

## 2001 CORPORATE GOVERNANCE REPORT

In 2001, the Company has been pursuing its policy of continuously improving its corporate governance practices, going beyond compliance with the guidelines of the Toronto Stock Exchange. Both the Board and management seek to attain high standards of governance, which ultimately help promote management accountability and ensure that the Board functions independently. With the recent publication of the recommendations included in the final report of the Joint Committee on Corporate Governance, we will see the Company's governance pursuing evolutionary, steady progress, ultimately building an even stronger corporation.

The Corporate Governance Committee is responsible for the development of the Company's governance practices. The mandate of the Committee includes an annual review of the structure of the Board and the committees of the Board. In 2001, the size of our Board was reduced from twelve to eleven in order to maximize efficiency.

We have also improved our overall process for evaluating the Board and the committees by fully implementing an individual assessment of directors with the purpose of helping our directors improve their contribution to the Board.

In an ever-changing business world, directors need up-to-date knowledge about new developments. In that spirit, a continuing education program for directors was developed consisting of operations visits, presentations on subjects of interest such as, markets conditions, industry consolidation, etc. Educational material focused on real and practical issues, such as regulatory developments, is also provided. Outside education courses are also available to directors who would require such a program.

In 2002, two new nominees will stand for election to the Board to replace directors who will retire. The new candidates come from diverse backgrounds and will enrich the Board's collective experience. Furthermore, the Board will hold a special corporate governance session to review its current governance principles and practices. We intend on holding similar meetings at least every two years to help us keep up with the latest developments of governance standards and practices.

It was a pleasure and an honour to have served you as Chair of the Corporate Governance Committee.

(signed)

**Richard Drouin, O.C., Q.C.**

Chair

Corporate Governance Committee

## CORPORATE GOVERNANCE PRACTICES

### Responsibilities of the Board

The Board recognizes it is responsible for the stewardship of the business and affairs of the Company. The Board seeks to discharge such responsibility by reviewing, discussing and approving the Company's strategic planning and organizational structure, and supervising management to ensure that the foregoing enhance and preserve the underlying value of the Company for the benefit of all shareholders. As part of the strategic planning process, the Board contributes to the development of strategic direction by reviewing the principal opportunities, the processes that are in place to identify the opportunities and the full range of business risks including strategic, financial, operational, leadership, partnership and reputation risks. On an ongoing basis, the Board also reviews with management, how the strategic environment is changing, what key business risks and opportunities are appearing and how they are managed. In addition, each year a separate Board session is dedicated to discussions of key strategic issues. The Board also monitors the integrity of corporate internal control procedures and management information systems to manage such risks and ensure that the value of the underlying asset base is not eroded. The performance of management is also supervised to ensure that the affairs of the Company are conducted in an ethical manner. Throughout the year, the Board holds regular meetings where management is invited to present its recommendations on developments and issues of current relevance related to the Company's products and to respond to questions. The Board receives systematic updates at such meetings as to the Company's lines of business and their respective strategy and performance. The Board also reviews annually the requirements for critical positions within the organisation and assures itself that there are individuals who could fill these positions both on an urgent basis or over the longer term.

The Board discharges its responsibilities both directly and through its committees. The Board has retained specific authority to grant final approval with respect to each of the following matters, in addition to those that require Board approval under applicable law:

a	the strategic direction of the Company, including the three-year plan;
b	material contracts, acquisitions or divestitures of the Company's assets;
c	the annual strategic plan, operating and capital budgets; and
d	the hiring, performance evaluation, compensation, and succession plans for the President and Chief Executive Officer and senior executives.

The Board from time to time delegates to senior executives the authority to enter into certain types of transactions, including financial transactions, subject to specified limits. According to the Company's policy, all transactions valued at more than \$7.5 million will require the prior approval of the Board. Investments and other expenditures above the specified limits, including major capital projects as well as material transactions outside the ordinary course of business, whether on or off balance sheet, are reviewed by, and subject to, the prior approval of the Board.

