



KAPSTONE

SUPPLIER CODE OF BUSINESS CONDUCT AND ETHICS

Contents

LETTER TO SUPPLIERS.....	1
DEFINITIONS.....	2
GENERAL POLICY	2
COMPLIANCE WITH LAWS AND REGULATIONS	3
ANTITRUST	3
• Competition.....	3
• Discussions with Competitors	3
• Reciprocity	4
• Marketing Products.....	4
• Commercial Bribery	4
SECURITIES LAWS AND INSIDER TRADING	5
FINANCIAL STATEMENTS AND PUBLIC DISCLOSURES	5
CONFLICT OF INTEREST.....	5
RELATIONSHIPS WITH SUPPLIERS.....	6
GIFTS, GRATUITIES AND ENTERTAINMENT	6
• What is Acceptable?	7
• What is NOT Acceptable?.....	7

PROTECTING KAPSTONE ASSETS.....	8
• Trade Secrets and Confidential Information	8
• Electronic Communications.....	8
• Software	9
EQUAL EMPLOYMENT OPPORTUNITY	9
COMPLIANCE WITH LAWS.....	9
PLANT RULES OF CONDUCT	10
ENVIRONMENTAL RESPONSIBILITY.....	10
OCCUPATIONAL SAFETY & HEALTH	11
CONSULTANTS.....	12
COMPLIANCE AND ACCOUNTABILITY.....	12
COMPLAINT SUBMISSION	12



KAPSTONE

**KAPSTONE
PAPER AND PACKAGING CORPORATION**

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CODE OF BUSINESS CONDUCT AND ETHICS

LETTER TO SUPPLIERS

To: Suppliers of KapStone Paper and Packaging Corporation

It is essential to our business that we all act under the highest ethical and legal standards and maintain a complete reputation for honesty, integrity and lawful conduct. The purpose of this Code is to provide a short statement of ethical and legal standards we, KapStone and its Suppliers, must act by.

The standards to act by in this Code are stated as concisely as possible. You may have questions about appropriate legal and ethical conduct even after reading this Code. If you have any question whether your conduct or conduct of any employee of your company is legal or ethical, with respect to your company's relationship and dealings with KapStone, you should discuss it with KapStone's General Counsel.

Every reasonable measure will be taken to ensure that a Supplier's relationship with KapStone is not affected as a result of any such question.

DEFINITIONS

The term “Procurement”, as used herein, shall collectively refer to KapStone’s Procurement, Fibre Supply, and Transportation departments.

The term “Supplier”, as used herein, shall collectively refer to those entities providing (or anticipating or proposing to provide) goods, products, materials, services, or consultancy to KapStone. This includes agents, carriers (LTL, TL, parcel, freight, air, ship, barge, etc.), contractors, consultants, distributors, fiber suppliers, integrators, manufacturers, OEMs, reclaimers, recyclers, resellers, service providers, suppliers, transportation providers, and vendors.

GENERAL POLICY

KapStone has been and continues to be dedicated to establishing and enforcing high moral and ethical conduct. KapStone’s ethics derive from its firm commitment to meet its obligations to all who have a personal, professional or financial stake in what it does.

This requires that we and our Suppliers:

- Know, understand, and comply with the laws, regulations and codes of conduct governing the conduct of our business.
- Conduct all dealings fairly and with honesty and integrity.
- Respect the rights of all of our respective employees to fair treatment and equal opportunity, free from discrimination or harassment of any type.
- Ensure that all financial transactions between us and any other third parties with whom we deal are handled honestly and recorded accurately, and that our and the Supplier’s financial disclosures and public communications are clear and accurate.
- Protect information that belongs to the Supplier, KapStone, or our joint customers.
- Avoid conflicts of interest, both real and perceived.
- Never use KapStone assets, information or opportunities for personal gain.
- Recognize that even the appearance of misconduct or impropriety can be very damaging to the reputation of the Supplier and KapStone, and act accordingly.

Compliance with this Code means not only observing the law, but conducting business so that the Supplier and KapStone will deserve and receive recognition as ethical and law-abiding enterprises, alert to all the responsibilities of good corporate citizenship.

