



KP TISSUE INC.

CODE OF BUSINESS CONDUCT AND ETHICS

Introduction

It is KP Tissue Inc.'s (the "Corporation") policy to conduct its business ethically and in conformance with applicable laws, rules and regulations. We expect every Director, Officer and Employee to observe high standards of honesty, integrity and fairness in conducting the Corporation's business and to avoid any action that might expose the Corporation to potential embarrassment or liability.

Representatives of the Corporation must always consider how their actions affect the integrity and credibility of the Corporation as a whole. **This Code of Business Conduct and Ethics (the "Code") applies to all Directors, Officers and Employees of the Corporation and provides various rules and guidelines for ethical business practices and procedures.** It sets out basic principles to govern the manner in which all Directors, Officers and Employees of the Corporation shall conduct business and maintain relationships with its, customers, competitors, business partners and regulatory authorities and communities in all regions in which it operates.

1. DEFINITIONS

"Board" means the Board of Directors of KP Tissue Inc.

"Code" means the Code of Business Conduct and Ethics.

"Corporation" means KP Tissue Inc. and affiliates.

"Directors" means members of the Corporation's Board of Directors.

"Employee" means any employee of the Corporation other than an employee who is an Officer.

"Officer" means any employee of the Corporation who has the title of Chairman, Vice-Chairman, Chief Executive Officer, President, Vice President, Secretary or Treasurer.

"Representative" means any Officer, Director, Employee, agent or other person performing services for the Corporation.

2. RESPONSIBILITIES

2.1 Board and Management Responsibility

- (a) The Directors and Officers of the Corporation will be responsible for the distribution of this Code to the relevant parties and fully embrace and support its implementation.
- (b) The Board shall be responsible for the administration of this Code and shall have the sole authority to amend this Code.
- (c) Whenever necessary, this document will be periodically updated to reflect changes that may have been made to the policies, guidelines and programs of the Corporation as well as the laws and regulations in effect in the communities in which it operates.



- (d) The Board is responsible for ensuring adherence to this Code. Any significant deviation from the standards of conduct of this Code, whether actual or apparent, shall be reported to the Chair of the Board. Amendments of this Code will be reviewed and approved by the Board.

3. BUSINESS PRACTICES AND COMPLIANCE WITH LAWS, RULES AND REGULATIONS

3.1 Communicating with Others

The Corporation strives to achieve clear, complete, accurate, and timely communications with all of its stakeholders. When communicating on matters that involve the Corporation business, no one is authorized to speak on behalf of the Corporation unless he/she has been expressly authorized to do so.

3.2 Accounting Practices

- (a) The Corporation is committed to financial reporting that is full, fair, accurate and understandable. This commitment entails adherence to both the words and intent of generally accepted accounting principles (GAAP) as defined in Canada.
- (b) Directors and Officers shall not directly or indirectly take any action to fraudulently influence, coerce, manipulate or mislead the Corporation's independent public auditors for the purpose of rendering the financial statements of the Corporation misleading or untrue.

3.3 Gifts, Hospitality & Other Benefits

- (a) In general, the Corporation allows the acceptance of token gifts, business meals and entertainment provided their value is appropriate to the business purpose served; and that acceptance is consistent with local business norms and practices. In the case of a gift, it must be of sufficiently limited value (usually less than \$50) and in a form such that it cannot be construed as a bribe. Unacceptable benefits include cash, goods or services for personal use, reduced prices, work performed gratuitously, and loans of money, material or equipment on a preferential basis.
- (b) Similar guidelines apply to the giving of gifts, meals and entertainment to customers and suppliers. Business entertainment should be moderately scaled and clearly intended to facilitate business goals. Moreover, meals, gifts and entertainment must never be offered to a customer or supplier whose own organization's rules prohibit accepting them. In summary, nothing should be accepted or given that could impair, or appear to impair, a customer's or supplier's objectivity or impartiality.

3.4 Use of Consultants and Contractors

Individuals or firms engaged to consult for or otherwise represent the Corporation or provide services to the Corporation must act on the company's behalf in a manner consistent with this Code; and shall be required to comply with these practices in their contract with the Corporation in the same manner as applied to the Corporation's Directors, Officers and Employees.

4. PROTECTING ASSETS/INFORMATION

Safeguarding the Corporation's assets is crucial to maintaining the trust and confidence of shareholders, as well as others who have a stake in the Corporation.



4.1 Corporation Property

Corporate assets may not be used for personal benefit, nor may they be sold, borrowed or given away without proper authorization. This includes the use of building and office facilities.

