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**CHARTER OF THE AUDIT  
COMMITTEE**

**Approved on August 3, 2011**

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## **FIBREK AUDIT COMMITTEE CHARTER**

### **1. PURPOSES AND GENERAL OBJECTIVES**

The Audit Committee shall help the Board fulfil its oversight responsibilities. The Committee shall examine the financial reporting processes, internal controls, financial risk management and the audit process and procedures applied by Fibrek. In performing its responsibilities, the Committee shall maintain good relations with the Board of Directors, management, the internal audit service and the external auditors, the latter of which shall report directly to the Committee.

To fulfil its role, each Committee member shall understand his or her duties as well as the activities, operations and risks of the Company.

The Committee has an oversight role. The Committee or its members do not have the responsibility i) to prepare the financial statements of Fibrek, ii) to plan or make audits, iii) to make sure the financial statements of Fibrek are complete and accurate, and prepared in accordance with generally accepted accounting principles, iv) to make other types of audit or accounting review or conduct any other proceedings or inquiries, or v) to make sure the applicable laws, regulations, rules and policies are complied with, including Fibrek's internal policies. The Committee, its chairman and its members form part of the Board of Fibrek and are appointed to the Committee to globally oversee the financial activities and those related to the risks and controls of Fibrek. It is agreed that they are not responsible for the daily operation and performance of the activities described above.

Management is responsible for the preparation, the presentation and the completeness of the financial statements of Fibrek. Management, with the help of the internal audit service, is also responsible for maintaining effective accounting and financial reporting principles and policies, as well as risk assessment and internal control systems and procedures designed to establish with a reasonable certainty that the assets are protected and that transactions are duly authorized, recorded and disclosed and to establish effectiveness and efficiency of operations, reliability of financial information and compliance with accounting standards and applicable laws and regulations. External auditors are responsible for the planning and performance of an audit of the annual financial statements of Fibrek pursuant to the generally accepted accounting standards in order to establish with a reasonable level of assurance, *inter alia*, that the financial information included in these financial statements are free of material inaccuracies under generally accepted accounting principles.

Unless a member of the Committee has knowledge of information to the contrary (of which the Board must be informed forthwith), he or she may rely i) on the integrity of persons or organizations, whether or not part of Fibrek, who provide information to him or her, ii) on the accuracy of financial information and any other information these persons or organizations provide to the Committee and iii) on statements made by management.

### **2. POWERS**

The Board authorizes the Audit Committee, within the scope of the responsibilities entrusted to it, to do the following:

- 2.1 Request information necessary to perform its responsibilities from Fibrek management, the internal audit service or relevant outside third parties;
- 2.2 Obtain, where necessary, legal or other advice from outside professionals; and
- 2.3 Determine and pay the fees of such professionals.

### 3. ORGANIZATION

- 3.1 The Fibrek Audit Committee shall be made up of at least three members.
- 3.2 Each member of the Audit Committee shall be a director of Fibrek.
- 3.3 Subject to the exceptions prescribed by applicable law, regulations, policies, guidelines or standards of securities authorities and stock exchanges on which shares of Fibrek are traded (collectively the “Applicable Standards”), each member of the Audit Committee shall be independent and non related (as such terms are defined by the Applicable Standards for audit committees).
- 3.4 Subject to the exceptions prescribed by the Applicable Standards, all Committee members shall be financially literate (as such term is defined by the Applicable Standards for audit committees).
- 3.5 The Chairman of the Committee shall be appointed by the Board of Directors. The Chairman of the Committee is responsible for:
  - i) planning the Committee meeting schedule;
  - ii) preparing (after consulting with the Vice President and Chief Financial Officer) the agenda for the Committee meetings and making sure the relevant materials are available in due course;
  - iii) chairing the Committee meetings;
  - iv) making sure the Committee fulfils its responsibilities under the Charter and complies with the terms thereof; and
  - v) reporting to the Board on matters addressed by the Committee.
- 3.6 The term of office of the members is indefinite and shall be determined by the Board based on the need for continuity and renewal.
- 3.7 The quorum required for any meeting shall be the majority of members.
- 3.8 The Secretary of the Committee shall be the Secretary of the Company or any other person appointed by the Board.
- 3.9 The Committee shall meet at least four times a year based on its work plan. Special meetings may be held as needed.
- 3.10 The Vice President and Chief Financial Officer, the person in charge of the internal audit service and the external auditors of Fibrek are invited, unless notified otherwise, to attend meetings. Any other person may, on invitation of the Committee Chairman, attend meetings of the Audit Committee. Persons invited to attend meetings of the Committee who are not members of the Committee shall not be entitled to vote on decisions made.

#### **4. DUTIES AND WORK PLAN**

- 4.1 Before their publication, examine the annual consolidated financial statements and the audit report of the external auditors, determine whether they are complete and consistent with information held by Committee members and ensure that they reflect appropriate accounting principles. Meet with management, the person in charge of the internal audit service and the external auditors in order to analyse and discuss the audit results and receive the main recommendations or conclusions resulting therefrom.

Frequency: Every first quarter.

- 4.2 Determine the questions to be sent to the external auditors and management and examine the responses received. Focus on questions which require subjectivity, such as the valuation of assets and liabilities, guarantees, product or environmental liability, provisions set aside for litigation and other commitments and contingencies.

