

Group Prevention of Fraud and Corruption Policy

Sappi Limited is committed to ethical behaviour and to the prevention, detection, and reporting of fraud and corruption. All members of staff are expected to share this commitment. The company will manage fraud and corruption risk by:

- Maintaining cost effective control procedures to prevent, identify and deter fraud and corruption
- Ensuring key controls are complied with
- Investigating all incidences of actual, attempted or suspected fraud and corruption, and associated control breakdowns
- Encouraging staff to be vigilant and raising fraud awareness at all levels
- Providing staff with effective confidential reporting mechanisms (eg the **Sappi Ethics Hotline**) and encouraging their use
- Taking action against individuals and organisations perpetrating fraud against the company, its shareholders, or its customers
- Seeking restitution of any asset fraudulently obtained and the recovery of costs, and
- Cooperating with the police and other appropriate authorities in the investigation and prosecution of those suspected of fraud.

Management is responsible for the detection and prevention of fraud, corruption, and other inappropriate conduct.

Each member of the management team should be reasonably familiar with the types of improprieties that may occur within his or her area of responsibility and be alert for any indication of irregularity.

Objectives

This policy is intended to:

- Convey the expectations of the board of directors and senior management regarding managing fraud and corruption risk
- Establish procedures and assign responsibility for the investigation of fraud and corruption and related offences
- Provide guidance to those employees who find themselves having to deal with suspected cases of theft, fraud, and corruption
- Develop a risk and fraud awareness in the organisation
- Promote compliance with anti-corruption laws, such as the **US Foreign Corrupt Practices Act (FCPA)**, the **UK Bribery Act**, and the **Prevention and Combating of Corrupt Activities Act in South Africa**, and
- Support adherence to the **OECD Guidelines for Combatting Bribery, Bribe Solicitation, and Extortion**.

Scope of the policy

The policy applies to any actual or suspected fraud and corruption, involving employees as well as shareholders, consultants, vendors, contractors, outside agencies and any other parties with a business relationship with Sappi.

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Actions constituting fraud and corruption

At Sappi, fraud is defined as the intentional misrepresentation or concealment of a material fact for the purpose of inducing another to act upon it causing actual or potential prejudice.

- **Corruption:** The misuse of power derived from position for private gain.
- **Bribe:** A bribe is anything of value given in an attempt to affect a person's actions or decisions in order to gain or retain a business advantage.

In this context, actions constituting fraudulent and corrupt behaviour may include, but are not limited to:

- Any dishonest or fraudulent act
- Defalcation, embezzlement, or misappropriation
- Forgery or alteration of any document or account belonging to Sappi
- Forgery or alteration of a cheque, bank transfer, or any other financial document
- Theft or misappropriation of funds, securities, supplies, or other assets
- Impropropriety in the handling or reporting of money or financial transactions
- Profiteering as a result of insider knowledge of company or customer activities
- Unauthorised disclosure or manipulation of sensitive, confidential or proprietary information
- The offering or taking of inducements, gifts, or favours which may influence the action of any persons. This includes bribes, and kickbacks, accepting or seeking anything of material value from contractors, vendors or persons providing services/materials to Sappi. Exceptions include accepting small token gifts of thanks from a customer or supplier, such as a box of chocolates, a bottle of wine or an invitation to a sporting event or a meal. The **Sappi Code of Ethics** places a duty on all employees to disclose such activities

- Inappropriate destruction, removal or misuse of records or company assets
- Engaging in practices or pursuit of private activities which conflict with Sappi's interests (without appropriate disclosure and approvals)
- Making a payment to or on behalf of any official (including government officials) for the purpose of obtaining or retaining business for or with, or directing business to any person, and
- Any similar or related inappropriate (dishonest) conduct.

If there is a question as to whether an action constitutes unethical behaviour, contact Legal Counsel or Internal Audit for guidance. Clarification of some particular applications of this policy is provided in the following sections.

Conflict of interest

Competitive business and business opportunities

An employee must avoid any relationship which might interfere with the exercise of independent judgment or the performance of his duties, including engaging in any business venture or owning an interest in any enterprise which might place him in competition or in conflict with Sappi Limited or any of its subsidiaries.

Sensitive payments and prohibited transactions

Certain types of payments are deemed to be of higher risk and are therefore prohibited or must subject to additional scrutiny and control.

Political contributions

No political contributions of the funds of Sappi Limited or any of its subsidiaries are to be made, directly or indirectly, to candidates for political office or to political parties or committees in any country. Any permissible exceptions to this general prohibition will require the prior consent of the Chief Executive Officer of Sappi Limited.

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Facilitation payments

Facilitation payments are payments made to government officials to facilitate approval of some type of business transaction, activity or service to which the company is already legally entitled, without making such a payment. Facilitation payments are, in general, prohibited.

Other prohibited transactions

Employees shall not on behalf of Sappi Limited or any of its subsidiaries, directly or indirectly, participate in any of the following transactions:

- Payment (directly or indirectly) of bribes or kickbacks
- Payment (directly or indirectly) to government officials or employees, employees of state-owned enterprises or employees of public international organisations (eg the **United Nations**, the **International Monetary Fund** or the **World Bank**), other than disbursements in the ordinary course of business for legal purposes
- Payment directly or indirectly to any person if the employee knows or has reason to know that the payment will be used to bribe any government official, political party or official thereof, any candidate for political office, any employee of a state owned enterprise or any employee of a public international organisation for the purpose of obtaining, retaining or directing business to any person, or influencing them in the discharge of their duties
- Establishment for any purpose of any undisclosed or unrecorded fund, bank account, or asset of Sappi Limited or any of its subsidiaries
- Giving or receipt of costly entertainment or of gifts to or from persons with whom Sappi Limited and its subsidiaries do business
- Reimbursement of travel expenses, including expenditures for hotels, meals, airline tickets, taxis, etc incurred by any foreign entity or representative acting on behalf of Sappi Limited and its subsidiaries, made without the appropriate prior consent, or
- Use of funds or assets of Sappi Limited or its subsidiaries for any other unlawful or unethical purpose.

Business partners

Sappi will take appropriate measures designed to prevent and detect bribery by third parties acting on behalf of Sappi eg agents and other intermediaries, consultants, representatives, distributors, including, *inter alia*, the following essential elements:

- Properly documented risk based due diligence pertaining to the hiring
- Regular oversight of business partners
- Informing business partners of Sappi's commitment to abiding by anti-corruption laws and guidance, and seeking a reciprocal commitment from business partners, or
- Suitable contractual arrangements.

Responsibilities

Managers

Managers, at all levels, have a responsibility to:

- Set the tone at the top. An organisation's culture plays an important role in preventing, detecting, and deterring fraud and corruption. Management needs to create a culture through words and actions where it is clear that fraud and corruption is not tolerated, that any such behaviour is dealt with swiftly and decisively
- Be familiar with the types of improprieties that might occur within his/her area of responsibility and be alert for any indication of irregularity

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- Ensure that an adequate system of internal controls exists within their areas of responsibility and that controls operate effectively
- Ensure that detailed and accurate accounting records are maintained for all transactions including cash and bank accounts
- Maintain appropriate risk based due diligence over the hiring, and regular oversight of business partners
- Ensure that the **Sappi Code of Ethics and Fraud and Corruption Policies** are well communicated to all staff and business partners within their area of responsibility
- Maintain the confidentiality of fraud investigations
- In consultation with Legal- and Human Resources Departments, take appropriate legal and/or disciplinary action against perpetrators of fraud and corruption, and
- Take disciplinary action against employees where employee negligence has contributed to the commission of the fraud or corruption.
- Where an employee believes that an opportunity for fraud exists, whether because of poor procedures or oversight, the employee should discuss it with their line manager and/or a member of Internal Audit.
- Report any suspected irregularities in accordance with the **Sappi Code of Ethics and Fraud and Corruption Policies**
- Cooperate in investigations, and
- Treat information relating to fraud investigations as confidential.

Internal Audit

Internal Audit is responsible for:

- Providing advice and assistance on risk and control issues
- Coordination of the investigations into all suspected fraudulent acts
- Reviewing control systems once an investigation has been completed to identifying any weaknesses which contributed to the fraud and if necessary, make recommendations for remedial action
- Reporting to appropriate management and to the Board of Directors through the Audit and Risk Committee the results of fraud investigations, what actions have been taken to manage fraud risks and the effectiveness of the fraud risk management program
- Adopting a proactive approach to providing management support in detecting, preventing, and monitoring fraud risks, and
- Provide a source of information to management as appropriate, regarding instances of fraud, corruption, unethical behaviour and irregularities.

All employees

All employees have a responsibility to:

- Ensure that they are familiar with, and comply with the **Sappi Code of Ethics**
- Ensure they are familiar with, and comply with controls and procedures in their area of responsibility. Employees should understand how their job procedures are designed to manage fraud risks and when non-compliance may create an opportunity for fraud to occur or go undetected
- Have a basic understanding of fraud and be aware of the red flags
- Recognise any specific fraud risks within their own area of responsibility. All employees have a duty to ensure that these risks are identified and addressed.

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Audit and Risk Committee

The Audit and Risk Committee mandate requires the Audit and Risk Committee to:

- Review the appropriateness and effectiveness of policies and procedures for preventing or detecting fraud
- Direct and supervise internal audit investigations into matters within the committee's scope, for example, evaluations of the effectiveness of the company's internal control, cases of employee fraud or supplier fraud, forensic investigations, misconduct or conflict of interest
- Receive and review reports on the prevention, detection and investigation of fraudulent activity or misconduct within Sappi group of companies, and
- Review significant cases of employee conflicts of interest, misconduct or fraud, or any other unethical activity by employees or the company.

Reporting fraud and corruption

Any employee who suspects dishonest or fraudulent activity should notify their direct supervisors, line managers, and Internal Audit.

However, in instances where an employee does not believe that the issues can or should be addressed using the above procedures, alternatives for reporting are provided within the whistle-blowing mechanism outlined in the **Sappi Code of Ethics**.

The employee or other complainant may remain anonymous.

Internal Audit is required to notify senior management (unit General Manager and the Chief Executive Officer) prior to or upon commencement of the investigation at the unit. Managers who are informed that an investigation is to take place are required to keep that information confidential in order to avoid compromising the investigation.

The most senior financial and the general manager of the relevant unit are required to communicate details of frauds as follows:

- Frauds and thefts estimated value (per incident) under US\$1,000: no communication required
- Frauds and thefts estimated value (per incident) over US\$1,000: email notification to Internal Audit within three days of discovery or suspicion, and
- All significant frauds should be included on the standard reporting package confirmation (annual sign-off).

The company's external auditor must be advised of any fraud that could affect the company's financial statements.

Investigation of allegations

The company is committed to investigating all reported cases of fraud and corruption in order that appropriate action can be taken.

Internal Audit has the primary responsibility for coordinating the investigation of all frauds. Investigations are to be performed in accordance with the following protocols:

- All information received will be treated confidentially. Investigation results will not be disclosed or discussed with anyone other than those who have a legitimate need to know. This is important in order to avoid damaging the reputations of persons suspected but subsequently found innocent of wrongful conduct and to protect Sappi from potential civil liability
- Great care must be taken in the investigation of suspected improprieties or wrongdoings so as to avoid mistaken accusations or alerting suspected individuals that an investigation is underway

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- Once an allegation is received, Internal Audit will conduct an initial evaluation of the allegation and determine the course of action to resolve it. The allegation will be examined to determine whether it involves a potential violation of law, rules or company policy. Depending on the nature and severity of the allegation, other departments may need to be consulted such as Legal Counsel, Human Resources, Information Technology or Security
- Internal Audit will notify and consult with senior management (Mill General Manager and/or the Chief Executive Officer) prior to or upon commencement of the investigation at the unit
- All investigations will be carried out objectively, and independently of the line management for the area in which the irregularity has occurred or is suspected
- The rights of individuals will be respected at all times
- Any investigative activity required will be conducted without regard to the suspected wrongdoer's length of service, position/title or relationship to the company
- Investigations will comply with applicable legislation regarding gathering information and interviewing witnesses
- **Securing evidence:** Evidence should be protected so that it is not destroyed and so that it is admissible in legal proceedings, and
- **Time sensitivity:** Investigations will be prioritised where necessary due to legal requirements and to mitigate potential losses or harm.

Authorisation for investigating suspected fraud

Members of the Internal Audit team will have:

- Free and unrestricted access to all company personnel records and premises (subject to notification to senior management as appropriate), and
- The authority to examine, copy and/or remove all or any portion of the contents of files, desks, cabinets and other storage facilities, including but not limited to electronic storage mediums, on the premises without prior knowledge or consent of any individual who may use or have custody of any such items or facilities when it is within the scope of their investigation. Internal Audit will obtain approval for access to electronic records as required in terms of IT policy.

Corrective actions

Any action taken must be appropriate to the circumstances, applied consistently to all levels of employees, and should be taken only after consultation with the individuals responsible for such actions.

Internal disciplinary action

When an employee has committed an offence, disciplinary action should be taken in accordance with the local (regional) disciplinary code or procedures.

Criminal action

Decisions to prosecute or refer the examination results to the appropriate law enforcement and/or regulatory agencies for independent investigation will be made in conjunction with Legal Counsel and senior management. Law enforcement has access to additional information and resources that may aid the case. Additionally, referrals for criminal prosecution may have a deterrent effect.

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Sappi officials must comply with relevant local legislation in all cases where this places a duty on any person who holds a position of authority who knows or ought to reasonably have known or suspected that any other person committed any form of corruption, theft, fraud, extortion or forgery to report it to the police.

Civil action

The company may wish to pursue its own civil action against the perpetrators to recover funds. Management consultation with Legal Counsel is required before taking civil action.

Extended investigation

In certain cases, Internal Audit and/or management will conduct a root cause analysis and perform an extended investigation to identify similar misconduct elsewhere in the organisation.

Internal control remediation and lessons learned

Internal Audit will review the relevant control systems to identify any weaknesses which contributed to the fraud; and if necessary, make recommendations to reduce the risk of similar frauds in future.

Internal Audit will also use its collective knowledge gained from lessons learned on audits and investigations to enable Sappi management to be more proactive in dealing with potential systemic weaknesses. When appropriate, Internal Audit will provide briefings and reports on risks facing Sappi and 'lessons learned' from investigations to relevant management.

External communication of investigations

The Sappi Group Head Corporate Affairs will decide, in conjunction with Legal Counsel and appropriate senior managers, whether any information relating to corrective actions taken or sanctions imposed, regarding incidents of fraud or corruption should be brought to the direct attention of any external person or made public through any other means.

Administration of policy

Internal Audit is responsible for the administration, revision, interpretation, and application of this policy. The policy will be reviewed every two years and revised as needed.

Steve Binnie
Chief Executive Officer
Sappi Limited

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Annexure A: Decision matrix

R - Responsible
A - Accountable
I - Inform
C - Consult

| Action required | Internal Audit | Human Resources | Finance and Accounting | Line management | Legal Counsel | Corporate Affairs | Executive management |
|---|----------------|-----------------|------------------------|-----------------|---------------|-------------------|----------------------|
| Controls to prevent and detect fraud | C | | R | R | | | A |
| Recommendations to prevent fraud | R | | I | I | I | | I |
| Reporting of incidents to Internal Audit | I | R | R | R | | | A |
| Communication of investigations to management | R | | | I | | | C |
| Investigation of fraud | R | | | C | C | | I |
| Disciplinary action | I | C | | R | | | |
| Referrals to law enforcement | C | | | R | C | | |
| Recovery of monies lost due to fraud | C | | C | C | R | | |
| Communications, publicity and press releases | I | | | I | C | R | A |
| Civil litigation | | | | | R | | |
| Fraud education and training | R | R | | R | C | | |
| Fraud risk assessment | R | C | C | R | C | | I |
| Sappi Ethics Hotline | R | I | | I | R | | A |

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Annexure B: Sappi Ethics Hotline contact details

| Country | Telephone number | Online | Email address |
|-----------------|------------------|--|--|
| Austria: | 0800 281 119 | www.convercent.com/report | Ethics@sappi.com |
| Belgium: | 0800 260 39 | | |
| Canada: | 1 800 235 6302 | | |
| Finland: | 0800 076 35 | | |
| France: | 0805 080 339 | | |
| Germany: | 0800 181 2396 | | |
| Hong Kong: | 800 906 069 | | |
| Hungary: | 21 211 1440 | | |
| Italy: | 800 727 406 | | |
| México: | 800 681 6945 | | |
| Netherlands: | 0800 022 0441 | | |
| Poland: | 00800 111 3819 | | |
| Russia: | 8800 100 9615 | | |
| South Africa: | +27 800 98 3612 | | |
| Spain: | 900 905 460 | | |
| Switzerland: | 0800 838 835 | | |
| Ukraine: | 0800 501 134 | | |
| United Kingdom: | 0808 189 1053 | | |
| USA: | 1 800 461 9330 | | |