4.2 Proprietary and Confidential Information

- (a) The confidentiality of information provided by the Corporation or its business partners must be maintained, except when disclosure is authorized or legally mandated. All non-public information relating to the Corporation should automatically be considered to be confidential. Confidential Information (as defined below) should not be used for personal advantage nor be shared with fellow Officers, Directors, Employees or anyone outside the Corporation, unless there is a legitimate need to know.
- (b) Many Corporation documents and information are proprietary – that is, they contain highly sensitive information critical to the conduct of the Corporation’s business (e.g., marketing strategies, bids and proposals, training material, computer software programs, engineering ideas, designs, databases and unpublished financial data and reports) and sensitive human resources information. Information of this kind must be protected against unauthorized disclosure, distribution or misuse by, among others:
 - (i) Making sure all proprietary information, whether stored on paper, on computer or in other electronic form, is kept secure;
 - (ii) Avoiding unauthorized disclosure of proprietary information; for example, checking that computer terminals, telephones, Personal Digital Assistants (“PDAs”) and cellular telephones used to send and receive information are secure;
 - (iii) Using caution when discussing such information in public places, (including taxis, trains and airplanes) with family members or friends who might pass the information on to others deliberately or unintentionally, or with business colleagues when the conversations might be overheard;
 - (iv) Returning all proprietary information and documents provided by the Corporation, including all third party information entrusted to the Corporation, upon termination of employment or contract, or reassignment.
- (c) “Confidential Information” comprises any information that is not publicly known, including, without limitation, designs, processes and procedures which may not have been developed to the point where they can be patented or for which patent protection may never be available, business research, market or product plans, including those being formulated, results of market surveys, strategic objectives, acquisition plans, unpublished financial or pricing information, customer and vendor lists, sales records and territory, the results of market surveys, personnel information, computer software, and similar information regarding the Corporation’s customers. Protection of this information plays a vital role in the Corporation’s ability to remain competitive and in maintaining its business reputation.
- (d) Representatives are obligated to hold such information in trust for the benefit of the Corporation. Representatives are therefore prohibited from discussing, disclosing or using for their own purposes any Confidential Information about the Corporation or in the



possession of the Corporation unless such use or disclosure has been authorized. Confidential Information should not be disclosed to any other Representative except on a “need to know” basis.

- (e) An Officer, Director or Employee’s obligations with respect to Confidential Information continue even after he/she leaves the employ of the Corporation (or, in the case of a Director, after the end of his or her term as a member of the Board) until the information becomes publicly available or the Corporation no longer considers it confidential, a trade secret, or proprietary. Documents and records of any kind, specific process knowledge, procedures, and special Corporation ways of doing things --- whether confidential or not -- are the property of the Corporation and must remain at the Corporation.

4.3 Safeguarding the Corporation’s Assets

- (a) Safeguarding the Corporation’s assets is crucial to maintaining the trust and confidence of all stakeholders of the Corporation.
- (b) All Representatives are accountable for the protection of the Corporation’s assets in their care, both physical (material, buildings, equipment, property, information, revenues) and logical (information systems, intellectual property). Access and use of these assets must be authorized, adequately controlled and based on business needs.
- (c) With respect to the Corporation funds, the Corporation’s cash, cheques, postage, etc. are to be properly used and protected. All expense vouchers, benefit claims and invoices must be accurate and properly authorized.
- (d) With respect to the Corporation’s books and records, all documents, reports and records must be accurate and complete. All contracts, agreements and transactions must be reviewed by appropriate departments and properly authorized.

5. CONFLICT OF INTEREST

5.1 Purchasing Activities

Officers, Directors and Employees, as well as their spouses and immediate family, are prohibited from forming joint ventures or partnerships dealing with the Corporation or any of its subsidiaries, unless prior authorization from the Corporation is received. In addition, Officers, Directors and Employees must handle in an ethical manner any actual or apparent conflict of interest between their personal and professional relationships.

5.2 Political Activities and Contributions

No corporate funds, facilities or assets may be contributed, loaned or used directly or indirectly to support or oppose any political party or candidate. Exceptions are unlikely and will only be made by the Board.

6. REPORTING VIOLATIONS & WHISTLEBLOWING POLICY

- 6.1 To ensure that the Corporation continues to operate at a high standard, we have incorporated this whistleblowing policy in the Code. This policy sets out how someone with a concern can raise it. The procedures in this policy are open to all Representatives, including customers, suppliers, investors and other stakeholders.



