

LE
CARE



RECYCLED
100%



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SUSTAINABLE
DEVELOPMENT

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PROFILE

FOUNDED IN 1964, CASCADES PRODUCES, CONVERTS AND MARKETS PACKAGING AND TISSUE PRODUCTS COMPOSED MAINLY OF RECYCLED FIBRES. CASCADES EMPLOYS NEARLY 14,000 MEN AND WOMEN WHO WORK IN SOME 100 MODERN AND FLEXIBLE PRODUCTION UNITS LOCATED IN NORTH AMERICA AND IN EUROPE. CASCADES' MANAGEMENT PHILOSOPHY, ITS MORE THAN 40 YEARS OF EXPERIENCE IN RECYCLING, ITS CONTINUOUS EFFORTS IN RESEARCH AND DEVELOPMENT ARE STRENGTHS WHICH ENABLE THE COMPANY TO CREATE INNOVATIVE PRODUCTS FOR ITS CUSTOMERS. THE CASCADES SHARES TRADE ON THE TORONTO STOCK EXCHANGE UNDER THE TICKER SYMBOL CAS. FOR MORE INFORMATION, VISIT WWW.CASCADES.COM.

OUR GUIDING VALUES

RESPECT
TEAMWORK
AUTONOMY
ADAPTABILITY
INITIATIVE
COMMUNICATION

MESSAGE
FROM THE PRESIDENT
AND CEO

CASCADES: A MODEL, A VISION

On April 22, Alain Lemaire was named “Personality of the Week” in the Montréal daily La Presse and on Radio-Canada. This nomination coincided with Earth Day, and underscored the commitment of Cascades’ President and CEO and the Lemaire Family to protecting the environment.



The year 2007 has been without a doubt a turning point in terms of sustainable development. Today, Cascades is at the crossroads of two major trends.

THE FIRST TREND: its commitment to sustainable development since its inception, well before the concept became part of the collective consciousness. Sustainability has always been closely related to Cascades' business strategy and success. Its experience of nearly 50 years in recycling, the forward-thinking management of its human resources, and its continuous efforts in research and development are only just a few facets. More than ever, this approach is being recognized, appreciated and rewarded.

THE SECOND TREND: its vision, which is constantly being renewed and more than ever stimulated. Although everyone is talking today about being "green", Cascades must continue being the industry reference and its credible, strong leader.

A MODEL...

This report confirms it: Cascades is indeed a model... not out of vanity, but rather out of necessity at the beginning, and by conviction today and for tomorrow. The data, figures and testimonials found on these pages are proof of this, as are our employees' many ingenious and responsible initiatives.

... FOR THE ENVIRONMENT

Once again this year, Cascades performed incredibly well in fibre recycling, ensuring water and air quality, reusing waste and reducing energy consumption. During our Environment, Innovation and Energy Conference in September, we redefined our environmental mission and stepped up our commitment: hundreds of employees symbolically signed this commitment to dedicate all their energy and talent to attaining the objectives set during this conference.

... FOR ITS EMPLOYEES

Since we are convinced that our employees are the reason for our success, we also take our employees to heart. Given that they help us move forward year after year, we are always looking to improve security in the work place, ensure their health and well-being, offer competitive working conditions and benefits and celebrate our successes with them.

... FOR THE COMMUNITY

Even in these trying times for our industry, we make a point of being involved in our local communities. This year, Cascades was resolute in directing its donations and sponsorships to the environment and sustainable development. Through these initiatives, we were more than just sponsors; we became bona-fide partners, exchanging knowledge, findings and ideas. At the same time, we did not neglect any of our commitments to community organizations, teaching institutions and amateur athletes.

... FOR THE ECONOMY

Despite being faced with difficult conditions, from the rising Canadian dollar to the higher cost of fibre and energy, Cascades has maintained a respectable level of profit, thanks to its employees' ingenuity and the implementation of strategic initiatives.

A VISION...

Although, and quite fortunately, more and more companies are going green, Cascades has been on the road to sustainable development since its inception. We want to maintain this lead and remain a trendsetter in this area.

OUR PEOPLE'S INGENUITY

Cascades is one of the largest investors in research and development. A true innovative management system was developed during the aforementioned conference. Thanks to our incredibly knowledgeable and enterprising employees, our products are now the environmental choice *par excellence*.

FULL STEAM AHEAD IN THE CARBON OFFSET PROGRAM!

Last year was marked by a few notable statements that I made in the media, in particular involving the promotion of a Canadian Carbon Offset Program. This system, the effectiveness of which has already been demonstrated elsewhere, contributes in the fight against climate change and is financially beneficial for companies investing to reduce their environmental footprint. Such a program would be more than advantageous to Cascades, who, year after year, has substantially reduced its greenhouse gas emissions.

It is therefore with a certain amount of pride that I invite you to read our 2007 Sustainable Development Report. Its content reflects well on our employees, who are the principal artisans of our performance and the primary source of inspiration for our vision.



Alain Lemaire

President and
Chief Executive Officer
of Cascades Inc.

