

## Statement of corporate governance practices

As a listed issuer on the Toronto Stock Exchange (the “TSX”), the Company is required to disclose its approach to corporate governance on an annual basis. The disclosure must make specific reference to each of the TSX’s guidelines on corporate governance (the “TSX Guidelines”) and, where the approach is different from those Guidelines or where the Guidelines do not apply, must explain the differences or the reasons for their inapplicability.

The Company’s shares are also listed on the New York Stock Exchange (the “NYSE”). The NYSE recently adopted new corporate governance rules (the “NYSE Standards”). As a foreign private issuer on the NYSE, the Company is generally permitted to comply with Canadian governance standards in lieu of the NYSE Standards applicable to U.S. domestic issuers. The Company will, however, be required to follow certain requirements applicable to audit committees and must disclose any practices that differ significantly from the NYSE Standards.

The U.S. *Sarbanes-Oxley Act of 2002* (the “Sarbanes Act”) provides additional disclosure rules that apply to the Company addressing matters such as the reporting of concerns and complaints by employees and codes of ethics.

The Company’s governance practices are believed by the Board to be in full alignment with the TSX Guidelines and the applicable requirements of the Sarbanes Act. The Company complies with all mandatory requirements of the NYSE. The Company is also in line with all other non-mandatory NYSE Standards, except as disclosed below. The Company reviews its practices on a continuing basis to ensure compliance with evolving laws and regulations. In this regard, the Board will consider the corporate governance guidelines published for comments in January 2004 by certain members of the Canadian Securities Administrators. The Company’s governance practices as of February 24, 2004 are summarized below.

### REVIEW OF TSX GUIDELINES AND OTHER GOVERNANCE STANDARDS

The following chart provides an analysis of the Company’s governance practices against each of the fourteen TSX Guidelines. A discussion of the requirements under the Sarbanes Act and the NYSE Standards is also provided where appropriate.

## The TSX Guidelines

### 1. Stewardship of the Corporation

The board of directors of every corporation should explicitly assume responsibility for the stewardship of the corporation and, as part of the overall stewardship responsibility, should assume responsibility for the following matters:

#### Is the Company in alignment?

Yes

### a. Strategic planning process

adoption of a strategic planning process

#### Is the Company in alignment?

Yes

### b. Principal risks

the identification of the principal risks of the corporation's business and ensuring implementation of appropriate systems to manage these risks

#### Is the Company in alignment?

Yes

## Governance practices at Abitibi-Consolidated

The Board oversees the management of the business and affairs of the Company and assumes the stewardship of the business of the Company.

The Board reviews and approves significant decisions and/or transactions affecting the Company and its subsidiaries, such as major capital expenditures, acquisitions or divestitures, material contracts outside the ordinary course of business and finance transactions. The Board delegates the responsibility and authority for the day-to-day operation of the Company to the management of the Company.

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

The Board contributes to the development of a strategic direction for the Company by:

- reviewing, discussing and approving the Company's strategic planning and organizational structure and process;
- reviewing, on an annual basis, the Company's principal opportunities and the processes that are in place to identify such opportunities; and
- reviewing and approving the Company's strategic plan and the annual business plan, including operating and capital budgets.

In addition to a formal session devoted exclusively to strategic planning, the Board also discusses key strategic issues at regular intervals.

The Board reviews the full range of business risks facing the Company, including strategic, financial, operational, leadership, partnership and reputation risks, as part of the annual strategic planning process described above. On an ongoing basis, the Board also monitors with management changes in the strategic environment, new key business risks and the implementation of appropriate systems to manage such risks.

The Audit Committee is responsible for reviewing the Company's policies with respect to risk assessment and risk management systems and controls, especially in relation to derivatives, foreign currency exposure and insurance. The Audit Committee also reviews annually a report from the Environmental, Health & Safety Committee on environmental accruals that could have a material impact on the financial statements.

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## The TSX Guidelines

### c. Succession planning

succession planning, including appointing, training and monitoring senior management

#### Is the Company in alignment?

Yes

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## Governance practices at Abitibi-Consolidated

The Board assumes directly the following responsibilities in matters of succession planning:

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

The Board has also delegated to the Human Resources and Compensation Committee additional succession planning responsibilities, including:

- reviewing and recommending to the Board the selection and appointment of the Chief Executive Officer;
- approving the hiring and promoting of senior management; and
- reviewing management's plans and activities for the development of key managerial personnel.

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 website at [www.abitibiconsolidated.com](http://www.abitibiconsolidated.com).

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### d. Communications policy

communications policy for the corporation

#### Is the Company in alignment?

Yes

In accordance with its charter, the Board must ensure that the Company has in place comprehensive communications policies addressing how the Company should interact with analysts, investors, other stakeholders, and providing adequate procedures for compliance with the Company's continuous and timely disclosure obligations.