- 6.2 “Whistleblowing” is a term used to describe the disclosure of what is possibly an illegal, unethical or improper act or omission. A person who makes such disclosure may be referred to as a “Whistleblower”.
- 6.3 If you honestly believe, in good faith, that someone is doing or may do any of the following, you should use this policy:
- (a) illegal behaviour;
 - (b) unethical behaviour;
 - (c) fraud or misappropriation;
 - (d) breach of the Code or other corporate policy; or
 - (e) improper or questionable accounting, internal control or audit activities.
- 6.4 In some cases, it may be the failure to act that gives rise to the concern. Such omissions can also be reported.
- 6.5 However, you must only use this procedure if you believe honestly and in good faith that such behaviour, act or omission has occurred or may occur. If you use this procedure maliciously, in bad faith, make false allegations or do it for personal gain, you may be subject to disciplinary actions, including possible termination of your employment. This Whistleblowing Policy is not intended to deal with concerns or grievances that regularly arise in a workplace or to challenge decisions, practices or policies with which you disagree, unless they fall into the types of behaviours set out above.

If you have a concern of the type described above, you may do any of the following:

Contact the office of the External Ombudsman:

- **By email at the following address: ombudsman@kruger.com**
- **Leave a voicemail message at 1-877-843-4560**

7. PENALTIES FOR VIOLATIONS

The Corporation is committed to taking prompt and consistent action against violations of the Code. Violations are subject to disciplinary action up to and including immediate termination.

8. CERTIFICATE OF COMPLIANCE

The Corporation is also committed to ensuring that there are no gaps between our principles and our achievements. The Corporation must communicate its standards of conduct and representatives must agree to follow them. While all Representatives are subject to the Code, some selected Representatives will be required to sign a *Certificate of Compliance and Conflict of Interest Disclosure Statement* signifying they have read the Code and will comply with it.

9. DISTRIBUTION AND APPLICATION OF THIS CODE

- 9.1 The Directors and Officers of the Corporation will be responsible for the distribution of this Code to the relevant parties and fully embrace and support its implementation.



- 9.2 The Board shall be responsible for the administration of this Code and shall have the sole authority to amend this Code.
- 9.3 Whenever necessary, this document will be periodically updated to reflect changes that may have been made to the policies, guidelines and programs of the Corporation as well as the laws and regulations in effect in the communities in which it operates.

10. FRAUDULENT CONDUCT

Any act, omission or behaviour on the part of a Representative undertaken with the intent to defraud or mislead the Corporation, whether financially or otherwise, will be grounds for disciplinary action, which may include dismissal and prosecution.

11. CONCLUSION

- 11.1 The Corporation reserves the right to modify, revoke, suspend or change, in writing, any or all such plans, policies or procedures, in whole or in part, at any time, with notice (each, a "Modification"). Every Representative shall be bound by the Code and any Modification made to it in the future. Any such Modification not in writing shall be of no effect.
- 11.2 The foregoing does not constitute an exhaustive statement and is meant to be only a general guideline to give each Representative the basis of conduct considered by the Corporation to be unacceptable on the one hand, and reasonable, lawful and acceptable on the other hand, and to permit each Representative to advise those outside the Corporation of its official policy. These guidelines, when used with sound judgment and common sense, should properly protect the Corporation.



**CERTIFICATE OF COMPLIANCE
AND CONFLICT OF INTEREST DISCLOSURE STATEMENT**

You should have received a copy of KP Tissue Inc.'s Code of Business Conduct and Ethics (the "Code"). If you have not received the Code, contact your Vice President.

This certificate covers the year proceeding the date you sign it. "Representative of the Corporation" includes officers, directors, employees, agents or any other person performing services for the Corporation.

Any exceptions to the statement below should be explained beneath the statement or on a separate sheet. If you have any questions regarding this Certificate of Compliance, or any of the policies of the Corporation, please address them to your manager or Human Resources Department.

1. I am familiar with the Code and I certify that, to the best of my knowledge, I am not, nor am I aware of any Representative of the Corporation being in violation of the Code and/or the policies, laws, rules or regulations referred to therein. *(All exceptions to this statement should be listed in the space provided below.)*
2. I am currently, or during the past year, have been involved with the following outside activities (list all second jobs or other commercial activities and outside paid directorships):
3. To the best of my knowledge, I currently do not have, nor have I had during the past year any ownership interests* in suppliers, customers and/or competitors, except as listed below:

*Ownership interest does not include ownership of any securities in which you have an interest solely through a mutual fund investment or any investment that represents less than 5% of the total issued and outstanding shares of a public company.
4. During the past year, I have not received any unacceptable benefits from suppliers including cash, goods and services for personal use, reduced prices, work performed gratuitously and/or loans or money, material or equipment on a preferential basis.

Signed at _____, this _____, 20____.

Signature:

Name:

Title:

Business Unit: