Respect

Founded in 1964, Cascades produces, transforms and markets packaging products, tissue paper and fine papers, composed mainly of recycled fibres. Cascades employs nearly 14,300 men and women in some 120 modern and flexible production units located in North America, Europe and Asia. Cascades’ management philosophy, together with more than 40 years of experience in recycling and its continued efforts in research and development are strengths which enable the Company to create new products for its customers and thus offer superior performance to its shareholders. Cascades’ shares trade on the Toronto Stock Exchange under the ticker symbol CAS.

Teamwork

Autonomy

Adaptability

Initiative

Communication
Cascades is a group of distinct entities that operate in different sectors and collaborate with each other to optimize synergies. United by an attitude of respect for the individual, these entities share a sense of belonging and pride. Each group ensures its own growth by taking advantage of interesting business opportunities that arise and are in keeping with prevailing financial and economic market realities. Our commitment to this vision will guarantee our future.
Long before Corporate Social Responsibility (CSR) was a buzzword, Cascades was operating in an environmentally, socially and economically sustainable manner. In fact, our Company was built on a strong respect for the environment, the people and the communities where we conduct our business and the solid values we embraced over 40 years ago still hold true today. Every day we strive to be fair employers and good corporate citizens, respectful of the environment.

Over the years, Cascades has evolved from a small family business to a major, multinational corporation. In spite of our tremendous growth, our values remain constant. They are our guiding force.

It All Starts with Respect
Respect is woven into the very heart of our philosophy. It is clearly articulated in our vision and entrenched in our daily culture. And, with that foundation of respect, comes transparency in our business and a spirit of open dialogue. By keeping our doors wide open, both inside the organization and out to the world, we remain true to our origins. Simply put, Cascades is, despite its size, a company with a human face.

Our thorough approach to business enables us to continuously deliver quality products. We never stop raising the bar, elevating our standards in all that we do.

The entrepreneurial spirit is alive and well at Cascades. Empowerment and accountability are a way of life at the business unit and the individual employee level. For Cascades, it’s a way of working that yields results.

Environmental, Social and Economic Impact
We believe that environmental and social responsibility do not preclude financial performance. On the contrary, environmental stewardship and progressive management practices underlie our success.

Cascades started as a waste recovery and recycled fibre pulp business and then embarked on the manufacturing of paper made from recycled fibres. Since then, we have become leaders in paper recycling and energy conservation, developing environmentally friendly alternatives for our customers and the community. Our sense of respect clearly extends to the environment, and we believe this approach yields better profits and a better world.
We are committed to promoting personal development and quality of life, not just for the 14,300 plus men and women whose daily work fuels the growth of Cascades, but also for the communities that host our 120 business units. By putting people first, we have successfully channelled the energy and talent of our employees to build a committed international company.

Our financial performance has enabled us to reinvest, innovate and grow. This has had a positive economic impact on shareholders, employees, suppliers, customers and communities. Our profitability has also enabled us to invest in research and development, leading to new products and processes.

We have become recognized as a pioneer and leader largely because of our innovative vision in terms of human resources, as well as our commitment to quality, technological development and the protection of the environment.

The pages that follow provide a glimpse into some of our activities and our performance in the area of CSR. With some exceptions, they cover all our operations in North America and Europe. While this brief report cannot address the vast number of CSR issues, it articulates our continued commitment to conduct our business ethically and responsibly.

(Signed)
Alain Lemaire
PRESIDENT AND CHIEF EXECUTIVE OFFICER
Protecting

Cascades has a strong legacy of environmental stewardship—all the way back to 1964 and to the Company’s pioneering work in paper recycling. Today, we continue to lead the industry in responsible resource management and eco-friendly products for future generations by upholding a basic tenet that has sustained us for more than 40 years.
Environmental Mission
This is our commitment to environmental protection, which we revised in 2003 in order to clearly lay out corporate responsibilities. It is based on ISO 14000 principles and outlines specific programs to:

- Identify important environmental issues and establish clear objectives;
- Promote employee awareness on the topic of environmental protection;
- Promote conservation of resources and energy saving;
- Ensure compliance with applicable environmental legislation; and
- Inform Board members and management of environmental issues.