ENVIRONMENT, INNOVATION AND ENERGY

CASCADES
IS COMMITTED
TO DOING
EVEN MORE

To reflect its ongoing commitment toward protecting the environment, Cascades redefined its environmental mission in 2007:

Actively
Communicate
Tend
Identify
Optimize
Norms

ACTIVELY promote sustainable development leadership as product manufacturer → COMMUNICATE our environmental and energetic performances to our employees, our customers and to the public → TEND to reduce rejects in air and water and promote the 4R's (reduction, reuse, recycling and recovery) → IDENTIFY improvement opportunities, implement them and quantify the benefits → OPTIMIZE energy consumption and promote renewable energy as well as energy from waste → NORMS: comply with laws and regulations

This approach took shape during a company-wide Environment, Innovation and Energy Conference, which was held in September 2007. During this carbon-neutral event, 200 employees were challenged to make definite commitments over the next four years, based on Cascades' strategic positioning on environmental issues. To summarize the commitments made during the conference and embraced by Cascades' units:

REINFORCEMENT
OF THE PLANT
RECOVERY PROGRAM

A REDUCTION IN
THE FINAL EFFLUENT
RATES FROM
15% TO 30%

MONTHLY FOLLOW-UP ON ENERGY
PERFORMANCE INDICATORS AND
DEFINING NEW ENERGY REDUCTION
OBJECTIVES PER PLANT

FOLLOW-UP ON THE COMPLETE
REVIEW OF WATER, INK AND
GLUE MANAGEMENT PRACTICES

The conference was also an opportunity to point out the exceptional environmental contribution of four of our units:

NORAMPAC—MISSISSAUGA,
NAMED “MOST PRODUCTIVE
PLANT” FOR HAVING INCREASED
WASTE RECOVERY BY

67%

BETWEEN 2002 AND 2006.

NORAMPAC INDUSTRIES INC.,
NIAGARA FALLS DIVISION, A HIGHLY
DESERVING PLANT IN TERMS
OF REDUCING AIR EMISSIONS
BY HAVING ELIMINATED

95%

OF ITS GREENHOUSE
GAS EMISSIONS SINCE 2003.

CASCADES PAPIER KINGSEY
FALLS, A PLANT THAT HAS MADE
CONSIDERABLE INROADS IN
REDUCING ITS EFFLUENT RATE BY

73%

BETWEEN 2002 AND 2006.

CASCADES FINE PAPERS GROUP INC.,
ROLLAND DIVISION, WHICH REDUCED
GREENHOUSE GASES BY MORE THAN

62%

THROUGH THE USE OF
BIOGAS, AN UNUSUAL SOURCE
OF ALTERNATIVE ENERGY.

MASKS OFF!

TerraChoice Environmental Marketing, an organization that certifies products bearing the EcoLogo brand, has created a list of six “greenwashing sins” committed by companies that falsely claim to have marketed environmental products. In connection with this study, TerraChoice evaluated 1,018 consumer products making 1,753 environmental claims. Out of these products, only one had made 100% true environmental claims: chlorine-free Cascades Paper Towels, containing recycled fibres bearing legitimate environmental logos.

OUR PAPERS IN THE SPOTLIGHT

Cascades Tissue Group produces 100% recycled tissue paper and paper towels, made in accordance with strict environmental processes, i.e., with 80% less water than the industrial average, and dried using natural gas. Last spring, the Group launched www.simplegreenaction.ca, a viral marketing campaign, which presents video capsules in which Canadian entertainers attest to the importance of making small gestures in their everyday life to save the environment.

The site attracted more than 80,000 visitors, who drew inspiration from the testimonials and ideas for reducing their own impact on the environment and were asked to pass on the message to their colleagues and friends.

Incidentally, simplegreenaction.ca was nominated in the category of “Promotional Site—Interactive Marketing”, during the 13th edition of the Boomerang Competition, which rewards the best interactive communication and Web sites in Québec.





Dany Couture,
Eco-Hero 2007

OUR
EMPLOYEES
HAVE
GREEN BLOOD!

To highlight its partnership with Jour de la Terre Québec and Earth Day Canada, Cascades launched the Eco-Hero contest for its Canadian units, to underline one employee's remarkable gestures to preserve the environment in the course of his day-to-day activities. The top winner for 2007 was Dany Couture from the Water Treatment Plant in Kingsey Falls, Québec. Among his various environmental actions, Dany rides his bike to work, composts table waste and recovers his washing-machine water. Congratulations to Cascades' Eco-Hero!

GREEN COMMITTEES EMERGE!

In 2007, the Laurent Lemaire Information Technology Centre formed a Green Committee. Some of the initiatives adopted by this committee include using biodegradable cleaning products, setting up additional recycling bins in the employee dining room, and disseminating information capsules for employees at the Centre. The committee intends to set up in the near future an organic waste composting system at the Centre, to replace disposable dishes with reusable items, and to obtain ICI, ON RECYCLE! (WE RECYCLE) certification issued by the Government of Québec.