### **Composition of the Board**

The size of the Board is authorized by the articles of the Company to be between three and twenty-one. The Board currently consists of 11 members. The Board believes that such number of directors is large enough to allow the directors to benefit from a wide variety of ideas and viewpoints without compromising the communication among the directors and between the directors and management. The Board periodically examines its size to determine whether it achieves the appropriate balance.

The Board has established a number of committees to facilitate the flow of information concerning the Company to the directors, and to monitor the efficiency of management's decisions and the development of management's expertise.

When recruiting new directors, the Board assures itself that the candidates possess personal qualities and traits such as integrity, an informed judgement and a solid track record as well as competencies, such as financial literacy, which add value to the Company. The Company conducts a comprehensive education and orientation program for new directors, which includes distribution of appropriate information materials and orientation sessions with other board members and senior management. Furthermore, a continuing education program intended to broaden or deepen competencies and experience is provided to all Board members. See "Report of the Corporate Governance Committee" above.

### **Role of the Chairman**

The Chairman of the Board is charged with the responsibility of ensuring the efficient operation of the Board and its committees. As an ex-officio member of each committee of the Board, one of the Chairman's 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. Mr. Richard Drouin, O.C., Q.C., is the current Chairman of the Board of the Company.

### **Evaluation of the Board**

Each year, all directors are required to complete a comprehensive survey of the effectiveness of the Board and its committees. This survey covers the operation of the Board, the Board structure, the committees' effectiveness, the adequacy of information provided to directors, and the effectiveness of the Chairman in managing the meetings and the strategic direction of the Company. This process helps the Board improve the manner in which it discharges its duties and to ensure that it is making a solid contribution to the success of the Company. The results of the questionnaire are divulged to and discussed by both the Corporate Governance Committee and the Board.

This year, the individual assessment of directors was fully implemented. The performance and contribution of each director was evaluated by the Chairman on a variety of topics, including strategic insight, financial literacy, participation and accountability. This process is intended to provide constructive feedback to directors to help them improve their performance. The results are provided to directors and summaries of the aggregate performance of all directors are discussed at the Corporate Governance Committee.

### **Board Independence**

The Board has reviewed its membership and has determined that 10 of its 11 directors currently are “unrelated directors”. An “unrelated” director is a director who is independent of management and free from any interest in any business or other relationship, which could, or could reasonably be perceived to, materially interfere with the director’s ability to act in the best interests of the Company, other than interests in relationships arising from shareholding. John W. Weaver, the President and Chief Executive Officer, is a “related” director because he is an employee of the Company. In determining whether outside directors are unrelated, the Board has considered and discussed the nature and materiality of all relevant relationships between a director and the Company including, without limitation customer, supplier and service provided relationships.

The Company currently has a Chairman who is not a member of management and who is responsible for ensuring that the Board properly discharges its duties, independently of management.

When the circumstances so require, the Board holds in camera sessions of the Board where management is asked to withdraw from the meeting.

The Board, any committee thereof and any individual director may engage independent external advisors at the expense of the Company to assist them in discharging their responsibilities.

No shareholder of the Company that has the ability to exercise a majority of the votes for the election of the Board.

### **Attendance**

During the course of 2001, eight regular meetings of the Board have been held. The average attendance level for regular Board meetings for 2001 was 91%. The average attendance level for committee meetings was 92%.

### **Committees of the Board**

The Board currently has five committees that review in greater depth specific areas of its mandate. In addition to such regular committees, the Board may appoint ad hoc committees periodically to address certain issues of a more punctual nature. Each member of the Board generally serves on at least two committees. Regular rotations of the directors among the various committees are performed to offer wider exposure to the spectrum of management issues.

The Board, through the Corporate Governance Committee, is responsible for the establishment and functioning of all Board committees, as well as the appointment, compensation and good standing of members serving on such committees. At regularly scheduled meetings of the Board, the directors receive, consider and discuss Board committee reports.