The Company has in place a policy on disclosure, which provides guidelines for the communication of information to analysts, investors, other key stakeholders and the public.

The policy on disclosure seeks to ensure that communications pertaining to the Company are timely, factual and accurate, as well as broadly disseminated in accordance with all applicable legal and regulatory requirements.

The Company also developed a Corporate and Securities Compliance Program setting out procedures for the disclosure of Company information in compliance with securities and other legal requirements. In accordance with this program, the Board reviews the Company's major disclosure documents, including the annual management proxy circular, the annual information form, the annual report, the annual financial reports and related press releases.

It is the Corporate Governance Committee's responsibility to review on a regular basis the Company's corporate compliance and disclosure processes and programs, including the policy on disclosure.

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## The TSX Guidelines

**e. Integrity of internal control**  
the integrity of the corporation's internal control and management information systems.

### Is the Company in alignment?

Yes

## Governance practices at Abitibi-Consolidated

The Board, through the Audit Committee, monitors the integrity of internal corporate control procedures and management information systems to manage the Company's key business risks and ensure that the value of the underlying asset base is not eroded.

The Audit Committee's specific responsibilities regarding internal control procedures include:

- reviewing, with management, the Company's internal information control system;
- obtaining from the internal audit department and the Company's external auditor the major findings and internal control recommendations reported during the period under review, reviewing management's response and follow-up to such recommendations in order to monitor whether management has implemented an effective system of internal accounting control;
- reviewing policies and procedures for the receipt, retention and treatment of complaints from employees, shareholders and other stakeholders regarding accounting issues and financial reporting, internal controls and internal or external auditing matters; and
- reviewing with management the Company's financial computer systems, including procedures to keep the systems secure and contingency plans developed to deal with possible computer failures.

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

## 2. Board independence

The board of directors of every corporation should be constituted with a majority of individuals who qualify as "unrelated" directors.

An "unrelated director" is a director who is independent of management and is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act with a view to the best interests of the corporation, other than interests and relationships arising from shareholding.

A related director is a director who is not an unrelated director.

Of all of the Company's directors, only John W. Weaver, the President and Chief Executive Officer, is a related and inside director. The Board has determined that all of its outside directors are currently unrelated directors for purposes of the TSX Guidelines, as explained in greater detail under the heading "Individual Unrelated Director" below.

### The TSX Guidelines

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If the corporation has a “significant shareholder”, in addition to a majority of unrelated directors, the board should include a number of directors who do not have interests in or relations with either the corporation or the significant shareholder and which fairly reflects the investment in the corporation by shareholders other than the significant shareholder. A “significant shareholder” is a shareholder with the ability to exercise a majority of the votes for the election of the board of directors.

### Is the Company in alignment?

Yes

### NYSE STANDARDS

Under the recently adopted 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 three-year “look back” rule is being phased-in by applying only a one-year “look-back” period until November 4, 2004.

### Governance practices at Abitibi-Consolidated

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The Company does not have a significant shareholder.

Under the NYSE Standards currently in effect (including relevant transition rules for look-back period purposes), the Board has determined that only John W. Weaver would not be considered independent. However, but for the transition rules of the NYSE Standards, Mr. Ward would not be considered independent under the NYSE Standards because of fees paid by the Company to his law firm in 2002.

## The TSX Guidelines

### 3. Individual unrelated directors

The application of the definition of “unrelated director” to the circumstances of each individual director should be the responsibility of the board which will be required to disclose on an annual basis whether the board has a majority of unrelated directors or, in the case of a corporation with a significant shareholder, whether the board is constituted with the appropriate number of directors which are not related to either the corporation or the significant shareholder. Management directors are related directors. The board will also be required to disclose on an annual basis the analysis of the application of the principles supporting this conclusion.

#### Is the Company in alignment?

Yes

### 4. Nominating Committee

The board of directors of every corporation should appoint a committee of directors composed exclusively of outside, i.e., non-management, directors, a majority of whom are unrelated directors, with the responsibility for proposing new nominees to the board and for assessing directors on an ongoing basis.

#### Is the Company in alignment?

Yes

### 5. Assessing the board's effectiveness

Every board of directors should implement a process to be carried out by the nominating committee or other appropriate committee, for assessing the effectiveness of the board as a whole, the committees of the board and the contribution of individual directors.

#### Is the Company in alignment?

Yes

## Governance practices at Abitibi-Consolidated

In determining whether directors are related, 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, supplier or service provider relationships.

Relationships analysed by the Board for purposes of its 2004 relatedness analysis, include the following:

- Richard Drouin's former relationship as counsel to a firm providing legal services to the Company. Mr. Drouin has ceased practicing with such firm as of December 2003 and he no longer receives any compensation from such firm; and
- Marlene Davidge and David Ward's relationships as partners of firms providing legal services to the Company.

After considering 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), the Board has concluded that none of the current or former service provider relationships described above is material enough to interfere with the ability of any of Mr. Drouin, Mrs. Davidge or Mr. Ward to act in the Company's best interest.

The Corporate Governance Committee is responsible for recommending nominees for directorships in consultation with the Chair and the Chief Executive Officer. The Corporate Governance Committee is currently composed entirely of outside and unrelated directors. The Committee also 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 establishes a list of desired traits and characteristics for directors annually to ensure that new nominees possess attributes that will complement the overall Board expertise and experience at any given time.

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 website at [www.abitibiconsolidated.com](http://www.abitibiconsolidated.com).

Once a year, directors are required to provide to the Chair their views on:

- the effectiveness of the Board;
- the effectiveness of the committees of the Board;
- the meaningfulness and timeliness of support information from management;
- the performance of the Chair;
- the performance of other directors.

The aggregated results of the exercise are discussed by the Corporate Governance Committee, initially, and, thereafter by the Board.

The Corporate Governance Committee may recommend changes to enhance the performance of the Board.

## The TSX Guidelines

### 6. Orientation and education of directors

Every corporation, as an integral element of the process for appointing new directors, should provide an orientation and education program for new recruits to the board.

#### Is the Company in alignment?

Yes

### 7. Effective board size

Every board of directors should examine its size and, with a view to determining the impact of the number upon effectiveness, undertake where appropriate, a program to reduce the number of directors to a number which facilitates more effective decision-making.

#### Is the Company in alignment?

Yes

### 8. Compensation of directors

The board of directors should review the adequacy and form of the compensation of directors and ensure the compensation realistically reflects the responsibilities and risk involved in being an effective director.

#### Is the Company in alignment?

Yes

### 9. Committees and outside directors

Committees of the board of directors should generally be composed of outside directors, a majority of whom are unrelated directors, although some board committees, such as the executive committee, may include one or more inside directors.

#### Is the Company in alignment?

Yes

### NYSE STANDARDS

The NYSE standards require that the nominating/corporate governance committee and the compensation committee be composed entirely of "independent" directors. The committees are also required to have written charters addressing certain listed matters.

## Governance practices at Abitibi-Consolidated

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.

Management has also developed a continuing education program intended to broaden and deepen directors' competencies and experience. Past events included 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 productions and operations sites.

The size of the Board is authorized by the articles of the Company to be between three and twenty-one.

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.

In 2003, the Board consisted of 11 members. This Management Proxy Circular proposes 10 nominees for election as directors at the Annual Meeting on April 29, 2004.

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.

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

All committees of the Board are currently composed of outside directors, all of whom are unrelated.

The composition of the committees and attendance record of Directors can be found in the Management Proxy Circular. The proxy circular also indicates the attendance level of the directors.

The charters of the committees can be found on the Company website at [www.abitibiconsolidated.com](http://www.abitibiconsolidated.com).

Each of the Corporate Governance Committee and the Human Resources and Compensation Committee are currently composed of independent directors. The charters of these committees comply with the content requirements of the NYSE standards.

## The TSX Guidelines

### 10. Approach to corporate governance *General.*

Every board of directors should expressly assume responsibility for, or assign to a committee of directors, responsibility for, developing the corporation's approach to corporate governance issues.

This committee would, amongst other things, be responsible for the corporation's response to these governance guidelines.

### Is the Company in alignment?

Yes

### SARBANES ACT

#### *Code of Conduct.*

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

### 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.

## Governance practices at Abitibi-Consolidated

As set out in its charter, the Corporate Governance Committee is responsible for all matters of corporate governance, including:

- developing with management a set of corporate governance principles for the Company;
- monitoring the Company's approach to corporate governance issues;
- evaluating its practices with regard to their conformity with the laws, regulations and listing requirements to which the Company is subject; and
- monitoring any disclosure documents related to corporate governance.

The Company has adopted a code of conduct for senior management and directors meeting the requirements of the Sarbanes Act. The Company has also adopted a code of conduct for non-unionized employees. Both codes are published on the Company website at [www.abitibiconsolidated.com](http://www.abitibiconsolidated.com).

The Company will provide any person, upon request to the Secretary of the Company, with a copy of the codes of conduct free of charge. No waivers were granted from the Company's codes of conduct in 2003. In December 2003, the Corporate Governance Committee approved some amendments to both codes of conduct pertaining to the reporting of concerns and complaints, as disclosed on the Company website at [www.abitibiconsolidated.com](http://www.abitibiconsolidated.com).

The Company also intends to disclose on its website any subsequent amendment to the codes of conduct or waiver thereof extended to a director or officer of the Company, as required by applicable securities legislation and stock exchange rules.

The Company's codes of conduct would comply with NYSE Standards, but for the fact that they do not currently apply to unionized employees. As a foreign private issuer on the NYSE, the Company does not have to comply with the NYSE's requirements relating to codes of conduct.

## The TSX Guidelines

### 11. Position descriptions

The board of directors, together with the CEO, should develop position descriptions for the board and for the CEO, involving the definition of the limits to management's responsibilities. In addition, the board should approve or develop the corporate objectives which the CEO is responsible for meeting.

#### Is the Company in alignment?

Yes

### 12. Board independence

Every board should have in place appropriate structures and procedures to ensure that the board can function independently of management. An appropriate structure would be to:

- a. appoint a chair of the board who is not a member of management with responsibility to ensure that the board discharges its responsibilities; or
- b. adopt alternate means such as assigning this responsibility to a committee of the board or to a director, sometimes referred to as the "lead director".

Appropriate procedures may involve the board meeting on a regular basis without management present or may involve expressly assigning the responsibility for administering the board's relationship to management to a committee of the board.

#### Is the Company in alignment?

Yes

### NYSE STANDARDS

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

## Governance practices at Abitibi-Consolidated

Written charters are currently in place for the Board and all committees of the Board. The Corporate Governance Committee reviews the charters on a yearly basis.

A position description for the Chair of the Board has been adopted by the Corporate Governance Committee. The Chair's principal responsibility is to oversee the efficient operation of the Board and its committees. The Human Resources and Compensation Committee has adopted a position description for the President and Chief Executive Officer.

The involvement of the Board and the Human Resources and Compensation Committee regarding corporate objectives is discussed under item 1 (c) above.

The Board expects management to be responsible for the effective, efficient and prudent management of the Company.

The Board has put in place delegations of authority to define the limits of management's authority and responsibilities.

The Chair of the Board, who is not a member of management, has the responsibility of ensuring the efficient operation of the Board and its committees.

The Corporate Governance Committee is entrusted with making recommendations regarding the communication process between the Board and management, reviewing the structure of the Board and the committees on an annual basis, and monitoring the quality of information provided to the Board by management.

As contemplated by its Charter, the Board holds in camera sessions without management at every regular meeting.

The Chair of the Board, Mr. Richard Drouin, presides over non-management directors' meetings. The Company's code of conduct for directors and management and the code of conduct for non-unionized employees provide a procedure for receiving, retaining and handling complaints concerning accounting, internal accounting controls and auditing matters, which complies with the rules promulgated under the Sarbanes Act. Any interested party may communicate with the Chair regarding any other concerns at the Company's corporate address: 1155 Metcalfe Street, Suite 800, Montreal, Quebec, H3B 5H2

## The TSX Guidelines

### 13. Audit committee

The audit committee of every board of directors should be composed only of outside directors.

The roles and responsibilities of the audit committee should be specifically defined so as to provide appropriate guidance to audit committee members as to their duties. The audit committee should have direct communication channels with the internal and external auditors to discuss and review specific issues as appropriate. The audit committee duties should include oversight responsibility for management reporting on internal control. While it is management's responsibility to design and implement an effective system of internal control, it is the responsibility of the audit committee to ensure that management has done so.

### Is the Company in alignment?

Yes

### 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.

### 14. Outside advisers

The board of directors should implement a system which enables an individual director to engage an outside advisor at the expense of the corporation in appropriate circumstances. The engagement of the outside advisor should be subject to the approval of an appropriate committee of the board.

### Is the Company in alignment?

Yes

## Governance practices at Abitibi-Consolidated

The Audit Committee is composed entirely of outside directors, all of whom are also "unrelated" directors.

The Board has adopted a written charter for the Audit Committee that sets out the roles and responsibilities of the committee, which can be found on the Company website at [www.abitibiconsolidated.com](http://www.abitibiconsolidated.com). The charter addresses all matters identified in TSX Guideline 13.

The Company is in compliance with all 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.

In accordance with its Charter, the Board, in discharging its duties and responsibilities in connection with any meeting of the Board or of any of the committees:

- shall have access to the employees and management of the Company,
- may invite officers, employees or any other person to attend meetings of the Board or of any committee of the Board to assist in the discussion and examination of the matters under consideration by the Board or such committee, and
- may conduct such examinations, investigations or inquiries, and engage such special legal, accounting or other external advisors, at the expense of the Company, at such times and on such terms and conditions as the Board considers appropriate.