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**CORPORATE GOVERNANCE  
DISCLOSURE REQUIREMENTS<sup>1</sup>**


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**COMMENTS****1. BOARD OF DIRECTORS**

- a) Disclose the identity of directors who are independent.

The Board has reviewed the independence of each director, within the meaning of NI 58-101. Of all of the Company's directors, the Board has determined that only John W. Weaver, the President and Chief Executive Officer of the Company, is not "independent", within the meaning of NI 58-101. The Board has determined that all of its other directors are currently "independent" within the meaning of NI 58-101, including Mr. David Galloway, who is a first-time nominee to the Board.

In determining whether directors are independent, the Board considers and discusses the nature and materiality of all direct or indirect relationships between each director and the Company or its subsidiaries and affiliates, including any family, customer, joint venture, partnership, supplier or service provider relationships.

The relationships of Marlene Davidge and David Ward as partners of firms providing legal services to the Company were analysed by the Board and found not to interfere with their independence. The Board considered the nature of the services provided by the law firms (including the amount of compensation received by the firms and the level of involvement of each director in the provision of the services) and concluded that the service provider relationships described above are not material and did not interfere with the ability of either Mrs. Davidge or Mr. Ward to act in the Company's best interest. Mr. Ward left the Board on May 9, 2006.

- b) Disclose the identity of directors who are not independent, and describe the basis for that determination.

As indicated in section 1(a) above, only John W. Weaver, being the President and Chief Executive Officer of the Company, is not an "independent" director, within the meaning of NI 58-101.

- c) Disclose whether or not a majority of the directors are independent.

**NYSE STANDARDS**

Under the NYSE Standards, there is a similar requirement that a majority of directors be "independent". Such independence is contingent on an affirmative determination by the Board that a director has no material relationship with the listed company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company). Certain listed relationships serve as bars to independence. The prohibition generally extends for a period of three years following the end of the relationship.

The Board has determined that nine out of the ten directors of the Company nominated for election are "independent", within the meaning of NI 58-101.

Under the NYSE Standards, the Board has determined that John W. Weaver is not considered "independent". All other directors are deemed "independent" for purposes of the NYSE Standards.

- d) If a director is presently a director of any issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.

All directorships with other reporting issuers for each director are set out in the Company's Management Proxy Circular dated March 6, 2007 (the "Management Proxy Circular").

<sup>1</sup> Reference is made to the items in Form 58-101F1.

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e) Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year.

As further discussed in the Management Proxy Circular, following each meeting, the Board conducts "in camera" sessions, which are presided over by the Chair of the Board, at which no Management directors or members of Management are present. There were seven "in camera" sessions of independent directors between January 1, 2006 and December 31, 2006.

f) Disclose whether or not the Chair of the Board is an independent director, disclose the identity of the independent chair, and describe his or her role and responsibilities.

The position of Chief Executive Officer and Chair of the Board are split. Mr. Richard Drouin, the Chair of the Board until January 1<sup>st</sup>, 2007, was an independent director.

Mr. Jacques Bougie, who became the Chair of the Board on January 1, 2007, is an independent director.

The Chair of the Board has the responsibility of overseeing the efficient operation of the Board and its committees. The Chair acts as an ex-officio member of each committee of the Board and, as such, one of his principal duties is to properly evaluate the effectiveness of the committee structure and the quality of Management's work that is presented in support of the decision-making process of the Board. The Chair also serves as Chair of the Corporate Governance Committee of the Board.

**NYSE STANDARDS**

The NYSE Standards also contain a similar requirement that non-management directors meet at regularly scheduled executive sessions without management and require a Company to disclose a method for interested parties to communicate directly with non-management directors.

The Chair of the Board presides over non-Management directors' meetings. Any interested party may communicate with the Chair regarding any other concerns at the Company's corporate address: 1155 Metcalfe Street, Suite 800, Montréal, Québec, Canada, H3B 5H2.

g) Disclose the attendance record of each director for all board meetings held since the beginning of the most recently completed financial year.

A record of the attendance of each director at meetings of the Board and its committees since the beginning of the last financial year is set out under the heading "Nominees" in the Management Proxy Circular.

**2. BOARD MANDATE**

Disclose the text of the board's written mandate.

During 2006, the Corporate Governance Committee proposed changes to the charter of the Board. The Board approved such changes on March 6, 2007. The revised Board's mandate is attached as a Schedule to the Management Proxy Circular and is also available on the Company's website at [www.abitibiconsolidated.com](http://www.abitibiconsolidated.com).