Cascades' Research and Development Centre also has its own green committee, which has taken the initiative to set up parking spaces for carpoolers, conduct an energy reduction audit, set up a compost bin and eliminate disposable cups.

NORAMPAC FOLLOWS SUIT!

Along with the Environmental Department, Norampac has launched the Envirobox Program, which will provide plants with the support needed to improve their performance in reducing water consumption, in complying with effluent levels, in recycling or in managing ink and glue. Norampac's containerboard plants produce their paper using 80% recycled fibres.

RECYCLING

IS SECOND
NATURE TO US!

CASCADES IS
#1
PAPER COLLECTOR
IN CANADA

AND
#11
IN THE
WORLD.

CASCADES PROCESSES
2.8 MILLION
SHORT TONNES OF RECYCLED
FIBRES EVERY YEAR AND
77%
OF THE RAW MATERIAL
USED TO MANUFACTURE ITS
PRODUCTS COMES FROM
RECYCLED FIBRES.

CASCADES
SAVES AN ANNUAL
EQUIVALENT OF
47 MILLION
TREES.



PRODUCING PRODUCTS FROM
RECYCLED PAPER SUBSTANTIALLY
REDUCES THE USE OF VIRGIN FIBRES,
EVEN IF IT IS STILL NECESSARY TO START OFF
THE RECYCLING CYCLE. WHEN IT USES
VIRGIN FIBRES, CASCADES FAVOURS SOURCES THAT
ARE MANAGED IN A SUSTAINABLE MANNER.

IN THIS WAY, IT CONTRIBUTES
TO MAINTAINING THE BIOLOGICAL
DIVERSITY OF FORESTS, THEIR
PRODUCTIVITY AND THEIR ABILITY
FOR LONG-TERM REGENERATION.



CASCADES' ROLLAND DIVISION
DIVISION PRODUCES
A LINE OF
HIGH-QUALITY ALKALINE
PAPERS MADE OF
→ **100%** ←
POST-CONSUMER
FIBRES.

CASCADES' ROLLAND DIVISION
IS THE ONLY CANADIAN PLANT WITH
**CHLORINE-FREE
PROCESS**

CERTIFICATION FROM THE
CHLORINE FREE PRODUCT ASSOCIATION
AND THE
ECOLOGO
CERTIFICATION FROM
THE ENVIRONMENT CANADA
ENVIRONMENTAL CHOICE
PROGRAM, AN
ECO-LABELLING INITIATIVE.

IN APRIL,
QUEBECOR AGREED
TO PRINT ALL ITS
BOOKS IN BLACK AND WHITE
ON PAPER MADE OF

100%
POST-CONSUMER FIBRES
FROM CASCADES.
THIS PROJECT WILL SAVE
34,000
TREES PER YEAR.

... **GUARANTEED BESTSELLER!** ...

CASCADES WAS CHOSEN
TO PRODUCE THE RECYCLED PAPER
FOR PART OF THE AMERICAN EDITION
AND ALL OF THE AMERICAN AND QUÉBEC
DELUXE EDITIONS OF

**HARRY POTTER
AND THE
DEATHLY HALLOWS.**

RECYCLED FIBRES ¹

RECYCLED FIBRES (MILLIONS OF SHORT TONS)



PERCENTAGE OF RECYCLED FIBRES (%)



WATER ¹

WATER CONSUMPTION (M³/METRIC TONNE)



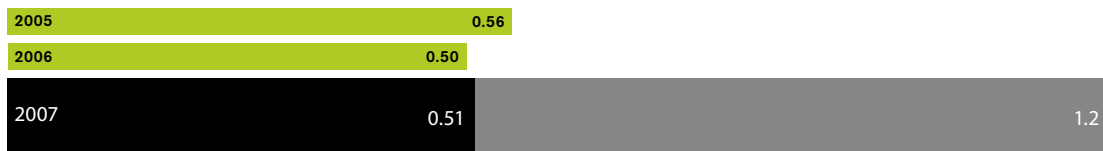
PLANTS THAT CONSUME LESS THAN 10 M³/METRIC TONS



TOTAL SUSPENDED SOLIDS RETURNED TO EFFLUENT (KG/METRIC TONNE)



DISSOLVED ORGANIC MATTER RETURNED TO EFFLUENT (KG/METRIC TONNE)



¹ REPRESENTS 100% OF CASCADES AND NORAMPAC.

■ CANADIAN INDUSTRY AVERAGE

SOURCE : FOREST PRODUCTS ASSOCIATION OF CANADA (2005)

Cascades uses an average of

10.5 m³

of water per metric tonne of paper, i.e.,

5x

less than the Canadian industry, which consumes an average of

52.4 m³

15

of Cascades' pulp and paper plants now use less than

10 m³

of water per tonne of paper, including

8

that use less than

5 m³

In Cascades' plants, each drop of water will be used up to

40x

before being returned to its source.

Using hydrogen peroxide and sodium hydrosulphite instead of chlorine when producing bleached pulp eliminates halogen compounds in our effluents.

A SOURCE OF
PRIDE:

WATER

WASTE RECOVERY

MAKING NEW
FROM OLD!