This Code is subject to modification by KapStone. While KapStone will generally attempt to communicate changes concurrent with or prior to the implementation of such changes, KapStone reserves the right to modify, amend or alter this Code without notice to the Supplier. This Code supersedes all other such codes, policies, procedures, instructions, practices, rules or written or verbal representations to the extent that they are inconsistent with this Code.

COMPLIANCE WITH LAWS AND REGULATIONS

Each of us must comply with all applicable laws, rules, regulations and regulatory orders applicable in the country, state and local jurisdictions where business is conducted, including securities laws, antitrust laws, trade secret laws, and other fair competition laws.

KapStone expects each Supplier to acquire appropriate knowledge of the requirements relating to his or her duties sufficient to enable the Supplier to recognize potential issues or violations and to know when to seek advice from Supplier's own legal counsel. Violations of laws, regulations, rules and orders may subject Suppliers and their employees to individual criminal or civil liability, as well as to civil action. Because such individual violations may also draw in KapStone under investigations, and thereafter civil or criminal liability, KapStone takes legal compliance measures seriously and works diligently to enforce them.

ANTITRUST & PUBLIC INFORMATION

Antitrust laws are intended to promote and protect free market competition in products and services. **The most common antitrust problems involve pricing, boycotts, trade association activity, reciprocity of sales and purchases, and tie-in sales. You can subject yourself, your principal, your company, and KapStone to antitrust investigations and possible allegations of illegal activity if you act inappropriately. Compliance with antitrust laws is so important that neither claims of ignorance, good intentions, nor failure to seek timely advice will be accepted as an excuse for violations.** Any Supplier employee who has marketing or purchasing responsibilities, contact with competitors, even if on purely technical matters, or attends any trade association meeting or has any trade association involvement should be thoroughly familiar with the antitrust laws.

The following specific rules, when carefully followed, will ensure that there is not even the appearance of conduct that might be questioned under antitrust laws:

❖ *Competition*

Avoid any marketing, advertising or other programs which could be considered unfair or deceptive.

❖ *Discussions with Competitors*

Do not enter into agreements, understandings, or even discussions with any competitors concerning your prices or discounts.

Do not discuss your company's or KapStone's:

- terms or conditions of purchase or credit;
- profits, profit margins or costs;
- market share;
- marketing practices or plans;

- distribution practices;
- bids or the intent to bid;
- selection, classification, rejection or termination of customers or classes of customers;
- sales territories or markets;
- exchange of competitive information;
- facility expansion, closure or downtime plans; and
- any other matter inconsistent with complete freedom of action and independence of your company or KapStone in the conduct of its businesses.

Again, each of these items are confidential information, proprietary to your company and KapStone, and MAY NOT BE SHARED.

❖ **Reciprocity**

Reciprocal dealing means favoring a particular Supplier (who is also a customer) when purchasing equipment, raw materials and other supply items, for the purpose of locking in that Supplier as a customer. This practice may be considered an express or implied agreement to eliminate competition and thus may violate the antitrust laws. This does not mean, however, that you or KapStone cannot purchase from each other where the customer is the best source from the standpoint of price, quality and service. Decisions based upon these standards are made for KapStone by Procurement, and KapStone's policy has been, and will continue to be, one of not mixing sales objectives with the legitimate function of Procurement.

❖ **Marketing Products**

In marketing our products, we must, of course, observe all of the basic antitrust principles noted above. There are, however, some additional legal and ethical principles that will govern our conduct. If you are in a position, because of unusual circumstances, to make specific claims about products or the performance of products, you should make sure you have evidence to substantiate those claims. Any comparison of products to those of your competitors should be fair, accurate and not misleading. Do not use gifts of other than nominal value, excessive entertainment, nor any other ways to improperly influence KapStone or other potential customers. You should market your products on the basis of your price, quality, and service.

❖ **Commercial Bribery**

KapStone will not pay or accept any bribe, gratuity, kickback or any similar payment to anyone, including agents of our customers, Suppliers or members of their family in connection with the purchase or sale of any products. Should any such concealed payments be requested, KapStone's General Counsel should be contacted immediately. It is KapStone policy to forego any business which can only be obtained by improper or illegal payments.