The mandate of the Board provides that the Board oversees the management of the business and affairs of the Company. The Board is responsible for the stewardship of the business of the Company and, as part of such responsibility, assumes responsibility for the following matters: corporate behavior and governance, strategic direction and planning, senior management appointment, evaluation, succession planning and compensation, pension fund matters, internal controls and audit process, communications and environmental, health and safety matters.

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**COMMENTS****3. POSITION DESCRIPTION**

- a) Disclose whether or not the board has developed written position descriptions for the chair and the chair of each board committee.

The mandates of the chairs of the Board and of each committee of the Board are described in the Board's and each committee's charter, which are available on the Company's website at [www.abitibiconsolidated.com](http://www.abitibiconsolidated.com). The Board's charter is also attached as a Schedule to the Management Proxy Circular.

The Chair of the Board is charged with the responsibility of overseeing the efficient operation of the Board and its committees. The Chair acts as an ex-officio member of each committee of the Board and, as such, one of his principal duties is to properly evaluate the effectiveness of the committee structure and the quality of Management's work that is presented in support of the decision-making process of the Board. The Chair also serves as the Chair of the Corporate Governance Committee of the Board. The Chair of the Board also presides at the annual shareholders' meeting.

The responsibilities of the chair of each committee include (i) presiding at meetings of such committee, (ii) providing leadership to enhance the effectiveness and focus of the committee, (iii) ensuring that the committee has access to timely and relevant information and resources to support its work, (iv) setting with Management the agenda for each meeting, and (v) acting as liaison between the committee and the Board, and the committee and Management.

- b) Disclose whether or not the board and CEO have developed a written position description for the CEO.

The Board delegates the responsibility and authority for the day-to-day operation of the Company to the President and Chief Executive Officer and to Management. In doing so, the President and Chief Executive Officer must act honestly and in good faith with a view to the best interests of the Company. Based on these principles, the Human Resources and Compensation Committee (the "HRC Committee") has adopted a position description for the President and Chief Executive Officer of the Company.

**4. ORIENTATION AND CONTINUING EDUCATION**

- a) Briefly describe what measures the board takes to orient new members regarding
- (i) the role of the board, its committees and its directors, and
  - (ii) the nature and operation of the issuer's business.

The Company conducts a comprehensive orientation program for new directors, which includes orientation sessions with other Board members and senior management, as well as the distribution of relevant materials on the Company and the industry.

Each director receives an information binder which includes information pertaining to the functioning of the Board, financial information of the Company, investor relations presentations, recent press releases, the current annual report and most recent Management Proxy Circular.

Directors regularly meet with Management and are given periodic presentations on a particular business unit or on recent business or regulatory developments.

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b) Briefly describe what measures, if any, the board takes to provide continuing education for its directors.

Management has developed a continuing education program intended to broaden and deepen directors' competencies and experience. This program includes presentations from senior management on topics of particular relevance for the Company's business, other presentations by experts on subjects such as the economy and the markets and tours of the Company's production and operation sites. Management also keeps directors informed of changes within the Company and of regulatory and industry requirements and standards.

In 2006, the HRC Committee engaged Mercer Human Resources Consulting and Ken Hugessen Consultants to provide executive compensation consulting services. Significant knowledge, including benchmark data, was shared with the directors in the course of this process. During 2006, training was also provided to all directors on Ontario Bill 198 regarding civil liability on secondary market disclosure.

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**5. ETHICAL BUSINESS CONDUCT**

a) Disclose whether or not the board has adopted a written code for its directors, officers and employees. If the board has adopted a written code:

The Company has adopted a code of conduct for senior management and directors, a code of conduct for non-unionized employees and a policy entitled "*Principles of ethical behavior and good conduct for all employees of Abitibi-Consolidated*" addressed to the Company's unionized employees. Both codes and the policy are in line with the guidelines of NP 58-201 and the requirements of the Sarbanes-Oxley Act and the NYSE Standards. All three documents are published on the Company's website at [www.abitibiconsolidated.com](http://www.abitibiconsolidated.com).

(i) disclose how an interested party may obtain a copy of the written code;

The Company will provide any person, upon request to the Secretary of the Company, with a copy of the codes of conduct and of the policy free of charge. These documents are also published on the Company's website at [www.abitibiconsolidated.com](http://www.abitibiconsolidated.com).

(ii) describe how the board monitors compliance with its code; and

The Board, through the Corporate Governance and the Audit committees, is regularly informed by Management of the compliance with the codes of conduct and also ensures that Management encourages and promotes a culture of ethical business conduct.

The internal audit department reports on a regular basis to the Audit Committee on, notably, matters that may arise under the codes of conduct and policy, while the legal department reports to the same committee on the Company's compliance with the laws and regulations that govern it. As well, all directors and managers of the Company are required to sign the code of conduct applicable to them on a yearly basis, while non-unionized employees sign it when they are hired by the Company.

Furthermore, all three documents provide a procedure for receiving, retaining and handling complaints, including the anonymous submission of complaints concerning accounting, internal controls and auditing matters, in compliance with the rules promulgated under the Sarbanes-Oxley Act and with NP 58-201. Management is expected to report on these matters to the Audit Committee, which in turn reports to the Board on a regular basis.

For further details, see the charter of the Audit Committee setting out its responsibilities. A copy of that document is attached as Exhibit "A" to the Company's Annual Information Form for the year ended December 31, 2006 and may also be found on the Company's website at [www.abitibiconsolidated.com](http://www.abitibiconsolidated.com).

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(iii) provide a cross reference to any material change report(s) filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.

No waivers under the code of conduct for senior management and directors were granted by the Company and no action by a director or officer constituted a departure from the code during the 2006 financial year.

**SARBANES-OXLEY ACT**

The rules promulgated under the Sarbanes-Oxley Act require public companies to disclose whether they have adopted a "code of ethics" for their executive officers and senior financial officers. A code of ethics must be designed to deter wrongdoing and to promote certain listed items.

The above described codes of conduct and policy meet the requirements of the Sarbanes-Oxley Act.

The audit committee of the Company must ensure that the Company puts in place a procedure for receiving, retaining and handling complaints concerning accounting, internal controls and auditing matters, including on an anonymous basis.

**NYSE STANDARDS**

The NYSE Standards require U.S. listed companies to adopt a code of business conduct and ethics for directors, officers and employees, and promptly disclose any waivers of the code for directors or executive officers.

The above described codes of conduct and policy meet the requirements of the NYSE standards.

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b) Describe any steps the board takes to ensure directors exercise independent judgment in considering transactions and agreements in respect of which a director or executive officer has a material interest.

With regard to transactions or agreements in respect of which a director may have a material interest, the director is required to disclose his or her interest in accordance with the *Canada Business Corporations Act* and must exclude himself or herself from any discussions or vote relating to such transaction or agreement.

In addition, all directors are required to fill in a questionnaire on an annual basis where (i) they assess their independence against all independence standards set forth under applicable laws and regulations, and (ii) disclose all material relationships with the Company or its subsidiaries and affiliates.

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c) Describe any other steps the board takes to encourage and promote a culture of ethical business conduct.

The Company has adopted a set of values, including "integrity and open communication". In accordance with these values, the Board expects all employees of the Company, including Management, to hold themselves to the highest standard of ethical behavior. The Company believes that the integrity of its organization was built by creating an atmosphere of trust and mutual respect among employees and between the Company and its other stakeholders. All stakeholders have a right to expect honest, two-way communication in all conversations. The Company has also adopted a Disclosure Policy in order to promote consistent disclosure practices aimed at informative, timely and broadly disseminated disclosure of material information to the market, in accordance with applicable securities legislation.

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**6. NOMINATION OF DIRECTORS**


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a) Describe the process by which the board identifies new candidates for board nomination.

The Corporate Governance Committee is responsible for developing criteria governing the size and overall composition of the Board. The committee periodically examines whether the Board is large enough to benefit from a wide variety of ideas and viewpoints without compromising the communication among the directors and between the directors and Management. On the recommendation of the Corporate Governance Committee, the size of the Board has been set at ten directors.

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The Corporate Governance Committee is also responsible for recommending nominees for directorships in consultation with the Chair and the President and Chief Executive Officer. The committee monitors the membership of the Board to ensure that qualifications under any applicable laws are maintained and situations of conflict of interest are avoided. The committee annually establishes a list of desired traits and characteristics for directors to ensure that new nominees possess attributes that will complement the overall Board expertise and experience at any given time. In 2001, the Corporate Governance Committee undertook to renew the membership of the Board. Under this mandate, eight new independent directors have joined the Board since 2001.

In 2006, the Corporate Governance Committee retained the services of Korn/Ferry International to establish a list of new candidates for future board nominations.

For further details, see the charter of the Corporate Governance Committee, a copy of which may be found on the Company's website at [www.abitibiconsolidated.com](http://www.abitibiconsolidated.com).

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- b) Disclose whether or not the board has a nominating committee composed entirely of independent directors.

The Board has determined that the Corporate Governance Committee is currently composed entirely of "independent" directors, within the meaning of NI 58-101 and of the NYSE Standards.

**NYSE STANDARDS**

The NYSE Standards require that the nominating/corporate governance committee be composed entirely of "independent" directors. The committee is also required to have a written charter addressing certain listed matters.

The Board has adopted a written charter for the Corporate Governance Committee setting out its responsibilities, a copy of which may be found on the Company's website at [www.abitibiconsolidated.com](http://www.abitibiconsolidated.com).

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- c) If the board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.

The responsibilities, powers and operation of the Corporate Governance Committee with regard to the nomination and compensation of directors are more fully described in sections 6(a), 7(a) and 9 of this table.

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**7. COMPENSATION**

- a) Describe the process by which the board determines the compensation for the issuer's directors and officers.

**Director's compensation**

The Corporate Governance Committee reviews the adequacy and form of compensation of directors annually. In so doing, the committee examines both the nature and levels of compensation paid at comparable publicly traded companies. The results of the review are discussed at the Board, along with related recommendations of the committee for Board approval.

As mentioned, in 2006, the Corporate Governance Committee retained the services of Korn/Ferry International to provide director compensation consulting services.

A more detailed description of the compensation of directors is provided in the Management Proxy Circular.

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- b) Disclose whether or not the board has a compensation committee composed entirely of independent directors.

**NYSE STANDARDS**

The NYSE Standards require that the compensation committee be composed entirely of "independent" directors. The committee is also required to have a written charter addressing certain listed matters.

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- c) If the board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.

**Senior management compensation**

The Board has delegated to the Human Resources & Compensation Committee (the "HRC Committee") the responsibility for recommending to the Board the compensation of the President and Chief Executive Officer and of senior management, taking into consideration the Board's expectations and pre-approved objectives. The HRC Committee has established compensation programs for the President and Chief Executive Officer and senior management of the Company designed to support the Company's vision to be the world's leading forest products Company by creating a strong link between the interests of the shareholders, the Company's financial performance and the total compensation of the Company's executives. A more detailed description of the compensation of the President and Chief Executive Officer and senior management is provided in the Management Proxy Circular.

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The Board has determined that the HRC Committee and the Corporate Governance Committee are currently composed entirely of "independent" directors, within the meaning of NI 58-101 and of the NYSE Standards.

The Board has adopted a revised written charter for the HRC Committee setting out its responsibilities, a copy of which may be found on the Company's website at [www.abitibiconsolidated.com](http://www.abitibiconsolidated.com).

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With regard to the nomination and compensation of directors, the responsibilities, powers and operation of the Corporate Governance Committee are more fully described in sections 6(a), 7(a) and 9 of this table.

With regard to senior management, the Board assumes directly the following responsibilities in matters of succession planning and makes decisions on such matters on the recommendation of the HRC Committee:

- selecting and appointing the President and Chief Executive Officer;
- reviewing the performance and approving the compensation of the President and Chief Executive Officer and senior management, taking into consideration Board expectations and pre-approved objectives; and
- reviewing the essential elements of short-term and long-term senior executive succession planning.

The Board has delegated to the HRC Committee additional succession planning responsibilities, including:

- approving the hiring and promoting of senior management; and
  - reviewing Management's plans and activities for the development of key managerial personnel.
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d) If a compensation consultant or advisor has, at any time since the beginning of the issuer's most recently completed financial year, been retained to assist in determining compensation for any of the issuer's directors and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained.

The Board has also delegated to the HRC Committee supervision of the administration, investment strategy and solvency of the Company's pension funds.

The responsibilities, powers and operation of the HRC Committee with regard to the compensation of the President and Chief Executive Officer and of senior management are more fully described in section 7(a) of this table.

The Board has adopted a written charter for the HRC Committee setting out its responsibilities, a copy of which may be found on the Company's website at [www.abitibiconsolidated.com](http://www.abitibiconsolidated.com).

In 2006, the HRC Committee engaged Mercer Human Resources Consulting and Ken Hugessen Consultants to provide executive compensation consulting services, the whole as more fully described in the Management Proxy Circular.

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**8. OTHER BOARD COMMITTEES**

If the board has standing committees other than audit, compensation and nominating committees, identify the committees and describe their function.

In addition to the Audit Committee, the HRC Committee and the Corporate Governance Committee, the Board also has an Environment, Health & Safety Committee (the "EHS Committee"), whose members have been determined to be "independent", within the meaning of NI 58-101, and whose role is to oversee all environmental, health and safety matters.

The composition of each Board committee and the attendance records of directors can be found in the Management Proxy Circular.

The charters of the Board committees are available on the Company's website at [www.abitibiconsolidated.com](http://www.abitibiconsolidated.com). The Corporate Governance Committee reviews these charters as well as the charter of the Board on a yearly basis for final review and approval by the Board.

As mentioned, during 2006, the Corporate Governance Committee proposed changes to the charter of the Board. The Corporate Governance Committee also proposed changes to the charter of the Audit Committee and the charter of the HRC Committee. The Board approved the revised charters on March 6, 2007. The revised charter of the Board is attached as a Schedule to the Management Proxy Circular and is also available on the Company's website at [www.abitibiconsolidated.com](http://www.abitibiconsolidated.com).

The revised charter of the Audit Committee is attached as Exhibit "A" to the Company's Annual Information Form for the year ended December 31, 2006 and can be found on the Company's website at [www.abitibiconsolidated.com](http://www.abitibiconsolidated.com).

The revised charter of the HRC Committee can be found on the Company's website at [www.abitibiconsolidated.com](http://www.abitibiconsolidated.com).

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**9. ASSESSMENTS**

Disclose whether or not the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments.

The Corporate Governance Committee has the mandate and responsibility to oversee on an annual basis the evaluation of the performance and effectiveness of the Board and each of its committees, in consultation with the President and Chief Executive Officer.

Annually, the Board and its members survey the effectiveness and contribution of the Board and its committees, including the operation of the Board, the Board structure, the adequacy of information provided to directors, and the effectiveness of the Chair of the Board in managing the meetings of the Board and the strategic direction of the Company. The evaluation of the Board and its committees is undertaken in light of their respective charters.

The Chair of the Board also evaluates on an annual basis the performance and contribution of each director in light of certain expected skills and competencies on a variety of topics, including strategic insight, participation and accountability, in order to provide them with constructive feedback to help them improve their performance. The Chair shares with the Corporate Governance Committee the results of this evaluation and discussion, and they are then shared with the whole Board with appropriate recommendations. Individual directors are also evaluated on an annual basis by their peers.

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**AUDIT COMMITTEE INFORMATION <sup>2</sup>**

Composition of the Audit Committee.

The Audit Committee is composed entirely of “independent” directors, within the meaning of MI 52-110.

Audit Committee charter.

On March 6, 2007, the Board has adopted a revised written charter for the Audit Committee that sets out the roles and responsibilities of the committee, which is attached as Exhibit “A” to the Company’s Annual Information Form for the year ended December 31, 2006 and can be found on the Company’s website at [www.abitibiconsolidated.com](http://www.abitibiconsolidated.com).

Pre-approval policies and procedures for external auditor service fees.

See the Management Proxy Circular for information relating to the policy and procedures for pre-approval of auditors’ services and a breakdown of the Company’s auditor fees for the last completed fiscal year.

<sup>2</sup> Reference is made to the Company’s Annual Information Form for the year ended December 31, 2006 for disclosure of information relating to the Company’s Audit Committee, as required under Multilateral Instrument 52-110, entitled “Audit Committees” (“MI 52-110”).

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Financial literacy and financial expertise of Audit Committee members.

“Financially literate”, under MI 52-110, means the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the issuer’s financial statements.

**SARBANES-OXLEY ACT**

The Audit Committee must have at least one financial expert.

“Financial expert” means (a) an understanding of GAAP and financial statements, (b) the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves, (c) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company’s financial statements, or experience actively supervising one or more persons engaged in such activity, (d) an understanding of internal controls for financial reporting, and (e) an understanding of audit committee functions.

A person must have acquired such attributes through any one or more of the following:

- a) education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in one or more positions that involve the performance of similar functions;
- b) experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant or auditor or person performing similar functions;
- c) experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements; or
- d) other relevant experience (a brief description of which must be disclosed).

**NYSE STANDARDS**

The NYSE Standards also contain certain rules pertaining to audit committees, including:

- a) requirements on independence (members must satisfy the independence criteria of the NYSE Standards (as discussed in item 2 above) and of Rule 10A-3 under the U.S. Securities Exchange Act of 1934);
  - b) rules on financial literacy of members;
  - c) matters to be addressed by the committee’s charter; and
  - d) the existence of an internal audit function.
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All the Audit Committee members are financially literate.

The Board has designated Mr. Gary J. Lukassen as the Audit Committee’s financial expert. Mr. Lukassen is a Chartered Accountant from McGill University, and has extensive experience in the area of business and finance. Mr. Lukassen was the Chief Financial Officer of the Hudson’s Bay Company for over twelve years and has been chair of various audit committees for many years.

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The Company is in compliance with all NYSE audit committee requirements, except for requirements relating to the preparation of an audit committee report for inclusion in its annual proxy circular, as no report need be prepared by the Company as a foreign private issuer under U.S. law.

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