Frequency: Every first quarter.

- 4.3 Examine the list of work entrusted to the external auditors or other accounting firms. Approve in advance any special mandate (including any mandate for non audit services) which may be given to the external auditors. Such responsibilities may be delegated to a Committee member, who shall make the Committee aware of the approval of such services at the meeting immediately following the making of the decision.

Frequency: As needed.

- 4.4 Analyse, before their publication, the annual financial reports submitted to regulatory authorities (ex. annual information form, management information circular and annual report). Examine every aspect of such annual financial reports before they are published and determine whether the information they contain is comprehensible and consistent with what the Committee members know of Fibrek and its activities.

Frequency: Every first quarter and as needed.

- 4.5 Before their publication, examine the quarterly financial statements (including the report on the capital budget) and the review engagement of the external auditors, determine whether they are complete and consistent with information held by Committee members and ensure that they reflect appropriate accounting principles. Meet with management, the person in charge of the internal audit service and the external auditors in order to analyse and discuss the results of the review engagement and receive the main recommendations or conclusions resulting therefrom.

Frequency: Quarterly.

- 4.6 Before its publication, examine all financial information published intended for shareholders; the financial community and the community in general (i.e. management report, press releases, etc.).

Frequency: Quarterly and as needed.

- 4.7 Ensure that adequate procedures are in place for the review of the public disclosure of financial information extracted or derived from the financial statements (other than information referred to in paragraphs 4.1, 4.4, 4.5 and 4.6).
- Frequency: Quarterly.
- 4.8 Obtain certification by the President and Chief Executive Officer and the Vice President and Chief Financial Officer with respect to the disclosure in the annual and interim filings, as required by the Applicable Standards. Obtain certification by management addressed to the directors regarding deductions at source, environmental matters, insurance coverage and compliance with the cash management policy.
- Frequency: Quarterly.
- 4.9 Examine the financial statements of the pension plans, including the underlying assumptions. Receive the proposed audit plan for the pension plans; do the necessary follow-up and make appropriate recommendations to the Board of Directors.
- Frequency: Every second quarter.
- 4.10 Review the annual plan of the external auditors. Analyse the scope of the audit and the approach the external auditors are proposing and ensure that no restriction has been imposed on them unduly. Evaluate the performance and independence of the auditors. Make appropriate recommendations to the Board with respect to fees and renewal of the mandate of the said auditors. Resolve disagreements which may arise between management and the external auditors with respect to the preparation and publication of the financial statements of Fibrek.
- Frequency: Every third quarter.
- 4.11 Review and approve the annual and three-year internal audit plans. Analyse the scope of the audit and the approach proposed by the internal audit service and ensure that no restriction has been imposed unduly. Evaluate the performance and independence of the internal audit service and of the person responsible for such service. Make appropriate recommendations to the Board with respect to the internal audit service.
- Frequency: Every third quarter.
- 4.12 Review the general insurance portfolio both in terms of coverage, premiums, inclusions and exclusions and the quality of the insurer.
- Frequency: Every third quarter.
- 4.13 Obtain and examine the report on pending and ongoing litigation.
- Frequency: Quarterly.
- 4.14 Examine the changes planned for the financial statements and notes thereto.
- Frequency: Every fourth quarter and as needed.

- 4.15 Examine the conclusions of any examination conducted by regulatory authorities.  
Frequency: As needed.
- 4.16 Oversee and evaluate the effectiveness and integrity of Fibrek's internal controls, disclosure controls and procedures and information systems, after consulting with the external auditors, the internal audit service and management.  
Frequency: Quarterly.
- 4.17 Ask management, the internal audit service and the external auditors about controls set up for cash management, accounting for income, procurement, salaries, inventory and capital expenses (which subjects represent the highest risk).  
Frequency: At least once a year.
- 4.18 Determine how management is fulfilling its responsibilities relating to safety of computer systems and applications and what are the emergency plans with respect to financial information processing in the event of a systems failure.  
Frequency: At least once a year.
- 4.19 Oversee procedures for the receipt, retention and treatment of complaints received by Fibrek regarding accounting, internal accounting controls or auditing matters and regarding the confidential and anonymous submission by employees of Fibrek of concerns regarding questionable accounting or auditing matters.  
Frequency: Quarterly and as needed.
- 4.20 Examine and approve the policies of Fibrek regarding the hiring of associates and employees, former associates and employees of the current and former external auditors of Fibrek.  
Frequency: At least once a year and as needed.
- 4.21 Review the investments policies regarding Fibrek's pension plans. Do the necessary follow-up of the Canadian and US investment managers performance with respect to Fibrek's pension plans.  
Frequency: At least once a year and as needed.
- 4.22 Regularly inform the Board about the activities of the Committee (through its Chairman) and perform other oversight responsibilities entrusted to it by the Board of Directors.  
Frequency: Quarterly and as needed.

## **5. CHARTER**

This charter shall be reviewed annually (or as needed) by the Audit Committee. The Audit Committee shall recommend to the Board of Directors changes to be made to the charter, where applicable. The performance of the Audit Committee shall be evaluated annually based on this charter.

The Audit Committee shall ensure that the text of this charter (or a summary thereof) be published as required by the Applicable Standards.