If you have any questions or concerns and at any time need assistance in understanding or complying with this policy, consult with your legal counsel.

SECURITIES LAWS AND INSIDER TRADING

KapStone is a publicly traded corporation on the New York Stock Exchange. **It is illegal, unethical and against KapStone policy for any individual to profit from or to “tip” others about undisclosed information relating to KapStone or any company we do business with.** Anyone who is in possession of any material nonpublic information that KapStone or any company we do business with has not yet disclosed to the public (e.g. undisclosed sales, gross profit, or income), may not purchase or sell any of KapStone’s or the other company’s securities.

If you are uncertain about the legal rules involving your purchase or sale of any KapStone securities or any securities in companies that you are familiar with by virtue of your work with KapStone, you should consult with your legal counsel.

Any Supplier trading in KapStone’s securities using fictitious names, names of relatives or friends, or brokerage accounts under fictitious names located in foreign jurisdictions shall be subject to immediate contractual termination.

Should KapStone discover any improper trading, it will disclose it to the appropriate authorities.

FINANCIAL STATEMENTS AND PUBLIC DISCLOSURES

KapStone is committed to fairly presenting its financial information in conformity with generally accepted accounting principles (GAAP). This financial information serves as the basis for managing KapStone’s business, measuring and fulfilling KapStone obligations, and complying with tax and financial reporting requirements.

Data about KapStone’s and your business transactions, including all commissions and fees, must be fully reported on all invoices and vouchers; financial reports, accounting records and other records must represent *ALL* the relevant facts or the nature of the relevant transactions.

CONFLICTS OF INTEREST

In many cases, our Suppliers act on our behalf with third parties as part of the compensation we pay them. In all cases where you are acting as a consultant, purchasing agent, or are in a similar role, you may have a conflict of interest in not acting in our best interest. A conflict of interest is any personal interest of a Supplier that would make the exercise of fair, unbiased judgment, for KapStone difficult. Any actual or even an apparent conflict of interest must be avoided. Any time any such conflict appears, or a Supplier is concerned such a conflict might develop, the Supplier is required to discuss the matter with KapStone Procurement.

Examples of clear conflict of interest situations, which should always be avoided, include the following:

- any consulting or employment relationship with any referred or selected customer, Supplier or competitor of KapStone, which is not discussed in writing and consented to by KapStone;

- providing a fee or gift (other than of nominal value) which is distributed for advertising purposes, from any Supplier employee, agent or organization to a representative of KapStone;
- certain loans to, or guarantees of obligation of, any employee of KapStone.

Anything which presents a conflict for the Supplier would probably also present a conflict if it is related to a member of the Supplier employee's family or close relative.

RELATIONSHIPS WITH SUPPLIERS

We seek to maintain our reputation as a dependable customer by being equitable and reliable in dealings with all Suppliers.

KapStone has corporate Procurement policies, procedures, and work instructions. Some general principles always apply:

- KapStone will purchase all of its supplies, services, and requirements only on the basis of price, quality and service.
- KapStone may not agree with our competitors on the prices to pay Suppliers for any particular goods or supplies. This is a violation of antitrust laws.
- The fact that a Supplier or potential Supplier is also a customer of KapStone may not be used to coerce KapStone into any special agreements and purchases should not be conditioned on sales or vice versa.
- No employee may accept a fee or gift (other than of nominal value) from a Supplier or any organization or representative which has or may conduct business with KapStone.

GIFTS, GRATUITIES AND ENTERTAINMENT

KapStone's objective is to compete in the marketplace on the basis of product quality, service, price and similar competitive factors. KapStone does not seek to gain any improper advantage through the use of entertainment, gratuities, or other courtesies. Similarly, KapStone expects the same from and of its Suppliers.

Suppliers must be beyond challenge or reproach in every business transaction with KapStone and must not allow themselves to be put into a position where their action or integrity can be questioned. Acting in any other manner is not acting in the best interests of the Supplier or KapStone. The manner in which Suppliers conduct themselves in their dealings with KapStone plays a major part in developing and maintaining a good reputation with KapStone. It is our firm conviction that accepting gifts or special favors from Suppliers, customers or other business clients is contrary to sound business ethics and can easily lead to abuses. Awareness will help you avoid inappropriate and possibly illegal situations.

❖ **What is acceptable?**

- You are expected to avoid even the appearance of an impropriety. This requires the use of good judgment and common sense.
- Note that our employees may accept advertising items of nominal value from a Supplier or business associate.
- Note that our employees may permit the host or another person present at a business meeting or discussion to provide lunch, dinner, or beverages.
- Note that our employees may accept infrequent association with Supplier representatives at luncheons, dinners, or professional organization meetings which are helpful in establishing better understanding and conserving time.
- Note that our employees may accept infrequent business-related invitations on a non-overnight basis to engage in recreational activities, such as golfing, when accompanied by an employee of the Supplier, contractor or customer.

The major consideration is that good judgment be utilized in the number of times that any single Supplier or contractor is allowed to entertain KapStone or that KapStone entertains a Supplier.

KapStone personnel may reciprocate when it is determined by the employee and his superior that it is in the best interest of KapStone to do so. Such KapStone expenses may only be reimbursed by submission of a KapStone expense report. This is to ensure that it is evident that obligations are not incurred.

❖ **What is NOT Acceptable?**

It should be stressed that this prohibition covers not only Procurement or Sales representatives of KapStone, but includes any KapStone or Supplier employee who influences the process of selecting products, Suppliers or contractors, or any supervisor or engineer who is supervising the performance of a contractor on a job site or supervising transportation, financial, insurance or similar services being furnished to KapStone.

- They may not accept any token or entertainment that they could not reciprocate "in kind."
- It is in conflict with KapStone's interest for any employee, directly or indirectly, for such employee's benefit, or for the benefit of any relative or friend, to solicit or accept from any company, firm, or individual that has, or is seeking to have, a business relationship with KapStone (a) any commissions, share in profits, or gifts, whether in cash, gift certificates, merchandise, or otherwise (other than items of an advertising nature of not more than nominal value), or any other payments, loans or advances, or any labor, materials, services, repairs, or improvements at no cost or at prices other than for fair value; or (b) travel accommodations, airline or other transportation tickets, hotel accommodations, recreational admission tickets, or excessive or extravagant entertainment or other similar gratuities.
- It is in conflict with KapStone's interest for an employee to accept gifts or services that are excessive or beyond usual and customary for the industry.

- Any employee who receives a significant gift is required to promptly report it to his or her supervisor. In any case of improper offers of gifts, gratuities, or entertainment to KapStone employees, Procurement leadership, group lead executives or Legal department shall be notified immediately.
- The above guidelines are not intended to be all-inclusive or necessarily applicable in all circumstances. When situations arise in which the propriety of a given action appears questionable or when exceptional circumstances may warrant a different application, employees must consult with their supervisor, or KapStone Procurement, and keep a record of the action or exception in case it is later questioned.

PROTECTING COMPANY ASSETS

You may receive a loan of equipment or temporary use or licensed use of assets or software to facilitate your interaction with KapStone. You will hold these assets and licenses in trust, particularly confidential information. KapStone property may be used for legitimate business purposes and may not be used for personal benefit, or may it be sold, loaned, given away or disposed of without proper authorization.

❖ Trade Secrets and Confidential Information

KapStone employees, consultants, agents, and trusted Suppliers (a “Recipient”) deal, on a daily basis, with confidential and proprietary information about KapStone. This information may include business plans, marketing and pricing information, customer lists, non-public financial information, unannounced shutdowns and plans for new business and other information that may be useful to competitors or otherwise harmful to KapStone or its customers or Suppliers if disclosed.

Each recipient should assume that all information about KapStone and its business is confidential (except where a KapStone employee can otherwise verify in writing that the information is publicly known). Similarly, each recipient should assume that all information disclosed to KapStone by its other customers and Suppliers is confidential (except in those circumstances where the customer or Supplier has explicitly consented to its disclosure or the employee can otherwise verify that the information is publicly known).

Except when disclosure is authorized or legally mandated, each recipient is obliged to hold all of the above referenced confidential information secret and in confidence, to refrain from disclosing any such information to any person outside of KapStone or the Supplier’s employee with a need to know, and to refrain from using such information for any purpose other than the performance of his or her duties to or for KapStone. Also, all employees should not disclose confidential or proprietary information or trade secrets to other employees of KapStone or a Supplier or its affiliates except on a “need to know” basis.

❖ Electronic Communications

KapStone’s electronic media, as may be made available to you, including computers, intranet, internet and e-mail, are to be used only for business purposes relating to your engagement or contract. This use must not increase costs, reduce productivity, reduce network performance, damage KapStone’s reputation or interfere with your work duties and responsibilities.

Unacceptable use of electronic media includes visiting inappropriate internet sites and storing,

sending or forwarding inappropriate e-mails. This includes obscene, racist, hateful, harassing, pornographic or offensive material of any kind.

Data or information you create or store using KapStone's electronic media is not private, as to you, and may be monitored, retrieved and audited by KapStone at any time without notice.

❖ **Software**

KapStone licenses the use of its computer software from a variety of third parties. KapStone does not own the copyright to this software or its related documentation and, unless authorized by the software developer, does not have the right to reproduce it for any use not specified in the license agreement. Suppliers may not make impermissible use of this software nor may they copy or export it. Copyright laws, license agreements and KapStone policy also prohibit individuals from making copies of programs used at work for their own personal use. It is the responsibility of any Supplier using computer software to see that the terms of software licenses are adhered to. Additionally, KapStone is required to obtain from all of its foreign-based Suppliers written certification that their software usage is pursuant to software licenses in full force and effect and that they have not been pirated or misappropriated. In certain cases, KapStone may be required to audit foreign Suppliers' records to ensure compliance. Suppliers will supply, on demand, certification of software compliance and access for auditing will be granted in these instances so that we can legally comply with Illinois law.

EQUAL EMPLOYMENT OPPORTUNITY

KapStone's Suppliers must implement and maintain a policy of equal employment opportunity which must be actively undertaken. The selection and placement of any employee must be based on that employee's job-related qualifications, and such decisions are always made without regard to race, religion, national origin, sex, age, disability or veteran status. This should be communicated periodically to all Suppliers' employees and reaffirmed annually.

COMPLIANCE WITH LAWS

Suppliers shall comply with all applicable laws, including, but not limited to the following, and shall certify compliance:

- **Slavery and Human Trafficking** – Suppliers shall not directly (or indirectly through the use of subcontractors) use any forced or slave labor, and shall not engage in or support, directly or indirectly, human trafficking. Suppliers shall respect the freedom of movement of its workers and not restrict their movement by controlling identity papers, holding money deposits, or taking any other action to prevent workers from terminating their employment. If workers enter into employment agreements with your company, workers should do so voluntarily.
- **Child Labor** – Suppliers shall not directly (or indirectly through the use of subcontractors) employ any children under 18 years of age unless that employment is fully legal and necessary and unless Supplier complies with the minimum employment age limit defined by national law where the person is working or by International Labor Organization ("LBO") Convention 138, whichever is higher.

- **Accurate Representation of Small Business Status** – KapStone encourages small businesses to compete to become KapStone suppliers. In reporting the total dollar value of subcontracts awarded to small business concerns to the U.S. Government and to KapStone customers, KapStone must ensure accuracy of this information. KapStone's small business suppliers, in turn, must familiarize themselves with the relevant SBA requirements for small business concerns, small disadvantaged business concerns, and women-owned small business concerns and must ensure that they certify their status accurately.

PLANT RULES OF CONDUCT

Each KapStone facility has published plant rules. These rules pertain to employees' and other individuals' conduct on the facility site. These are applicable to all Suppliers. They include policies pertaining to substance abuse, safety and other rules of conduct specific to the facility or site as well as other KapStone policies.

ENVIRONMENTAL RESPONSIBILITY

KapStone's environmental mission includes conducting its business in compliance with required environmental laws, regulation and permits. KapStone works to continuously improve environmental performance in all operations. Natural resources are conserved to the maximum extent by providing products from recycling, sustainable forestry and energy conservation. Our policy is intended to help develop long-term benefits for all employees, our communities and the various stakeholders of KapStone. Specifically:

- Suppliers and contractors must comply with all applicable environmental rules and regulations.
- Clear lines of communication for all environmental programs and audits shall be established and maintained.
- All operations are managed in an environmentally-sensitive manner by emphasizing conservation through source reduction, recycling and the use of renewable resources.
- Suppliers and contractors shall be trained to respond to environmental situations by taking appropriate action to meet regulatory requirements, and to report immediately any release of hazardous materials to a supervisor or to the Site Environmental Coordinator.
- To help assure compliance with federal, state and local environmental laws and regulations, a Site Environmental Coordinator regularly monitors and audits environmental performance at each facility.
- The company actively works with regulators and legislators to help develop environmental programs and public policy based on sound science.

To further the obligations of KapStone under this policy, it is necessary that every Supplier:

- Provide truthful and accurate information to the government permitting authorities in connection with any application for any environmental permit, any periodic reports that may

be called for under such permit, any required spill or release reports, or other required disclosures. Comply with all KapStone and governmental environmental rules and laws.

- Report, immediately, all spills, releases and other incidents involving hazardous materials to a KapStone supervisor or to the Site Environmental Coordinator.
- Report any situation or practice that an employee or Supplier knows or suspects does not comply with environmental laws, regulations or KapStone environmental policies for which the employee or Supplier is unable to address personally. Any such reports should be made to KapStone site management and the KapStone Legal department.

In order to ensure full compliance with federal, state and local environmental laws and regulations, each KapStone facility designates an individual to act as the Site Environmental Coordinator.

OCCPATIONAL SAFETY AND HEALTH

It is KapStone's policy to provide a safe and healthy workplace for its employees and Suppliers. KapStone seeks to take every reasonable precaution for individuals whose duties entail any likely occupational hazard.

Every Supplier must comply with all KapStone and governmental safety and health rules and laws. KapStone maintains a safety program to promote and protect the health and safety of its employees. Each Supplier must maintain such a program to comply with applicable laws and regulations and to adequately protect workers' safety and health even if no regulations or laws apply. The assistance of the KapStone Safety department is available to assist in implementing and maintaining an effective safety program. In order to ensure compliance with these rules and laws and to ensure a safe workplace, KapStone requires that all plant managers, line managers, supervisory personnel, and Supplier supervisory personnel periodically inspect the workplace according to the procedures established in KapStone's safety program.

Suppliers must also bear responsibility for ensuring the safety of their workplaces within KapStone property. Suppliers not only have the right, but the obligation, to report any condition that renders their worksite dangerous to the plant Safety Office.

It is unacceptable for KapStone or Supplier employees to work when their ability to function safely is diminished for any reason. While at work or on KapStone business, no person may have any illegal drugs or legal drugs in their system that could cause impairment, including alcohol. KapStone's Substance Abuse Policy must be strictly adhered to.

Threats, intimidation, harassment, assault and acts of violence are unacceptable and prohibited. Any such act will be subject to discipline up to and including discharge from the KapStone facility and contract termination.

CONSULTANTS

KapStone policy is that all consultants or subcontractors that you retain to assist you shall abide by the same code of business conduct as your employees when acting on your behalf. **It is the responsibility of any Supplier retaining a consultant or subcontractor for any purpose to make sure the consultants or subcontractors are aware of our Supplier Code of Business Conduct and Ethics and to abide by all of its provisions.**

COMPLIANCE AND ACCOUNTABILITY

This Code outlines the conduct expected of all KapStone and Supplier employees. Ethics and behavior are individual responsibilities, and high standards of behavior are expected of all Supplier employees regardless of position. Suppliers are responsible for monitoring their compliance and the compliance of their supply chains. KapStone reserves the right to investigate any alleged noncompliance with this Code by a Supplier. Noncompliance with this Code may result in KapStone terminating its contractual relationship with a Supplier.

COMPLAINT SUBMISSION

Suppliers with complaints should promptly report them to KapStone's General Counsel or by calling KapStone's Ethics and Compliance Hotline at 877-217-4771.