourcing of sustainable fiber affects key processes and operations that are core to Sappi's business model. Sappi states that all of its owned mills in Europe, the U.S., Canada and South Africa and all tree plantations and forests in South Africa are certified by both the FSC and PEFC. Sappi confirms that self-owned mills contribute to 60% of its total timber supplied. Regarding sourcing of certified fiber from external sources, the Issuer confirms that it has various actions to meet the target. In South Africa, Sappi South Africa looks to continue its promotion of Sustainable African Forestry Assurance Scheme (SAFAS), of which Sappi partnered with the PEFC for development and drives certification within the forestry industry. The scheme allows small landowners to acquire forest certification through SAFAS' Value Based Platform, a risk management system in the scheme for sustainable land use decision making. Sappi also provides support through dedicating operational staff and extension officers for manpower and technical extension services to assist forest growers, specifically small and micro scale growers, with certification. The Issuer also promotes the Khulisa tree-farming scheme, which enhances security of fiber supply while uplifting rural communities by equipping them to become sustainable participants in the forestry value chain. Today the project stretches from the far north of the KwaZulu-Natal province to the far south and into Mpumalanga and the Eastern Cape, and the total area managed is 37,269 hectares. In North America, Sappi North America partners with the Sustainable Forestry Initiative (SFI) Implementation Committees, the Maine Forest Products Council, the Maine Tree Foundation, the Minnesota Logger Education Program, Minnesota Forest Industries and numerous academic programs to provide loggers mainly with educational support. Sappi highlights that its collaboration with the SFI looked to advance standards for sustainable forestry through strengthening SFI's Forest Management and Fiber Sourcing standards to address issues like climate-smart forestry, fire resilience, logger training, due diligence and the conservation of high-value forests.

Given that Sappi has already devoted significant ongoing effort on engaging with its supply chain to increase certification of sourced wood fiber, KPI 2 is deemed to be core to the Issuer's business.

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

- The KPI covers all fiber supplied to Sappi's operations, therefore the KPI should be considered Moderately Material.
- The KPI addresses one of the key ESG issues faced by the paper and 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.¹⁸ Since Sappi is addressing all these points with this KPI, it is deemed material.

Of strategic significance to Sappi's current and future operations as the KPI is consistent with the Company's overall sustainability strategy and business model, as both the KPI and Sappi's sustainability strategy on sustainable forestry focuses on securing a dependable supply of sustainably sourced wood fiber.

¹⁸ There are known inconsistencies in methodology with existing forestry certification schemes in the public domain, which indicates that certified sources of fiber may not be completely free from negative environmental impacts.

4. Calibration of SPT 2

SPT 2 is defined as “Increase the proportion of certified fiber supplied to Sappi mills annually to above 75%.”

Opinion	<i>SPT 2 is (i) qualitatively ambitious against the Company’s past performance, (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 of SPT 2¹⁹	No Evidence	Moderate	Good	Robust
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SPT 2 Characteristics and features	SPT definition:	Increase the proportion of certified fiber supplied to Sappi mills annually globally to above 75%.
	Baseline performance and year:	75% certified in 2019.
	Target performance and observation date:	75% certified in 2027. Target observation date for SPT 2 is September 2027. ²⁰
	Trigger event:	The trigger events are to be specified in the bond documentation.
	Long-term target:	75% of total fiber sourced are certified by 2030.
	Strategy and action plan to reach the target:	<ul style="list-style-type: none"> In South Africa, Sappi South Africa looks to continue its promotion of SAFAS, for which Sappi partnered with PEFC to develop. The

¹⁹ The SPT selection assessment is classified on a four-level scale: “No Evidence,” “Moderate,” “Good” or “Robust.” For further information on ISS-Corporate’s methodology for assessing SPTs, please refer to Annex 1.

²⁰ The Issuer states that the observation dates between the two SPTs are different due to the fact that each SPT has a different target date.

		<p>scheme allows small landowners to acquire forest certification through SAFAS' Value Based Platform, a risk management system in the scheme for sustainable land use decision making. Sappi also provides support through dedicating operational staff and extension officers for manpower and technical extension services to assist forest growers, specifically small- and micro-scale growers, with certification.</p> <ul style="list-style-type: none"> ▪ In North America, Sappi North America partners with the SFI Implementation Committees, the Maine Forest Products Council, the Maine Tree Foundation, the Minnesota Logger Education Program, Minnesota Forest Industries and numerous academic programs to provide logger education and financial support. Sappi highlights that its collaboration with the SFI looked to advance standards for sustainable forestry through strengthening the SFI's Forest Management and Fiber Sourcing standards to address issues like climate-smart forestry, fire resilience, logger training, due diligence and the conservation of high-value forests.
	<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"> ▪ 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 smallholders, making the sustained maintenance of certifications, rather than their expansion, potentially more challenging in the future.
	<p>Historical data verified:</p>	<p>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.</p>

	Recalculations pro-forma adjustments baselines	or	of	The Sustainability-Linked Financing Framework includes a recalculation policy.
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SPT 2 Analysis	The level of ambition of the SPT is assessed as follows:
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(i) Against past performance:

The Issuer calibrated SPT 2 as a percentage target to increase the proportion of certified fiber supplied to its operations globally. The Issuer provided six 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	2024	2028 (SPT 2)
Share of certified fiber supplied to Sappi's mills globally	75%	73%	77%	77%	75%	77%	75%
Annual average change in p.p. 2019-2024						+0.40 p.p.	
Annual average change in p.p. 2019-2028							0 p.p.

Source: Sappi Sustainability-Linked Financing Framework

Sappi sets SPT 2 to achieve a proportion of certified fiber supplied to its operations globally at 75% by 2028. This equates to an annual average increase of 0.40 percentage points (p.p.) between 2019 and 2024, and no changes between 2019 and 2028.

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

However, Sappi explains that the supply of certified wood is limited, therefore it is difficult to further secure certified forests for wood fiber sourcing. According to the [Food and Agriculture Organization of the United Nations](#), there are approximately 4.06 billion hectares of forest

plantation globally. However, as of September 2024, only approximately 298 million hectares of forest area are managed in compliance with the PEFC, covering approximately 71% of total certified forest area, while approximately 162 million hectares of forest area are FSC certified and 62 million hectares of forest land are certified by both FSC and PEFC. The total certified forest area by all certifications is approximately 419 million hectares. This means that globally, only approximately 10.4% of the global forest area is certified. At a regional level, for the locations where Sappi’s production facilities are located (North America, Europe and South Africa), 25.4% of forest area is PEFC certified in North America, 51.7% in Europe and 3.9% in South Africa.²¹ For FSC certification, 9.3% of forest area is certified in North America, 37.6% in Europe and 8.8% in South Africa.²²

Sappi stated that, in general, hardwood plantations (e.g., eucalyptus trees) yield approximately 45-50 tons of pulp per hectare of forest land over a 10-year rotation period, while softwood plantations (e.g., pine wood) yield approximately 66 tons of pulp per hectare of forest land over an 18-year rotation period. This indicates that tree plantation growing requires extended periods of time, therefore the supply is not expected to expand significantly in the near future, limiting the supply for pulp globally.

TABLE 3.	2018	2023	2028 – ESTIMATED
Global Demand for paper grade wood pulp (million tonnes)	176.9	171.0	192.3
Global Demand period to period percentage change		-3.3%	+12.5%

Source: *Fastmarkets RISI, World Pulp and Recovered Paper Forecast*

Using the information and data provided by the World Pulp and Recovered Paper Forecast 2023,²³ ISS-Corporate compared the changes in global demand and capacity for pulp (as shown in Table 3 above). Although there is a decrease in global demand for pulp between 2018 and 2023, the forecasted demand in 2028 shows a significant increase from 2023. Meanwhile, the Food and Agriculture Organization of the United Nations states that the global production of wood pulp reached 193 million tonnes in 2023, which was a 2% decrease from 2022. This indicates that there will be increased competition for wood pulp over a gradually diminishing pool of supply of wood pulp, given the long rotation periods of wood plantations, and subsequently wood fiber.

²¹ Calculations are performed using data from PEFC Global Statistics (September 2024) and latest World Bank Group data. World Bank Group data is only updated to 2022, therefore it should be understood that the calculation is based on the assumption that total forest area globally did not have significant changes between 2022 and 2024.

²² Calculations are performed using data from latest FSC and World Bank Group data. World Bank Group data is only updated to 2022, therefore it should be understood that the calculation is based on the assumption that total forest area globally did not have significant changes between 2022 and 2024.

²³ Fastmarkets RISI, 2023, World Pulp and Recovered Paper Forecast

Given the limited availability of certified wood fiber, it becomes increasingly challenging to secure a consistent supply of certified fiber outside of Sappi's own forests. Despite all the tangible benefits of forest certification and its 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. Typically, FSC or PEFC forestry certification from new forest applicants may take three to six months to acquire, as the process may include external audits, setting up management systems, certification consulting and more. Thus, forest certification may not be the preferred choice for all landowners due to the required time, effort and financial support.

It should be noted that regarding pulp consumption for paper product production, there are virgin pulp and recycled pulp. The [Confederation of European Paper Industries](#) (CEPI) suggests that the usage of recycled pulp has exceeded the amount of usage of virgin pulp in Europe in 2023 by 7.0%, as compared to an 50-50 split between virgin pulp and recycled pulp production in 2010. CEPI also notes that while both virgin pulp and recycled pulp production has dropped since 2010, virgin pulp production has reduced by 15.6%, which is significantly larger compared to the 8.6% decrease in recycled pulp reduction.²⁴ Sappi states that its products strictly use virgin wood fiber to maintain purity and consistency of the quality of its paper products to avoid negative effects on its products' longevity due to contamination of recycled wood fiber. Given so, Sappi faces an increasing challenge to source for certified wood fiber for its production, as reflected from the decreasing proportion of virgin pulp in the market.

Beyond the limited supply of certified wood fiber across the globe, Sappi faces difficulty in increasing its sourcing of certified wood fiber in different regions due to tightening standards and regulations. Sappi highlights that the introduction of the [Regulation on Deforestation-free Products](#) (EUDR) has led to more stringent regulations regarding the consumption of products that do not contribute to deforestation or forest degradation. However, forestry-related certification (e.g., FSC and PEFC) [does not directly translate](#) to full compliance with EUDR. While both the [FSC](#) and [PEFC](#) have committed to streamline their certification with compliance with EUDR, there is currently no specific timeline from either certification to when the process will be complete. This indicates that there will be an uncertain period of time where certification may not equate with compliance with EUDR. In Europe, it is implied that spending the effort to acquire current certifications may hence be deemed redundant, reducing the incentive of European forestry sector players to apply for forestry certification and reducing the supply of certified wood fiber. As certification streamlines with the requirements of compliance with EUDR, the requirements for certification may become more stringent, implying that the forestry sector will require more effort to fulfill the requirements. While there will still be incentive for forestry sector players in Europe to acquire certification due to the certifications aligning with the EUDR, the forestry sector outside of the EU, including the U.S. and South Africa, may have further reduced incentive to acquire forestry certification due to the fact that companies that do not operate in the EU are not expected to comply with the EUDR.

²⁴ The figures are calculated based on estimations made by CEPI in their Key Statistics 2023 document, which utilizes the same paper for recycling to recycled pulp ratio in 2023 for 2010 recycled pulp calculation.

Therefore, while Sappi does not anticipate material changes in wood fiber demand and production across its operations in the foreseeable future, given the limited availability of certified wood, regulatory advancements and market appetite shifts toward certification, it is concluded that SPT 2 is qualitatively ambitious against past performance based on limited evidence.

(ii) Against peers:²⁵

ISS-Corporate benchmarked the SPT set by Sappi against the paper and forest products peer group of 18 companies (including the Issuer) as per ISS ESG's peer universe. The peer group was identified based on the NACE classification within ISS ESG's database. Companies within the peer group are located in Austria, Brazil, Canada, Finland, Japan, Poland, Portugal, South Africa, Spain, Sweden and the U.S.

Out of this peer group, seven companies, including Sappi, have established at least one target related to the share of certified fiber sourced. Among the six companies (excluding Sappi), four have set a goal to achieve sourcing 100% certified wood fiber for their managed or owned production, one company has set a goal to achieve sourcing 80% certified wood fiber for its managed or owned production, and the remaining company has a target of sourcing 66% certified wood fiber. The other 11 companies have not publicly disclosed any targets regarding their ratio of sourcing certified wood fibers. Comparing Sappi's SPT 2 of sourcing 75% certified wood fiber for its managed and owned production with its peers, Sappi ranks sixth out of 18, placing Sappi's SPT 2 in the top 34% of its peer group.

Therefore, SPT 2 is concluded to be in line with its industry peers.

(iii) Against international targets:**Contribution to SDGs**²⁶

U.N. SDG 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."

²⁵ ISS-Corporate assesses the ambitiousness of the Issuer's SPT against its peers by computing the CAGR of the SPTs and the targets publicly disclosed by the Issuer's sectoral peers. The calculation assumes that every peer will follow a linear trajectory to achieve the targets set, at least until the Issuer's target year.

²⁶ The mapping to SDGs in this SPO considers the KPIs and the associated SPTs, ISS ESG's SDG Solutions Assessment, ISS-Corporate's proprietary methodology, and resources and guidelines from public institutions such as ICMA's [KPI registry](#), ICMA's [High-Level Mapping to the Sustainable Development Goals](#) and the U.N. SDG targets and indicators.

Given that Sappi looks to further promote sustainable forestry through providing loggers with education and financial support globally, as well as SAFAS within South Africa, SPT 2 is likely to contribute to SDG 15.2 and 15.b.²⁷

Consistency with the Issuer's sustainability strategy:

Sappi is committed to providing its global customers with products free from risk of deforestation or forest degradation. The SPT aligns with this commitment as Sappi targets to secure a dependable supply of certified, sustainably sourced wood fiber.

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

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

Key sustainability objectives and priorities defined by the Issuer

TOPIC	ISSUER APPROACH
<p>Strategic ESG topics</p>	<p>Sappi's sustainability strategy encompasses three key pillars: planet, people and prosperity. For the planet pillar, Sappi aims to keep forestland forested for the future, and is engaging on reducing waste and optimizing material and resource use. For its people pillar, Sappi aims to develop the human potential of its employees and the communities where it operates. For its prosperity pillar, Sappi looks to develop innovative approaches to address responsible forestry as a key issue.</p>
<p>ESG goals/targets</p>	<p>Sappi has an SBTi-verified target of reducing Scope 1 and 2 GHG emissions by 41.5% per ton of product by 2030 from a 2019 base year, and that 44% of its suppliers by spend will have science-based targets by 2026.</p> <p>Furthermore, Sappi has also set the following targets:</p> <ul style="list-style-type: none"> ▪ Reduce specific water use in water-stressed locations by 23% by 2025 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 Scope 1 and 2 GHG emissions by 18% by 2025 against a 2019 baseline ▪ Increase share of certified fiber sourcing to above 75% against a 2019 baseline ▪ Reduce landfill waste by 15% by 2025 against a 2019 baseline
<p>Consistency with the KPIs</p>	<p>KPI 1: The KPI looks to take actions to combat impacts on climate change.</p> <p>KPI 2: The KPI is in line with the Company's sustainability strategy on sustainable forestry to secure</p>

TOPIC	ISSUER APPROACH
<p>Action plan</p>	<p>a dependable supply of sustainably sourced wood fiber.</p> <p>Sappi's sustainability strategy, as outlined in its Thrive25 strategy and its alignment with the U.N. SDGs, focuses on a comprehensive approach to 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: Sappi implements a rigorous three-step due diligence system 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.</p> <p>Reduction of Scope 1 and 2 greenhouse gas emissions: Sappi is looking to develop its climate strategy and 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 toward more renewable energy, with the mill's share rising from 41% in 2022 to 56% in 2023. Additionally, Kirkiniemi Mill in Finland converted to renewable energy in August 2023, 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 with independent renewable energy providers to enhance the use of renewable energy in its activities.</p> <p>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 ZAR 80 million cycle plant at Saiccor Mill to generate steam from wood pellets made from mill waste, thereby avoiding landfill</p>

TOPIC	ISSUER APPROACH
	<p>disposal of 57,000 tons of waste annually. Sappi Europe is making efforts in water stewardship, incorporating online measurement systems at Kirkiemi 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.</p> <p>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.</p> <p>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 that is more energy efficient.</p> <p>Water consumption reduction: 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. The commissioning of a 110,000-tpa capacity expansion project at Saiccor Mill in FY2022 incorporates new technology with improved washing techniques, optimizing water and energy efficiency. Sappi finalized a Water Stewardship agreement with the World Wide Fund for Nature South Africa to enhance water security in the uMkhomazi catchment area.</p>

TOPIC	ISSUER APPROACH
<p>Climate transition strategy</p>	<p>Sappi’s climate transition strategy focuses on four core elements:²⁸</p> <p>Grow Our Business: Sappi looks to provide purposeful innovation and collaboration to provide low-carbon, bio-based solutions and accelerate climate action.</p> <p>Sustain Our Financial Health: Sappi looks to optimize allocation of capital for profitable growth while ensuring that it reduces the impact on climate change and positions Sappi competitively for a low-carbon future.</p> <p>Drive Operational Excellence: Sappi looks to focus on reducing its own and value chain emissions, protecting biodiversity and promoting the responsible use of water resources.</p> <p>Enhance Trust: Sappi looks to being a transparent, proactive and responsible company and partner with a long-term, solutions-oriented approach to address climate change mitigation, adaptation and resilience. Sappi also looks to ensure a socially inclusive just transition.</p>
<p>ESG risk and sustainability strategy management</p>	<p>Sappi 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 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, which reviews key trends and developments. Recommendations from the council are forwarded to the Social, Ethics, Transformation, and Sustainability (SETS) Committee and, ultimately, to Sappi’s board of directors. The SETS Committee, comprising non-executive members, should monitor</p>

²⁸ As outlined on Page 4 of Sappi’s [2024 TCFD Report](#).