The following is a general description of the composition and general duties of each committee. The Corporate Governance Committee reviews the committees’ mandates on a yearly basis.

### **Audit Committee**

Chair: **David A. Ward**

Members: **Marlene Davidge, Claude H elie, C. Edward Medland, Charles-Albert Poissant**

In response to the rules adopted by the US Securities and Exchange Commission regarding audit committee independence and non-audit services provided by auditors, in 2001, the Board has reviewed and amended its mandate governing the role and responsibilities of the Audit Committee. While the new US rules for audit committees and certain disclosures are not binding on the Company, the Board and management believe that the adoption of the revised mandate based on such rules will provide added guidance to the committee with respect to issues deserving of careful consideration.

The objectives of the Audit Committee include the following: (a) to assist the Board in the discharge of its responsibilities to monitor the audit process and the integrity of the Company's financial reporting; (b) to provide independent communication between the Board's internal audit team and the external auditor; (c) to enhance the quality of the Company's financial reporting; (d) to ensure that the external auditor remains ultimately accountable to the Board and the Audit Committee as representatives of the shareholders; and (e) to monitor the independence of the external auditor and of the manager of internal audit. In order to achieve such objectives, the Audit Committee approves the release of interim financial statements internally prepared and reviews the Company's annual audited financial statements with management and the external auditors. After satisfying itself as to the fairness, consistency and timeliness of the annual financial statements, the committee recommends the approval of the financial statements to the Board. The Audit Committee also reviews the selection of and changes in accounting policies and satisfies itself as to the effectiveness of the audit plan developed by the Company's external auditors and control systems and procedures developed and implemented by the Company's internal audit department. The committee meets regularly with both internal and external auditors, with and without management, to consider the results of their audits (including appropriate internal controls) and to review management's financial stewardship. In this role, the committee provides a channel of communication between the Board and the auditors. At least once a year, the Audit Committee reviews a report from the external auditors attesting to the auditors' independence and considers whether the auditors are independent by discussing with the auditors the appropriateness of any non-audit work performed and whether such non-audit work has or may affect the objectivity or independence of the external auditors. The committee also recommends to the Board the selection of the Company's external auditors for appointment by the shareholders. Finally, the committee oversees the Company's continuing compliance with financial disclosure obligations.

### **Corporate Governance Committee**

Chair: **Richard Drouin**

Members: **Marlene Davidge, Charles-Albert Poissant, John A. Tory**

The Corporate Governance Committee is responsible for the development, maintenance, and disclosure of the Company's corporate governance practices. The mandate of the committee includes: (a) developing criteria governing the size and overall composition of the Board; (b) conducting an annual review of the structure of the Board and its committees, as well as of the mandates of such committees; (c) recommending new nominees for the Board (in consultation with the Chairman and the Chief Executive Officer); and (d) recommending the compensation of directors. The committee also co-ordinates the annual evaluation of the Board, the committees of the Board and individual directors. All issues identified through this evaluation process are then discussed by the Corporate Governance Committee and are reported to the Board. Finally, it also has the responsibility for annually initiating, jointly with the Human Resources and Compensation Committee, a discussion at the Board level on the performance evaluation and remuneration of the President and Chief Executive Officer.

### **Environmental, Health and Safety Committee**

Chair: **Gordon C. Gray**

Members: **Jean Gaulin, H. Earl Joudrie, David Ward**

The mandate of the Environmental, Health and Safety Committee is to review the adequacy of the environmental, health and safety (EHS) programs and to assess the performance of the Company under such programs. Where appropriate, the committee reports or makes recommendations on significant issues to the Board and management. The committee's responsibilities include: (a) reviewing the Company's EHS policies; (b) approving and monitoring the Company's overall EHS management systems and practices; (c) monitoring the Company's performance in relation to applicable EHS laws; and (d) reviewing outstanding and potential liabilities for EHS matters. The committee also reviews with management all significant environmental incidents and occupational accidents as well as any events of material non-compliance, and it approves the Company's programs for EHS auditing.

### **Human Resources and Compensation Committee**

Chair: **John A. Tory**

Members: **Jean Gaulin, H. Earl Joudrie**

The Human Resources and Compensation Committee's mandate is to develop an executive compensation strategy to attract and retain senior managers and motivate them to achieve superior results. The committee oversees all compensation and human resource matters including the administration of the Company's stock option plan. The committee reviews all significant benefit plans applicable to the Company's employees and makes recommendations to the Board, where appropriate. The committee is also responsible for reviewing and approving a general salary structure for senior management, ensuring it is competitive and aligned with shareholder interests. The committee annually reviews management's plans and activities for development of key managerial personnel, including a review with the Chief Executive Officer of the essential elements of short-term and long-term senior management succession planning. The committee is responsible for annually initiating, jointly with the Corporate Governance Committee, a review at the Board level of the performance and remuneration of the Chief Executive Officer.

### **Pension Committee**

Chair: **C. Edward Medland**

Members: **Gordon Gray, Claude Hélie**

The Pension Committee is responsible for the supervision of the administration and investment of the Company's pension funds in accordance with applicable legislation or as otherwise lawfully delegated. The committee supervises the determination and review of funding policy, investment policies and goals and the selection and supervision of investment managers, trustees and actuaries. The committee monitors investment performance and compliance of fund investments with applicable legislation and established investments policies and goals. Finally, the committee reviews actuarial assumptions and actuarial reports or summaries thereof.

### **Board expectations of management**

The information which management provides to the Board is critical to the effective functioning of the Board. The directors must have confidence in the data gathering, analysis and reporting functions of management. The Corporate Governance Committee monitors the nature of the information requested by and provided to the Board so that it is able to determine if the Board can be more effective in identifying opportunities and risks for the Company.

The Board does not believe that it is appropriate for it to be involved in the daily management and functioning of the Company. It expects that management will be responsible for the effective, efficient and prudent management of the Company subject to the Board's stewardship responsibilities. The Board expects management of the Company to meet the following key objectives:

a	to report to the Board in a complete, accurate and timely fashion, on the business and affairs of the Company generally, and on any individual matter that management considers to be of material or significant consequence for the Company and its shareholders;
b	to take timely action with respect to, and make all appropriate decisions required by the Company's operations in accordance with all applicable legal or other obligations and within the framework of the corporate policies in effect, with a view towards enhancing shareholder value;
c	to conduct a comprehensive annual budgeting process under the guidance of the Board and to monitor closely the Company's financial and operating performance in conjunction with the annual business plan approved by the Board;
d	to review on an ongoing basis, and subject to ultimate Board supervision, the Company's short-term and long-term strategies and their implementation in all key areas of the Company's activities in light of, among other factors, evolving market conditions, technology, and governmental regulations; and
e	to implement appropriate policies and procedures to assure a high level of conduct and integrity of the Company's management and employees.

#### **Shareholder/Investor communications and feedback**

The Company has an Investor Relations department that is responsible for facilitating the two-way communication between senior management and the Company's shareholders and financial analysts.

The Department's role is to ensure clear and direct communication of the Company's performance, actions and strategy to all shareholders and to others in the investment community. Information is disseminated through annual and quarterly reports, the annual meeting and frequent investor presentations. Information about the Company, including the most recent annual and interim reports, annual information form, management proxy circular and press releases are also provided on the Company's website at [www.abicon.com](http://www.abicon.com). This Universal Resource Locator (URL) is, and is intended to be, an inactive textual reference only. It is not intended to be an active hyperlink to the Company's Website. The information on the Company's Web site, which is accessible through this URL's resulting hyperlink, is not, and is not intended to be, part of this report and is not incorporated by reference. On a regular basis, the Department receives and responds to all shareholders' inquiries in an appropriate, timely and conscientious fashion.

