

## SCHEDULE C – CORPORATE GOVERNANCE POLICY

### INTRODUCTION

This document describes the guidelines towards effective corporate governance for Cascades Inc., (the “Company”). The term “Corporate Governance”, means those methods and systems developed by the Board of Directors to manage and operate the Company’s activities, the whole, in the best interests of the Company and its Shareholders.

#### 1. BOARD MANDATE

##### 1.1 General Mandate

The Board of Directors has a mandate to ensure the Company’s governance and to discharge its responsibilities in accordance with applicable laws, regulations and the policies of the Company.

##### 1.2 Corporate Governance

The Board of Directors is responsible for developing methods and systems, which will insure that the Corporation complies with its corporate governance obligations in accordance with the guidelines adopted by Canadian Securities Regulators and norms of other regulatory agencies. The Board of Directors therefore assumes responsibility for the following subjects:

- Adoption of a procedure for the establishment and evaluation of a strategic plan;
- Identification of the principal risks inherent to the business and developing appropriate risk management procedures;
- Succession planning, including the appointment, training and appraisal of Executive Officers;
- Adoption of a communications policy for the Company;
- Ensuring the integrity of the internal accounting controls and management information systems of the Company;
- Conducting the affairs of the Company in accordance with the law; and ensuring the integrity of the financial statements of the Company;
- Ensures that rules of ethics are established for the Directors, officers, and employees of the Company and that adequate procedures are put in place in order to ensure compliance.

##### 1.3 Appointment and Evaluation of Executive Officers

The Board is responsible for:

- The appointment of the President and Chief Executive Officer;
- The approval of the designation of other Executive Officers;
- The evaluation of the performance of the President and Chief Executive Officer and other Executive Officers;
- To ensure that the objectives of the strategic plan of the Company are carried out in an effective manner.

For the purposes of this document, “Executive Officers” refers to the following positions:

- The President and Chief Executive Officer;
- The Presidents of the principal subsidiaries,
- Executive Officers of Cascades Inc., including:
  - The Vice-President, and Chief Financial Officer,
  - The Vice-President, Organizational Development,
  - The Vice-President, Human Resources,
  - The Vice-President, Information Technology and Purchasing,
  - The Vice-President, Communications and Public Affairs,
  - The Vice-President, Environment,
  - The Corporate Secretary; and
  - Any other Officer of Cascades Inc.

#### 2. COMPOSITION OF THE BOARD OF DIRECTORS

##### 2.1 Directors independence

The Board recognizes the importance of the contributions of the independent Directors and priority will be given on this basis in the selection of new Board members. An independent Director means a Director that has no direct or indirect material relationship with the Company that could in the view of the Board of Directors, be reasonably expected to interfere with the exercise of a Director’s independent judgment.

##### 2.2 Assessment of directors

The Board of Directors shall undertake on a regular basis an assessment of its effectiveness and that of its Committees and its members individually, to ensure that the Board functions in an efficient manner.

### 2.3 Outside directors

The independent Directors shall meet without the presence of related Directors or members of Senior Management at least once a year.

### 2.4 External consultants

Subject to the approval of the Corporate Governance Committee and Nominating Committee, Directors may retain the services of external consultants, at the Company's expense, in appropriate circumstances, in order to assist them in carrying out their duties.

## 3. OPERATION AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS

### 3.1 Operation of the Board of Directors

The Board discharges its responsibilities either directly or through its committees. The Board determines the expectations with respect to Directors and their responsibilities.

### 3.2 Mandate of the Chairman of the Board

The Board of Directors (the "Board") has as a policy not to entrust to the same person the functions of Chairman of the Board and Chief Executive Officer. If the Chairman of the Board is not independent, the independent Directors appoint a lead Director.

The Chairman of the Board's principal responsibilities are to supervise and oversee the Board and assist it in discharging its functions and responsibilities in an effective manner and independently of management. The Chairman of the Board has the following responsibilities, namely:

- Provide leadership to enhance Board effectiveness;
- Act as liaison between the Board and management;
- Assist in representing the Company, as required, to external groups;
- Oversee the application of good corporate governance;
- Preside at meetings of the Board and annual and special meetings of Shareholders;
- Participate in the preparation of the agenda for each Board meeting;
- Supervise the Board committees' work and, in this regard, the Chairman of the Board may attend as a participant all Board committee meetings without the right to vote (save for those committees of which he is a member);
- Ensure that an appropriate set of documents is provided to each Director in a timely manner prior to the meeting;
- Facilitate Board assessment and his performance assessment and the implementation of improvements;
- Provide suitable directives to the Board members to assist them in discharging their responsibilities;
- Ensure that recently elected or appointed Directors benefit from an orientation and education program.