Environmental Management System
Our Environmental Management System (EMS) allows us to judiciously monitor and control the Company’s diverse environmental situations. It’s an important tool to proactively identify potential issues, reduce risks and ensure continuous improvement through immediate disclosure to head office of environmental incidents. Moreover, quarterly reporting of environmental issues is made to the Board. Periodically, the Company reviews its EMS to ensure it continues to remain an effective monitoring tool.

Saving trees
The 2.7 million short tons of paper and cardboard recycled by Cascades allows us to save 30 million trees, or the equivalent of 30,000 hectares of forest each year.
Objectives and Targets
All of Cascades’ operations are charged with meeting and when possible exceeding all current environmental regulations. Each of Cascades’ facilities has the responsibility to set individual environmental goals, aligned with our environmental mission.

Monitoring
The Environment Department routinely monitors and audits operations to ensure that mills consistently comply not only with current government standards but also with Cascades’ environmental mission. Our team of experts provides technical support to Cascades’ business units and helps plant managers develop and implement environmental programs.

Up to Standard
As of December 31, 2005, 9 of the Company’s mills had achieved certification under the ISO 14001 environmental management system standard.

Environmental Performance
No matter how much the paper industry changes, Cascades firmly intends to remain a leader by maintaining the environmental objectives it has set for itself: to better protect the environment and forests by enhancing waste, saving water, further reducing greenhouse gas emissions, recovering waste and maximizing energy efficiency.

Raw Fibre Supply
The Cascades group has an annual recycled fibre consumption of over 2.7 million tons. To ensure a reliable supply of recycled fibre for our unique paper products, the company set up a significant recovery network that provides its North American mills with a large percentage of their raw material.
Cascades Fine Papers Group is at the forefront of the Canadian recycled paper market, with a wide range of quality alkaline papers that contain an average of 30% postconsumer fibres. The Saint-Jérôme fine papers mill is the only facility in North America certified by the Chlorine free Products Association (CFPA), attesting that some of their products are 100% chlorine-free from pulp to finished product. This same mill is also the only Canadian mill to have received Eco-Logo™ certification, Environment Canada’s recognition for, among other things, reduced energy and water consumption and greenhouse gas emissions.

Water
One of Cascades’ top priorities is to reduce the consumption of fresh water in our paper manufacturing. And we’re making excellent progress. Our sophisticated in-plant water recycling systems enable Cascades’ mills to use an average of 18.7 cubic metres of water per metric ton (m³/T) of manufactured product. This compares favourably to the Canadian industry average of 65 m³/T* of manufactured product.

But it doesn’t stop there. Almost half of our pulp and paper mills now operate with less than 10 m³/T and six mills use less than 5 m³/T. A remarkable performance that we hope to improve in the future.

Corporate Social Responsibility ENVIRONMENT

**Air Emissions**

In 2005, in support of the Kyoto Protocol, we have decreased our GHG (greenhouse gases) emissions in Canada by 14% through reducing our energy consumption and using cleaner energy sources.

Three major projects got under way in 2004/2005 with the objective of reducing, as of 2006, our CO$_2$ emissions by 60,000 tonnes.

- A biogas project that enables gas generated by organic waste to power our paper mill in Saint-Jérôme, Québec;
- A steam-reforming facility in Norampac’s Trenton (Ontario) pulp mill. The steam reformer technology converts pulping liquor from the mill into energy;
- Norampac’s Cabano (Québec) mill installed a new boiler in its containerboard mill to burn wood residue instead of heavy bunker oil.

**Residues**

Almost two thirds of residue from manufacturing recycled paper and board were diverted from landfill and valorized in 2005. We are continually looking for new and innovative ways to reuse these materials, such as in biomass boilers to produce energy or the conversion of sludge from waste water treatment into fertilizer or the conversion of de-inked sludge to limestone fertilizer.

Cascades’ ultimate goal is to eliminate the landfilling that results from its operations.

**Energy**

Through our investment in Boralex, a producer of alternative and renewable energy, we have completed the purchase of wood chip and gas cogeneration plants. Incidentally, in 2005, Boralex became the largest producer of wind energy in France.