Cascades does far more than recover and transform raw materials. It also recycles waste from the manufacturing process.

Perfect Marks!

Cascades' plants recover an average of 73% of their waste. Proof that it is always possible to do better even if we are already exceeding what is done by other players in our industry, our plants in La Rochette, France, and Arnsberg, Germany, obtained perfect marks, recovering 100% of their waste in 2007.

Intended Objective – Zero Waste!

Launched in 2002, Cascades' multi-matter recycling program is in full swing thanks to the active participation of all units. This tremendous collective effort aims to recycle or eliminate all kinds of waste from the mill, without hurting the environment. The program supports a well thought out management of residual matter, including hazardous and electronic material as well as the transformation of organic waste into compost. For Cascades, the ultimate objective is to give a second life to all its waste.

The Hidden Virtues of Sludge

Instead of going to the landfill, de-inking sludge is re-used as a filler in multi-layered cardboard and as bulk in industrial tissue paper. A research partnership worth \$500,000 over three years (2006-2008) has been formed with the University of Sherbrooke to evaluate the relevance of using de-inking sludge as a sealing layer for landfills for recovering biogas. Furthermore, this sludge is also used in agriculture to improve the soil.

Boiling Over with Ideas!

On February 28, the Government of Ontario announced a \$6M investment in the Norampac – Trenton containerboard production plant to build a new wood waste and cogeneration boiler. This equipment will reduce wood waste that would normally be sent to landfills and will help lower greenhouse gas emissions by more than 70,000 metric tonnes of CO₂ a year.

Full “Biogas” Ahead!

As part of the biogas energy project of Cascades Fine Papers Group Inc., Rolland Division, during the Environmental Printing Awards Gala, Cascades was the winner of the “Most Innovative Environmental Supplier”, and took home the Bronze Prize for “Supplier with the Most Innovative Environmental Process”. A first for Québec, the biogas energy project recovers gas from decomposing waste in landfills in Sainte-Sophie, Québec. During 2008, Rolland also plans to produce a carbon report on its Enviro100 paper for the benefit of consumers.

Here – and There – We Recycle!

In June, Cascades Recovery Lachine received ICI ON RECYCLE! certification from the Government of Québec. Cascades Recovery Lachine re-uses 98% of waste from its sorting operations and administrative activities.

Since good news usually come in pairs, Cascades Recovery also announced in 2007 that it was now the official partner of the Government of Québec in the ICI ON RECYCLE! program, which recognizes ICI (Industries, Commercial Establishments, Institutions) having reached program objectives. This partnership will be used as a springboard for Cascades’ units and for their clientele who want to follow the example of Cascades Recovery Lachine and Cascades Inopak, and obtain this prestigious certification.

QUALITY: A FAVOURABLE ATMOSPHERE

REDUCTION

In 2007, Cascades reduced the intensity of its greenhouse gas emissions by 5%. The company reduced its total greenhouse gas emissions by 7.3%, including 30% associated with the energy efficiency program promoted by all units. On this topic, the Fine Papers plant in Saint-Jérôme, Québec, reduced its own emissions by 76% since the advent of the biogas project. Likewise, the corrugated medium plant in Cabano (Québec) reduced its emissions by 61% by replacing an oil recovery boiler with a wood boiler.

CERTIFICATION

In May, Cascades Djupafors became the first company in the world that could provide its clients with an environmental declaration of its products, based on CO₂ emissions, called EPD (Environmental Product Declaration). This Sweden-based plant produces coated boxboard.

TRANSPORTATION

INITIATIVES SHOWING THE WAY!

CASCADES' 100 OR SO
HEAVY TRUCKS ONLY CONSUME
AN AVERAGE OF
36.2 LITRES OF FUEL EVERY
100 KILOMETRES.

PARTNERSHIPS

Cascades is a partner of the Smartway program, implemented by the American Environmental Protection Agency, whose objective is to help carriers to reduce fuel consumption. The Company also participated in the Acquis Route Program, which demonstrates the importance of new technology to improve the energy performance of vehicles and thus reduce greenhouse gas emissions. In cooperation with the governments of Québec and Canada, Cascades took part in the 2007 Énergotest, by providing trucks and drivers for the track tests of new eco-energetic technologies. The objective was to evaluate the relevance of certain technologies related to the reduction in fuel consumption and pollution waste.

These commitments attest to the Company's determination to maintain its leadership status in the transportation industry regarding environmental protection.

TRICKS OF THE TRADE

Having raised its drivers' awareness for a good number of years now, Cascades took up the challenge to reduce its fuel consumption as proposed by the show *La vie en vert*, shown on the Télé-Québec network. Cascades Transport has thus set up eight trucks in its Montréal fleet so that their engines automatically stop after four minutes of idling, thus eliminating four litres of fuel per hour.

AWARDS

In April, Cascades Transport received the "*Prix de la flotte de camions la plus propre*" (Cleanest Truck Fleet Award) given by the *Association des mandataires en vérification mécanique du Québec* (Québec Association of Mechanical Inspectors). This prize is awarded to the Québec truck fleet that has been highly exemplary environmentally, based on the quality of its truck maintenance.