TOPIC	ISSUER APPROACH
	<p>compliance with international practices and relevant laws, addressing issues related to corporate social investment, ethical conduct, diversity, transformation and ongoing sustainability practices. Additionally, Sappi established the Sappi Sustainable Financing Committee to oversee sustainability in debt issuances, with representatives from sustainability, treasury, compliance and finance departments. The committee manages updates to the sustainability framework and evaluates financing structures based on use of proceeds criteria. The committee meets when projects with sustainability 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>Sustainability reporting</p>	<p>The Issuer reports on its ESG performance and initiatives annually. The report is prepared according to GRI 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. Additionally, the Issuer 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 or 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 and maturing in February 2027, which was then followed by a ZAR 2 billion revolving credit facility maturing in 2027. Sappi also issued a sustainability-linked bond in 2024 in three tranches: a ZAR 600 million sustainability-linked bond maturing in November 2027, a ZAR 300 million sustainability-linked bond maturing in November 2031 and a ZAR 600 million sustainability-linked bond maturing in November 2029, and the SPT observation</p>

TOPIC	ISSUER APPROACH
	dates for these bonds are in 2025, 2027 and 2030, respectively.

Rationale for issuance

The Issuer states that sustainability-linked financing solutions serve the purpose of creating a bridge between Sappi's funding and sustainability strategies. Through the Framework, Sappi prescribes the methodology and associated procedures to be applied in determining the sustainability-related characteristics of its forthcoming financing solutions, covering both loan and bond instruments.

Opinion: *The key sustainability objectives and the rationale for issuing sustainability-linked bonds are clearly described by the Issuer. The majority of the KPIs/SPTs financed are in line with the Issuer's sustainability objectives.*

DISCLAIMER

1. Validity of the Second Party Opinion (SPO): Valid as long as the cited Framework and benchmarks to the Sustainability Performance Targets remain unchanged.
2. ISS-Corporate, a wholly owned subsidiary of Institutional Shareholder Services Inc. ("ISS"), sells, prepares, and issues Second Party Opinion, on the basis of ISS-Corporate's proprietary methodology. In doing so, ISS-Corporate adheres to standardized procedures designed to ensure consistent quality.
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ANNEX 1: ISS-CORPORATE SUSTAINABILITY-LINKED BONDS AND SUSTAINABILITY-LINKED LOANS METHODOLOGY

The ISS-Corporate SPO provides an assessment of labeled transactions against international standards using ISS-Corporate's proprietary [methodology](#).

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 KPIs selected and associated SPTs has been conducted.

The analysis has determined whether the KPI selected is core, relevant and material to the Issuer's 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 proprietary methodology, the KPI selection assessment is classified on a three-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 core requirements from the SLBP selection of KPIs section are satisfied.	The KPI follows best practice if all 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 the Issuer's reported data), against the Issuer's industry peers (e.g., per ISS ESG's 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 four-level scale:

No Evidence	Moderate	Good	Robust
If none of the three dimensions (past performance, industry peers and international benchmarks) are positively assessed.	One of the SPT's three benchmarking approaches have been assessed positively.	Two of the SPT's three benchmarking approaches have been assessed positively.	All the SPT's benchmarking approaches have been assessed positively.

ANNEX 2: QUALITY MANAGEMENT PROCESSES

SCOPE

Sappi Limited commissioned ISS-Corporate to compile a sustainability-linked bond SPO. The second-party opinion process includes verifying whether the Sustainability-Linked Financing Framework aligns with the Sustainability-Linked Bond Principles and assessing the sustainability credentials of its sustainability-linked bonds, as well as the Issuer's sustainability strategy.

CRITERIA

Relevant standards for this second-party opinion:

- Sustainability-Linked Bond Principles, ICMA, June 2024

ISSUER'S RESPONSIBILITY

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

- Framework

ISS-CORPORATE'S VERIFICATION PROCESS

Since 2014, ISS Group, which ISS-Corporate is part of, 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 Bonds to be issued by Sappi has been conducted based on a proprietary methodology and in line with the Sustainability-Linked Bond Principles.

The engagement with Sappi took place in January and February 2025.

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 this 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.

ISS-Corporate assesses alignment with external principles (e.g., the Sustainability-Linked Bond Principles/Sustainability-Linked Loan Principles), analyzes the sustainability quality of the assets and reviews the sustainability performance of the Issuer itself. 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.

Project team

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