* Canadian data only.
Early in 2005 we secured a partnership with Gaz Métro, Québec’s largest natural gas distributor, to use biogas from organic waste to power our fine papers plant in Saint-Jérôme, Québec. The biogas is delivered via pipeline from a landfill site about 14 kilometres away and is the first waste-to-energy project of its kind in Québec. Cascades invested $10 million in the plant conversion for the biogas, which is expected to meet most of the mill’s energy requirements for the next 10 years.

At every level of the Company, we employ measures to reduce the Company’s energy consumption. Many solutions come from employees who are tirelessly engaged in the effort of energy conservation. In 2004, Cascades’ management approved, in addition to amounts allocated directly to mills, the expenditure of $2 million a year for five years to fund energy efficiency projects in the plants. The fund will be managed by Cascades’ Energy Intervention Group (EIG), a team of nine engineers whose prime aim is to promote energy-cost savings and energy efficiency in all Cascades’ plants. In 2005, EIG carried out close to 100 studies and energy-saving projects.

The most interesting energy-saving measure to date is the introduction of an innovative variable-speed drive for screens used to grade fibres.

Throughout the Company in 2005, Cascades has improved energy efficiency by 2.25%, equivalent to a saving of 594,000 GJ, which in turn represents the equivalent of the energy requirements for 7,783 households.
Other Milestones:

- New Life DP100™, the most environmentally friendly consumer paper on the market. Made of 100% postconsumer content, not a single tree is cut in its manufacture. Furthermore, the de-inking process employed uses 80% less water than conventional methods. On average, 17 mature trees are saved for every 48 boxes of letter-size New Life DP100™ paper.

- Rolland Enviro100™ and Rolland Enviro Edition™ are the environmental choice for the commercial printing and publishing industries since they are chlorine-free, accredited Eco-Logo™ and made from 100% postconsumer fibre.

- Over 95% of virgin pulp acquired by Cascades Tissue Group originates from sources meeting the strict certification standards of the Forest Stewardship Council (FSC), the Sustainable Forestry Initiative or the Canadian Standards Association. Furthermore, Cascades Tissue Group is also committed to avoiding the use of chlorine to bleach its products.

- Cascades was the first Canadian company to manufacture styrofoam products that are free of chlorofluorocarbons (CFCs) and hydrochlorofluorocarbons (HCFCs). CFCs are the most significant element in the depletion of the ozone layer and a cause of global warming. HCFCs also deplete the ozone layer.

Concern for the Environment is Making Headway

Cascades strives constantly to find innovative new processes that combine concern for the environment with efficiency and cost-savings. Some examples of our research efforts in the field of transport:
A power generator provides heat and A/C to the cab

Another special feature of the Cascades fleet: we have new trucks equipped with a climate-control power generator that heats and air-conditions the cab without the need for idling the engine: a way of reducing fuel consumption and, in turn, greenhouse gas emissions.
Half a century of innovation

During the 1950s, as mass consumerism began to take root, environmental considerations were often overlooked. Not by Antonio Lemaire. What most consumers considered merely a dump, Antonio recognized as a treasure trove. In 1957, the Lemaire family founded Drummond Pulp & Fibre, a waste recovery and recycled fibre business. A few years later the family officially started making paper.
De-inking residue

The residues from the de-inking of magazines and office paper are an excellent liming material for agricultural use. The residues compare very favourably with lime for soil improvement, and they offer growers a low-cost substitute.

Burned wood

In forestry, it is general practice that fire-damaged trees must be harvested and processed within a maximum of two years. Cascades has modified its kraft pulp production to include the use of much older burned wood. This innovative procedure not only makes use of a raw product that would otherwise be left in the forests to rot, but also leads to the cutting of fewer living trees and making fire-burned forests accessible for reforesting.

Compostable plastic containers

In 2005, Cascades marketed a range of compostable plastic containers becoming the first manufacturer in Canada to produce and market packaging made from PLA (NatureWorks® PLA), a new corn-based plastic resin.
Business with a human touch...