### 3.3 Responsibilities of Executive Officers

The Executive Officers of the Company are responsible for i) developing the strategic plan and business plan for the Company and each of its business sectors, the plans must be submitted to the Board for its consideration; ii) implementing the strategic plan and business plan approved by the Board; and iii) all decisions relating to the day-to-day management of the affairs of the Company and its subsidiaries. The mandate of the Chief Executive Officer is outlined in Schedule C-1 to this Policy.

### 3.4 Major decisions

The Board of Directors must be consulted on decisions affecting the Company, its subsidiaries and joint ventures, including, namely:

- Adoption of the strategic plan;
- Approval of the annual budgets;
- Approval of the annual and quarterly financial statements of the Company as well as the annual and quarterly reports and the annual information form;

- Any acquisition or sale of assets, the value of which (including acceptance of debt) exceeds the greater of 5% of the net value of the Company or 15 million;
- Appointment and evaluation of Executive Officers of the Company and determination of their compensation and other conditions of employment;
- The declaration of dividends;
- Any form of indebtedness, the total value of which exceeds the greater of 2.5 % of the net value of the Company or \$15 million;
- All capital expenditures exceeding the greater of 2.5% of the net value of the Company or \$15 million;
- Any purchase, repurchase or other acquisition of the shares of the Company;
- Any transaction between the Company and a related party.

### 3.5 Board Committees

The Board has established the following Committees in order to assist it in carrying out its duties:

- The Administrative Committee;
- The Human Resources Committee;
- The Audit Committee;
- The Environment, Health and Safety Committee; and
- The Corporate Governance and Nominating Committee.
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### 3.6 Committee mandates

The mandate of each Committee forms an integral part of this Corporate Governance Policy.

### 3.7 Other committees

The Board may, at its discretion, establish other committees to assist it in carrying out its duties.

### 3.8 Committee composition

In general, the Committees of the Board of Directors should be composed of independent Directors, the majority of whom are unrelated. Notwithstanding the above, the Board may, if deemed appropriate, appoint related Directors to the Committees. The Committees shall appoint a Chair to preside over the Committees meetings. The duration of the Chairmen's mandate shall not exceed three years.

## 4. OTHER CORPORATE GOVERNANCE ISSUES

### 4.1 Policy on insiders

The Company's Policy on Insider Trading and Privileged Information that is attached to the Company's Code of Ethics forms an integral part of this Corporate Governance Policy.

### 4.2 Code of Ethics

The Company's Code of Ethics, which is available on the Company's Web site, forms an integral part of this Corporate Governance Policy.

## 5. EFFECTIVE DATE

This Corporate Governance Policy will come into force and be effective as of December 12, 2002.

## SCHEDULE C-1 - MANDATE OF THE CHIEF EXECUTIVE OFFICER

Reporting to the Board of Directors (the "Board"), and as one of its members, the Chief Executive Officer is responsible for implementing Cascades Inc.'s (the "Company") strategic and operational objectives and for the execution of the Board's decisions.

### Responsibilities

The Chief Executive Officer has the following responsibilities:

#### A. With respect to strategic planning

- With the advice and counsel of senior management, formulate, and recommend to the Board, a long-term strategy that will promote shareholder value.
- Assume ultimate accountability for the execution of the Company's strategy and policies and, if applicable, for their communication to the Company's senior management as well as to the Company's external partners.
- Submit to the Board annual business plans and budgets that support the Company's strategy and, when approved by the Board, implement such business plans within the parameters of such budgets.

#### B. With respect to operations of the Company

- Oversee the management of the Company's activities as well as its subsidiaries and divisions in order to attain the identified objectives.
- Identify and manage the risks and business opportunities presented to the Company in the course of its business activities.
- Monitor the hiring, compensation and performance assessment of senior management in consultation with the Human Resources Committee.

#### C. With respect to corporate governance matters

- Serve as the Company's key spokesperson, as required, to external interested parties such as shareholders and other security holders, the business community, the media and governmental authorities.
- Collaborate with the Chairman of the Board and the Corporate Secretary in establishing Board agendas and ensuring that the Chairman of the Board as well as its members are kept informed of the overall business operations of the Company and of its subsidiaries and of major issues facing them.
- Maintain effective channels of communication with the Chairman and the Board as a whole and meet periodically and, as required, with the Chairman of the Board and other Board members in order to ensure that they receive all desired information on a timely basis as well as access to management.
- Foster a corporate culture based on the values stated in the Company's Philosophy which include namely, respect, integrity, discipline and financial rigor.
- Ensure that the Company has an accounting system in place capable of producing financial statements that fairly reflect the Company's financial situation and enable investors to understand the Company's business and to make investment decisions accordingly.