The Department provides feedback from the shareholders to senior management and the Board, where appropriate. The Department regularly encourages shareholders to voice their comments, concerns and suggestions.

## 2001 BOARD OF DIRECTORS

### **Marlene Davidge**

Partner, Torys LLP,  
Toronto, Ontario

Ms. Davidge obtained a Bachelors degree from University of Toronto. After obtaining her law degree from Osgoode Hall Law School, she joined Torys LLP where she continues her practice today as a partner of the firm and a leading lawyer in mergers and acquisitions, corporate finance and investment funds. She has extensive experience in a broad range of issues experienced by large public corporations. She has been a member of her firm's Executive Committee, sat on a number of boards and is currently a member of the Advisory Committee of University College, University of Toronto.

### **Richard Drouin, O.C., Q.C.**

Chairman of the Board, Abitibi-Consolidated Inc., Québec, Québec

Mr. Drouin is currently a counsel in the law firm, McCarthy Tétrault LLP. He is also Chairman of the North American Electric Reliability Council (NERC), which oversees the reliability of the Transmission Systems in North America. He was Chairman and CEO of Hydro-Québec from 1988 to 1996. He currently sits on the board of Acres International, Altersys, American Superconductor Corporation (Boston), Canadian Niagara Power, Gesca (French daily newspapers), Provigo, nStein Technologies, Stelco and President's Choice Financial. He is a Fellow Governor of the Royal Canadian Geographical Society and Chairman of the Board of Trustees of Université Laval. Mr. Drouin is an Officer of the Order of Canada. In 1993, he was awarded an honorary degree from the Université Lumière in Lyon, France. He is an Honorary Consul for Great Britain in Québec.

### **Jean Gaulin**

Corporate Director,  
San Antonio, Texas

Mr. Gaulin obtained a bachelor degree in chemical engineering and science in 1967 from École Polytechnique (Université de Montréal). Mr. Gaulin retired as Chairman, President and Chief Executive Officer of Ultramar Diamond Shamrock in January 2002 at the conclusion of the merger with Valero Energy Corporation. Mr. Gaulin currently serves on several boards including: Crane Co., National Bank of Canada, Groupe St-Hubert Inc., Corporation de l'École Polytechnique, the International Council of École des Hautes Études Commerciales, the Board of Trustees and Executive Committee for United Way of San Antonio and Bexar County, and was involved with the Canadian Red Cross and the Heart Institute of Montreal.

### **Gordon C. Gray, F.C.A.**

Chairman, Integris Metals Inc.,  
Richmond Hill, Ontario

A chartered accountant who began his career with Price Waterhouse after obtaining a bachelor of commerce degree from Queen's University. Former Chairman and President of Royal LePage, where he served in a variety of executive posts for over 30 years. In 2000, Mr. Gray was appointed Chairman of Integris (formerly North American Metals Distribution Inc.). Mr. Gray is Honorary Chairman of Royal LePage Limited and sits on the Board of a number of corporations, including: McDonald's Corporation and Rio Algom Ltd.

### **Claude Hélié**

Executive Vice-President and Chief Financial Officer, Quebecor Inc.,  
Montréal, Québec

Mr. Hélié was Vice President and CFO of Donohue Inc. from 1994 to 2000. Before that (1982-1994) Mr. Hélié was Vice-President, Finance for *La Société Générale de Financement du Québec* (SGF), a Crown Corporation with diversified industrial holdings. Mr. Hélié graduated from École des Hautes Études Commerciales (Université de Montréal) and is a member of the Québec Order of Chartered Accountants.

### **H. Earl Joudrie**

Corporate Director,  
Toronto, Ontario

Over his career, Mr. Joudrie has held a variety of executive positions in a number of resource based corporations, including that of Chief Executive of Dome Canada Limited, Encor, Voyager Petroleum Ltd, Ashland Oil Canada Ltd and as Senior Vice-President and Group Operating Officer of Ashland Oil Inc. Mr. Joudrie was Chairman of Gulf Canada Resources Ltd. until August 2001 and Chairman of Algoma until January 2002. He currently holds several directorships, among them: Arco, Canadian Tire, Zargon Oil and Gas, Carma Consolidated and Trention Steel Works.

### **C. Edward Medland**

President, Beauwood Investments Inc.,  
Toronto, Ontario

Mr. Medland is currently Chairman of the Board of Cadillac Fairview Corp. He was Chairman and CEO of Wood Gundy Inc. from 1972 to 1988. Mr. Medland is a graduate of the University of Toronto and holds a variety of directorships, including: Global Telecom Corp., MCM Split Share Corporation and Premium Income Corp. Mr. Medland is also a former Chairman of the Boards of Investments Dealers' Association of Canada as well as the Ontario Teachers' Pension Plan.

### **Charles-Albert Poissant, C.M., F.C.A.**

Corporate Director,  
Montréal, Québec

A member of the Order of Canada, Mr. Poissant is a chartered accountant, an author and a former Chairman and CEO of Donohue Inc. Prior to that, he was a member of the firm KPMG from 1947-1987. He was educated at École des Hautes Études Commerciales (Université de Montréal).

### **John A. Tory, Q.C.**

President, Thomson Investments Limited,  
Toronto, Ontario

Called to the Bar in 1954 and appointed Queen's Counsel in 1965, Mr. Tory serves as director of a number of Canadian corporations and non-profit institutions, which include: The Thomson Corporation, Rogers Communications, Royal Bank of Canada, and the Canadian Psychiatric Research Foundation.

### **David A. Ward, Q.C.**

Partner, Davies Ward Phillips & Vineberg LLP,  
Toronto, Ontario

An international taxation lawyer and founding partner of Davies Ward Phillips & Vineberg LLP, a law firm with offices in Toronto, Montreal and New York. Mr. Ward received a Bachelor of Commerce degree from Queen's University and an LL.B. from Osgoode Hall Law School and has practiced in commercial, tax and related fields of law since 1958.

### **John W. Weaver**

President and Chief Executive Officer,  
Abitibi-Consolidated Inc.,  
Montréal, Québec

With a PhD from the Institute of Paper Science and Technology (IPST) and nearly 30 years experience in this industry, Mr. Weaver applies his intricate knowledge to various industry Boards, including AF&PA (American Forest and Paper Association); the IPST and Pan Asia Paper Company. Mr. Weaver also serves as Chairman of FPAC (The Forest Products Association of Canada).

## **MANAGEMENT AND CORPORATE OFFICERS**

### **John W. Weaver**

President and Chief Executive Officer

### **Louis-Marie Bouchard**

Senior Vice-President,  
Woodlands and Sawmill Operations

### **Alain Grandmont**

Senior Vice-President,  
Value-Added Paper Operations

### **Denis Jean**

Senior Vice-President,  
Eastern Newsprint Operations,  
Pulp and Energy

### **Colin Keeler**

Senior Vice-President,  
North American Newsprint Sales

### **Paul Planet**

Senior Vice-President,  
International Sales

### **Pierre Rougeau**

Senior Vice-President,  
Corporate Development  
and Chief Financial Officer

### **David Schirmer**

Senior Vice-President,  
Value-Added Paper Sales

### **Thor Thorsteinson**

Senior Vice-President,  
Southern Newsprint Operations

### **Bruno Tremblay**

Senior Vice-President,  
Technology Services

### **Jacques P. Vachon**

Senior Vice-President,  
Corporate Affairs and Secretary

### **Viateur Camiré**

Vice-President, Human Resources

### **Allen Dea**

Vice-President and Treasurer

### **Jocelyn Pépin**

Vice-President and Corporate Controller