GREEN VEHICLES

Cascades encourages all its employees using company vehicles to increasingly drive cars that run on diesel or that have a gas consumption lower than 9 litres per 100 kilometres. These vehicles — especially hybrid cars — are also recommended for Cascades' leased car fleet.

IN 2007, CASCADES
REDUCED THE INTENSITY
OF ITS GREENHOUSE
GAS EMISSIONS BY

5%.



ENERGETIC MEASURES!

IN 2007, CASCADES IMPROVED ITS ENERGY EFFICIENCY BY NEARLY 1%, WHICH REPRESENTS A SAVINGS OF MORE THAN 808,000 GJ, OR \$8.9M!

Cascades' Energy Action Group (EAG) celebrated its tenth anniversary in 2007. In creating this specialized team back in 1997, Cascades took the lead in energy efficiency long before it became a global issue. For this initiative, Cascades won the 2007 Energia Award given by the *Association québécoise pour la maîtrise de l'énergie* (Québec Association for Mastering Energy). The company was recognized in the category "Sustainable Gesture — Industrial Sector" for having set up the EAG.

Since 2004, in order to better support the EAG, Cascades has invested \$2M annually in a fund earmarked for energy projects. In 2007, the energy investment fund injected over \$9M in energy efficiency projects.

For example, \$1.8M were invested in lighting projects for plants using an obsolete system, which alone saved \$618,000. In all, through these energy efficiency projects, the investment fund has allowed Cascades to save \$1.5M in 2007.

In partnership with the EAG, a comparative analysis tool was developed so that Cascades plants could position themselves in relation to their counterparts both within the Company and in the industry in general. The EAG is also at the root of more than 170 studies, which led to the optimization or the completion of energy projects in the plants.

The 44 units at Cascades that consume the most energy have now been integrated into the SIGE (*système d'information sur la gestion de l'énergie*; energy management information system). Estimated savings for simply applying this real-time measuring process come in at nearly \$13M. By implementing the SIGE, certain plants were able to reduce their energy costs by 20%.

"To me, Cascades has always been a model company when it comes to the environment and saving energy. I have always been fascinated by the quality of its management and its employee relations. For these reasons, helping Cascades go further toward sustainable development gives our organization a sense of pride."

DANIEL NORMANDIN,

EXECUTIVE DIRECTOR OF CIRAIG

(Interuniversity Research Centre for the Life Cycle of Products, Processes and Services).

"As a socially responsible company, we believe it is imperative for us to use packaging that will effectively reduce the burden on the environment. Because of Bioxo™'s environment-friendly qualities, the use of it in all of our St-Hubert BBQ restaurants is an investment that meets our customers' expectations as well as those of future generations."

JEAN-PIERRE LÉGER,

PRESIDENT AND CHIEF EXECUTIVE OFFICER OF THE ST-HUBERT GROUP.

ROOM FOR INNOVATION

Research and development truly drives innovation and is in an enviable position in terms of Cascades' priorities. It also is part of the 100 Canadian companies that have invested the most in research and development according to the list drawn up by RESEARCH Infosource Inc. Cascades managed to go from 74th position in 2006 to 50th in 2007.

AN EXPERT PARTNER

Cascades has been a partner of the Interuniversity Centre for the Life Cycle of Products, Processes and Services (CIRAIG) at the *École Polytechnique* since May 8. Through its contribution, Cascades participates in enhancing knowledge in this scientific field that studies environmental repercussions—from raw material extraction until end of life—of a company's products and services. This partnership has a five-year time span.

SUSTAINABLE INNOVATION À LA CASCADES

In March, Cascades introduced BioxoTM, the first line of containers made from 100% oxo-biodegradable polystyrene foam. BioxoTM containers

are designed to degrade into a fine powder within a period of three years, when disposed in a land fill, unlike containers made of conventional polystyrene foam, which require several hundreds of years to do so. With this new product, Plastiques Cascades was awarded a Certificate of Recognition from the Canadian Innovation Awards in 2007 in the category of "new product design and marketing".

In the spring, Cascades started its Green Play campaign to promote its multimedia packaging, made of 100% recycled fibre, for compact discs, DVDs and console video games. Cascades boxboard line is made up of 12 brands of cardboard made entirely out of recycled fibres.

Cascades Tissue Group launched its exclusive Tandem distributor program and the only paper towels (North River Ivory) made with 100% recycled post-consumer fibres.

In 2007, Cascades Tissue Group also took the initiative of including the environmental value of its products on their packaging, which is a marketing innovation and has given Cascades a competitive advantage.

Environmental Facts

per package of 12 double rolls

Factor	Amount
Recycled content (majority post-consumer fibres)	100%
Virgin fibre	0%
Chlorine bleaching	0%
Water saved vs. paper industry manufacturing average	80%
Hypoallergic properties	100%
Added fragrances and colours	0%
Environmental certifications	2
Quality	100%

RESIDUAL MATERIAL ¹

BENEFICIAL USE OF RESIDUE (% OF TOTAL)

2005	75
2006	71
2007	73

ATMOSPHERIC EMISSIONS ¹

ÉQUIVALENT CO₂ (KG/METRIC TONNE)

2005	327
2006	301
2007	286

PARTICULATE MATTERS (KG/METRIC TONNE)

2005	0.37
2006	0.39
2007	0.31

ENERGY ¹

TOTAL ENERGY CONSUMPTION (MILLIONS OF GJ)

2005	37
2006	36
2007	35

¹ REPRESENTS 100% OF CASCADES AND NORAMPAC.

OUR EMPLOYEES,

ARTISANS OF
OUR SUCCESS





IN 2007, CASCADES SPENT \$955 MILLION ON ITS EMPLOYEES IN TERMS OF ITS GLOBAL COMPENSATION POLICY.

Profit-sharing has existed since Cascades was founded. This method of having employees enjoy the Company's success has been recognized as providing more than just financial benefits. Moreover, all Canadian employees can become shareholders by taking part in Cascades' share purchase plan.

In addition to competitive pay with traditional benefits, such as a complementary retirement plan, a comprehensive group insurance plan and an attractive vacation plan, Cascades employees can benefit from one or more of the following:

- Phased retirement*
- Study bursaries*
- Allowances for continuing education*
- Sports memberships*
- Employee assistance program*
- Inter-company sports tournaments*
- Summer jobs for employees' children in school*
- Seniority recognition program*

Cascades' corporate business model has made it an employer of choice and it has been cited as an example by many management schools. In 2007, Cascades was the subject of a few case studies at the HEC Montréal, which demonstrates its avant-garde approach to human relations.

CASCADES TRAINING CENTRE TURNS TEN!

In 2007, training investments totalled \$13M, which represent 2% of the payroll, well beyond government requirements. This fact is largely due to the exceptional contribution of the Cascades Training Centre, renamed the Alain Lemaire Skills Development Centre on the occasion of its tenth anniversary. Distance learning programs, conferences on current events, online training, interactive workshops and coaching and mentoring programs are part of the many services offered by the Centre, all carried out in a spirit of imparting the basic values of Cascades.

In 2007, with the collaboration of the Alain Lemaire Skills Development Centre's team, 390 000 training hours were given to 10 000 employees in all job categories.

FOR A STRONG SUCCESSION

Cascades has set up a succession plan for employees who demonstrate the ability and who are interested in taking on new responsibilities. Implemented around a series of key positions, this plan first identifies potential candidates, and then evaluates their skills and designs a personalized development program for them.

Cascades also continues to promote the hiring of students and interns. In 2007, 822 young people were given the chance to acquire their first work experience in a large company.

CASCADES IS RECOGNIZED BY ITS PARTNERS

Cascades was named "Employer of the Year" by the Ordre des comptables en management accrédités du Québec (CMA, Order of Chartered Management Accountants), recognizing its contribution in promoting the title of CMA.

Several awards showcased Cascades' excellence in human resource management, with some units having been honoured year after year in this area; for example, Cascades Boxboard U.S., Folding Cartons – Hebron, Kentucky, which won the "Best Workplace in the Americas" award for the sixth year running. This award, given by the Printing Industries of America/Graphic Arts Technical Foundation, highlights companies that have stood out in terms of working environment, organizational culture, training, benefits, recognition programs and occupational health and safety.

REMUNERATION OVERVIEW OF REMUNERATION, 2007		WORKFORCE PROFILE WORKFORCE, 2007	
Gross salaries and employee benefits (including profit-sharing)	\$955M		
TRAINING TRAINING SNAPSHOT, 2007		Number of employees	13,998
Number of hours of training	390,000	Average number of years of seniority	13
Number of employees trained	10,000	Average age	42
Amount invested in training	\$13M	Hiring of interns	156
Amount invested in training / total payroll	2%	Hiring of students	666

WORKFORCE PROFILE ¹

NUMBER OF EMPLOYEES

2005	15,556
2006	14,243
2007	13,998

GEOGRAPHICAL BREAKDOWN OF EMPLOYEES (%)

CANADA	61
UNITED STATES	29
EUROPE	10

REMUNERATION ²

TOTAL REMUNERATION - GROSS SALARIES, EMPLOYEE BENEFITS AND PROFIT-SHARING (\$ M)

2005	886
2006	783
2007	955

TRAINING ²

TRAINING INVESTMENTS

2005	12
2006	10
2007	13

HEALTH AND SAFETY (OSHA) ^{1,3}

LOST-TIME FREQUENCY RATE

2005	9.5
2006	8.0
2007	8.0

1 REPRESENTS 100% OF CASCADES AND NORAMPAC.

2 REPRESENTS 100% OF CASCADES AND NORAMPAC IN 2007, AND ONLY 50% OF NORAMPAC FOR 2005 AND 2006.

3 CASES OF UNEMPLOYABILITY PER 200,000 HOURS WORKED, EXCLUDING RESTRICTED ACTIVITIES.



CLEAR ORIENTATIONS

With regards to occupational health and safety, Cascades is focused on the following four elements:

ACCOUNTABILITY/RESPONSIBILITY,
ACTIVITIES/TASKS,
EVALUATION AND CONSEQUENCES.