Our employees are the driving force behind Cascades and they have a solid say in the way we run our business. Our people have a right to fair labour practices and a safe and healthy work environment where performance is rewarded. At Cascades, we believe employees also have a right to a good quality of life after work, not only through sports and social activities, but also through our active participation in the well-being of the communities where our employees evolve.
Dialogue, Openness and Respect
We believe that employees are motivated by a more relaxed, egalitarian style of management, not a rigid hierarchy. The key notions behind our open-door policy are dialogue, openness and respect. This management style extends far beyond simply providing an employee with the freedom to go into a manager’s office to voice an opinion and have it appreciated. It means that at Cascades, anyone can take the floor and be heard. We believe our employees can make a positive contribution to the success of the Company and this belief fosters a work environment where information is shared and relationships are nurtured.

We encourage our employees to try new approaches and take risks — it’s all part of keeping our approach to business on the cutting edge. Cascades’ work environment is one where everyone’s idea is heard. We continuously strive to encourage entrepreneurial attitudes and innovative thinking.

Rewarding Performance
We believe that sharing and respect can contribute as much to the bottom line as sound financial management. Our employee profit-sharing plan is a concrete example of this belief. In keeping with this principal of empowerment, we recognize the performance of our employees by sharing with them a portion of our profits comprising a share of our cash flows calculated for each specific business unit. In 2005, within its global compensation policy, Cascades distributed $31 million (including our share of joint ventures) to employees through the profit-sharing plan.
Employees also have the option to participate in Cascades’ share ownership plan. All permanent employees of our Canadian divisions are eligible to contribute up to 5% of their salary and the Company matches those contributions by 25% (vested over two years).

The well-being of our employees is a top priority and Cascades offers a wide range of benefits, many of which exceed employment standards. For instance, in Canada, Cascades tops up maternity benefits from the government allowance of 70% to 95% for the first 15 weeks.

Learning and Advancement Opportunities
Talented, well-trained employees are the root of our success. With the prospect of fewer up-and-comers, Cascades is committed to ensuring the renewal of its labour force. Our training programs help advance employee knowledge and skills to evolve our workforce and ensure sustainability.

We have also worked in partnership with educational institutions to develop programs that are tailored to meet the needs of our Company. Our employees are granted time off and have access to tuition aid and allowances for work-related courses. We also have an in-house mentoring program as well as in-house training to assist our employees in their career development. We offer reimbursement of professional association membership dues. We encourage the hiring of young talent: in 2005, we hired 212 interns and 773 students.

Health and Safety
Respect for our employees is at the heart of Cascades’ philosophy.

At the beginning of the decade, we adopted a new occupational health and safety program throughout the Company, aimed at reducing the frequency and severity of accidents and implementing what are known as essential procedures. Our objective was to develop values of health and safety in the minds, decisions and actions of employees and managers.

The program has produced good results but we are intensifying our efforts to improve safety performance. New corporate guidelines require an OHS management system to be implemented defined according to four main principles:
• Accountability and responsibilities at each level of management, from the top down,
• Roles and responsibilities with respect to accountability and duties,
• Regular monitoring and annual evaluation by each manager,
• A manager’s remuneration is linked directly to OHS performance at his or her unit.

Our approach to OHS is based on strict adherence to, and respect of, our philosophy. We therefore consider it essential that employees be actively involved in prevention, and responsible for health and safety activities.

Much effort is devoted to achieving our objectives, because OHS is also a matter of employee respect.

Wellness
Our responsibility to support employee well-being does not end when our employees leave the plant or office. It extends far beyond our walls. It’s no secret that healthy employees are often happier and more productive, so we encourage Cascaders to join fitness and wellness programs or take part in team sports. We have an on-site fitness facility in Kingssey Falls, the birthplace of the Company, and we sponsor a variety of activities throughout our locations. In North America, for instance, hockey and softball tournaments abound. In France, it’s soccer and lawnbowling.

We believe in the old adage that an ounce of prevention is worth a pound of cure. But when the need arises, we are there to support our employees who are seeking help in their daily lives. We have several employee assistance programs that provide a range of solutions, including short-term psychotherapy, crisis intervention and legal/financial advice.

Employee Rights
Our culture of respect permeates all that we do. Our respect for human rights is firmly entrenched in our culture and explicitly stated in our Code of Ethics. Cascades will not tolerate discrimination based on race, religion, sexual orientation, gender, ethnicity or other characteristics, as governed by the Charter of Human Rights.
Corporate Social Responsibility

COMMUNITY

Community Partner

Cascades actively contributes to the welfare of its neighbouring communities, because quality of life does not only depend on good working conditions, but also on a healthy social environment. In 2005, we contributed nearly $4.5 million to a thousand charitable organizations in Canada, the U.S. and Europe. Our donations exceed the objective of 1% of pretax profits, meeting the objectives set by Imagine Canada in its definition of a “Caring Company.”

In keeping with our philosophy of corporate autonomy, giving at Cascades is decentralized. With the exception of a few major Company-wide donations, each plant is free to support programs and initiatives that are meaningful and beneficial to its employees and community. In fact, priority is always given to donation requests that involve our employees.

Education and Training

We believe in developing the talent of young people for they represent the workforce of the future. We therefore focus our investments on well-thought-out initiatives that ensure their training. Cascades has partnered with various educational institutions including Ryerson University’s School of Graphic Communication Management, Université du Québec à Trois-Rivières, Université de Sherbrooke and Université du Québec à Montréal. We also support the ICPF (International Corrugated Packaging Foundation), a non-profit organization dedicated to the development of a qualified labour force for the corrugated carton packaging industry.

Athletes

Cascades supports athletes such as Alexandre Bilodeau, Audrey Robichaud and Jean-Philippe Le Guellec, who participated in the Olympic Games in Turin.

* Represents 100% of Cascades inc. and its joint ventures.

United Way

In 2005, employees, together with Cascades, donated over $230,000 to United Way.
Sports and Leisure
Cascades supports a number of athletes in their quest for gold, including the internationally renowned cyclist Charles Dionne and Canada's top woman tennis player, Stéphanie Dubois. In addition, through a sports foundation, the Company also supports athletes such as Alexandre Bilodeau, Audrey Robichaud and Jean-Philippe Le Guellec, who participated in the Olympic Games in Turin. Cascades also supports local sporting events to encourage employee participation and physical activity.

Social and Community Initiatives
Cascades is a loyal United Way sponsor, providing significant financial support. In 2005, Cascades and its employees contributed more than $230,000. Other organizations also received our support for their funding campaigns.

Employees are always ready to support community causes by participating in events such as the Classique Louis-Garneau Montréal-Québec, a 270-km race held to raise funds for Little Brothers — Friends of the Elderly, an association committed to relieving isolation and loneliness among the elderly.

Health
An aging population is raising concerns about healthcare. Cascades' commitment to health is demonstrated through its support of various goodwill organizations, such as the Fondation de l'Hôpital Sainte-Justine, Fondation de la Maison Michel-Sarrazin, Fondation du Centre Normand-Léveillé and other organizations, such as the Canadian National Institute for the Blind.

Emergency Response
When disaster strikes, Cascaders are there to lend a helping hand. For instance, after Hurricane Katrina hit in summer 2005, several units of the American Containerboard Group (Norampac) and the Tissue Group mobilized to help relieve the suffering in Louisiana. They dispatched several truckloads of products and bathroom tissue to relief agencies working directly with victims. Employees also contributed their own time and money, which the Company matched. Units of Cascades Europe reacted quickly to the tsunami in Asia, on December 26, 2004, and worked alongside local agencies to bring emergency aid to disaster zones. They were also involved with “Enfants du Mékong,” a French organization providing aid to children in Asia through educational projects designed to give them a dignified future.

Testing of Newborns for Congenital Disorders
Since 1971, more than 2 million Québec newborns have been tested for congenital disorders through a province-wide program. Cascades supplies all Québec hospitals with the necessary collection materials, absorbent paper and a pad that parents use to collect their babies' urine samples. These are then mailed to a medical lab that runs tests for 30 disorders, including mental retardation.
A significant

Cascades’ significant contribution not only benefits its shareholders, but it also has a direct economic impact on other groups, such as employees, suppliers, governments and communities. Our investments in areas such as Research and Development (R&D) have a less direct but equally important economic impact because through these activities we are adding to the pool of knowledge that leads to new products, improves productivity and generates better performance in our industry.
Innovating with Business Savvy
Cascades’ Research and Development Centre is the largest private research centre in the Canadian pulp and paper industry. In fact, while many major players have closed their R&D labs over the past 10 years, we have launched more R&D projects and have expanded our facilities. Recent innovations include:

- A completely recyclable moisture barrier that replaces wax and the traditional polyethylene used to protect rolls of paper or cardboard during transport;
- A bleaching sequence that produces a recycled pulp that’s nearly as white as virgin pulp;
- A new patented enzyme process, formulated with CO₂ solution, for producing the calcium carbonate used to make paper. The new process reduces greenhouse gas emissions;
- A new household towel with highly recycled content as strong and as absorbent as the best on the market;
- A new carton made by Cascades Boxboard Group – Jonquière with a non-fluorocarbon oil- and grease-resistant barrier coating.

Waste Collection
Started in 2002 and revamped in 2005, Cascades’ waste collection program has been extremely successful. The extensive program collects 16 different categories of waste generated from our plants, including the collection of hazardous materials such as batteries, fluorescent tubes, IT equipment, solvents and used oils, which are either recycled or safely eliminated.
Respect, transparency

The Board of Directors is responsible for overseeing the transparency of strategic planning; the application of appropriate risk management measures; the integrity and appropriateness of internal controls and management information systems.

and commitment:

the foundations

The Board approves the appointment and remuneration both of its members, as well as of Senior Management. It is guided by a corporate governance policy, which clearly identifies its role. Our corporate governance practices are published in governance.

of our good

the Management Proxy Circular prepared for the Annual Shareholders Meeting.
Board Committees:
- Corporate Governance Committee
- Audit Committee
- Human Resources Committee
- Environmental, Health and Safety Committee

On an ongoing basis, the Board reviews its structure and composition and initiates changes to improve its effectiveness.

2005 Highlights

Updating and adoption of a number of corporate policies, including a complaint handling procedure that relates, among other things, to accounting, internal accounting controls and auditing matters.

In February 2005, a conference on their roles and responsibilities was held for Board members and senior management.

Code of Ethics

Doing the right thing has always been the Cascades way. In 2004, we formalized this approach and introduced a Code of Ethics that applies to directors, employees and consultants. The Code covers a broad spectrum of ethical issues, including privacy, confidentiality, competition, human rights, conflicts of interest, political activities, environmental impact and social responsibility. In 2005, employees across Canada received training on all aspects of the Code, and employees in the U.S. are currently undergoing the same training. A training tool is available for new employees on the Company’s intranet site. Our Code of Ethics can be found at www.cascades.com.
Cascades was named among the 100 Best Employers in Canada in 2004, 2005 and 2006. The study rated the Company above average or exceptional in terms of quality of the work environment, social life, benefits, performance management, training and commitment to the community.

The Norampac Division in Vaudreuil received the Grand Prix québécois de la qualité 2005. This award reflects the continual quest for improvement and excellence in quality and the process leading to it.

In receiving Green Seal certification, North River™ became the brand holding the broadest environmental certifications on the commercial and industrial tissue paper market.

In 2005, Cascades was awarded the first FSC (Forest Stewardship Council) Recycled certification in Canada for fine papers made at the Saint-Jérôme mill in Québec. The award certifies a product’s 100% postconsumer content from beginning to end of the manufacturing process. This unit is also only one of two mills in Canada to bear Environment Canada’s EcoLogo™ mark. We are also the only Company in North America to be certified by the Chlorine Free Products Association (CFPA), attesting that our production line is 100% chlorine-free, from pulp to finished product.

Greenpeace added Cascades tissue products to the positive “green” category of its Shopper’s Guide to Ancient Forest Friendly Tissue Products.

Cascades was honoured with awards from the Paperboard Packaging Council for the design and development of two innovative packaging solutions: Nestlé Sundae Cup 2™ and Unilever Marinades™.

Under the auspices of the Canadian government’s Energy Conservation Program in 2005, Cascades was recognized for its awareness and training program related to energy efficiency in the workplace.
Respect, excellence, innovation, environmental protection and corporate social responsibility are the foundations on which our Company was built. At all times, respect has been strongly rooted and has acted as the core of our philosophy: it is the fundamental value that allows us to recommit.
For more information or to comment on any aspect of our Corporate Social Responsibility initiatives, please contact Stéphane Mailhot, Corporate Director of Communications at: stephane_mailhot@cascades.com

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