In this way, each manager, from president down to supervisor, knows his areas of accountability and responsibility. These elements are then translated into a series of activities that are progressively integrated into everyone's work description on a yearly basis. The quality of these tasks is regularly evaluated and monetary consequences, whether positive or negative, are applied to the annual assessment of the manager's accomplishments. Improvement in Cascades' performance is thus due to a clear management system that produces concrete results!

OCCUPATIONAL HEALTH

HEALTH AND SAFETY

Through its Engineering and Projects Division, Cascades can now provide a brand new machine safety intervention service for all plants in the Group. Mainly composed of engineers, this intervention cell works on designing and applying sound in-house solutions for equipment that could endanger the health and safety of employees.

Incidentally, in 2007, Cascades' Research and Development Centre and Norampac's Technical and Development Centre (TDC) made an exceptional contribution to Cascades' occupational health and safety results, i.e., having had ten years without an occupational accident involving loss of time. The TDC also exhibited a unique performance—ten years without any accident on record.

For a second consecutive year,
Cascades received the
ALTIUS OR AWARD
from the Québec Heart & Stroke
Foundation for its contest
"WHEN THE HEART IS WELL,
ALL IS WELL!"

Organized for employees at the Cascades plants in Kingsey Falls, the purpose of this contest is to promote healthy habits through physical activity and a balanced diet.

FOR CONCRETE RESULTS!



CASCADES,
COMMUNITY
PARTNER

IN 2007, OVER
\$4.5 MILLION¹
IN DONATIONS AND SPONSORSHIPS
WERE PAID TO SEVERAL HUNDRED
BODIES AND ORGANIZATIONS IN CANADA,
THE UNITED STATES AND EUROPE.

¹ REPRESENTS 100% OF CASCADES AND NORAMPAC.

The quality of life for employees of Cascades is based on sound working conditions, but also on a community setting where life is good. Cascades has contributed in different ways, especially through major investments in the communities where it operates.

ENVIRONMENT AND SUSTAINABLE DEVELOPMENT

These past few years, Cascades has resolutely focused its initiatives on donations and sponsorship in the environmental sector, which is at the very heart of all its actions. Among its new commitments, we should mention its association with Équiterre, a well-known environmental organization to whom Cascades supplies paper for all its promotional tools. In 2007, it also decided to extend its commitment during the Québec Waste Reduction Week by soliciting its employees participation in several activities related to reducing residual materials.

Since it makes it a point of honour to share its knowledge on sustainable development and is constantly on the lookout for new ways of doing more in this area, Cascades participates in many dedicated events. In 2007, it was proud to support the *Forum Tremblant sur la responsabilité sociale de l'entreprise et la durabilité* (Tremblant Forum on Social Responsibility and Sustainability), which was held in Mont Tremblant, Québec, as well as the Business and Sustainable Development conference held in Montréal, Québec and organized by Unisféra. Cascades also worked with the International Forum on Applied Sustainable Development of the Université de Sherbrooke.

Along the same lines, Cascades partnered with Earth Day for the fifth year in a row. This association also helps promote the “*Porteurs d'espoir*” (Bringers of Hope) recognition program, which rewards a person who has stood out in his contribution to the environment. Cascades is also proud to once again support the work of the *Fondation québécoise en environnement* (Québec Foundation of the Environment) whose mission is to educate, inform and make the public aware of environmental issues, while recommending actions and concrete solutions.

In August, Espace Sedna-Cascades-Rebut global was inaugurated in Montréal. This environmentally friendly building was built from recovered materials found, among other places, in dumps and scrap yards.

“Within the framework of the national campaign on education and actions against climate change, the SEDNA Foundation has decided to forge a partnership with the private sector to demonstrate to what extent a real partnership, with all spheres of society, has not only become possible, but all the more necessary. Cascades is a company that has always leveraged its growth policies around the basic notions of sustainable development. Its values, its social commitment and the thrust of its environmental policies make Cascades an example to follow, a jewel in our society. If someone would have told me that I would say this, one day, about a paper company, I would never have believed it. Nevertheless, today, I am proud to be associated with one of the most respected and respectable companies in Québec.”

JEAN LEMIRE, HEAD OF MISSION, SEDNA IV.

Cascades also acts as a partner in the Sustainable Development Program for the Québec hotel industry set up by the *Association des hôteliers du Québec* (Québec Hotel Owners Association). The purpose of this initiative is to promote socially responsible habits in this industry through the training of its members.

AMATEUR SPORTS AND PHYSICAL ACTIVITY

Sports activities are important for Cascades, which provides a generous portion of its annual investments in donations and sponsorships to amateur athletes and sporting events.

Cascades sponsors some of the best performing athletes in their respective disciplines: Stéphanie Dubois, a rising star in Canadian tennis, Alexandre Bilodeau, young freestyle skiing sensation in Canada and Pierre-Alexandre Rousseau, 2007 World Freestyle Skiing Champion, just to name a few. Moreover, Cascades, through the *Fondation de l'athlète d'excellence du Québec* (Québec Foundation of Athletic Excellence) donated \$66,000 in bursaries to 17 other promising athletes in different disciplines, including Alex Harvey, an elite cross-country skier who has done very well, and Christelle Doyon, junior world champion in snowboarding.

SOCIAL AND COMMUNITY DEVELOPMENT

Aware of the less-privileged, Cascades and its employees have come to their aid, pooling their energy and empathy. Thus, in 2007, they collected more than \$360 000 as part of a Centraide-United Way campaign.

In December, the Cascades Tissue Group participated in the *Grande guignolée des médias* by offering eight trailers full of products to different cities in Québec. In all, 18,480 products were donated for an approximate value of \$190,000.

HEALTH

Cascades helps healthcare institutions improve their services and modernize their equipment. The foundations of the *Hôpital Sainte-Justine*, *Maison Michel-Sarrazin* and *Centre Normand-Léveillé* are among the major organizations that benefit from Cascades' loyal support. In 2007, the Company also supported some brand new projects, in particular the new regional palliative care centre *Au diapason*, located in Bromont, Québec. Cascades also sponsored *Baluchon Alzheimer*, a respite and home care service provider for families who have a loved one suffering from Alzheimer's disease.

Norampac lent its support for a fifth year to the Survivors' Victory Lap, an activity held as part of the Relay for Life on behalf of the Canadian Cancer Society and the American Cancer Society. Employees from a dozen units in the containerboard division in Canada and the United States worked together to fight against cancer by collecting tens of thousands of dollars.

A GOOD START FOR QUÉBEC NEWBORNS

In 2007, Cascades renewed its commitment to the hereditary metabolic urinary disease screening program at the Centre hospitalier universitaire de Sherbrooke. The only one of its kind in the world, this program provides very early detection of some 25 diseases or abnormalities in newborns that could have very serious consequences for their development. With Cascades' support, the program will continue for the next four years. To date, 2.5 million newborns from Québec and Nunavut have benefited from this screening program.

“Cascades' commitment is a major asset for all Quebec parents with regard to their children's health. Many thanks for this large-scale social commitment which has an impact in all corners of the province.”

DR. CHRISTIANE AURAY-BLAIS,

DIRECTOR OF THE URINARY SCREENING PROGRAM FOR INHERITED METABOLIC DISEASES, Centre Hospitalier Universitaire de Sherbrooke.

Pierre-Alexandre Rousseau,
2007 World Freestyle Skiing Champion
Photo: Mike Ridewood



DONATIONS AND SPONSORSHIPS (\$ M)¹

2005	4.5
2006	3.8
2007	4.5

¹ REPRESENTS 100% OF CASCADES AND NORAMPAC.

FLEXIBILITY,
ADAPTABILITY,
PROFITABILITY

OUR ECONOMIC CONTRIBUTION

CLIMATE CHANGE,

FROM RISK TO

POSSIBLE OPPORTUNITY

After decades of environmentally-sound actions, Cascades does not see climate change as a risk, but rather more as an opportunity.

FOR EXAMPLE, IN 2007,

CASCADES REDUCED ITS TOTAL GREENHOUSE

GAS EMISSIONS BY 7.3%. IN FACT,

SINCE 1990, A BENCHMARK YEAR ACCORDING

TO THE KYOTO PROTOCOL, THE COMPANY REDUCED

ITS EMISSIONS BY 26%. IN EUROPE, DUE TO THE GOOD

ENVIRONMENTAL PERFORMANCE OF ITS BOXBOARD PLANTS,

CASCADES HAS SOLD €1.4M WORTH OF CO₂

CREDITS OVER THE LAST THREE YEARS.

Cascades also holds a 34% interest in Boralex, a pioneer in producing renewable energy. Active in the hydroelectric, wind, biomass and solar energy markets, it also sells green energy credits in Connecticut, USA.

WITH ITS LOW VIRGIN FIBRE CONSUMPTION

AND ITS OPTIMAL REUSE OF WATER,

CASCADES' RISKS ASSOCIATED WITH

THE SUPPLY OF THESE MATERIALS ARE MINIMAL.

THESE RISKS WOULD OTHERWISE BE EXACERBATED

BY CLIMATE CHANGE.

HEALTHY

RETIREMENT PLANS

Cascades offers both fixed contribution plans and fixed benefit plans. In 2007, total cash payments for future benefits for these two types of plans amounted to \$67M.

As at December 31, 2007, fixed benefit plans were in good financial health with assets of \$626M and a deficit of \$3M (i.e., only 0.3% of the Company's shareholders' equity).

RESPONSIBLE

PURCHASING AND SALES

In 2008, Cascades plans to develop a responsible purchasing "policy".

This step will have the primary goal of making suppliers aware of the importance of adopting socially and environmentally responsible business practices.

The Company also intends to take part in a Québec group of sustainable companies, which are prepared to make firm environmental commitments and account for their activities.

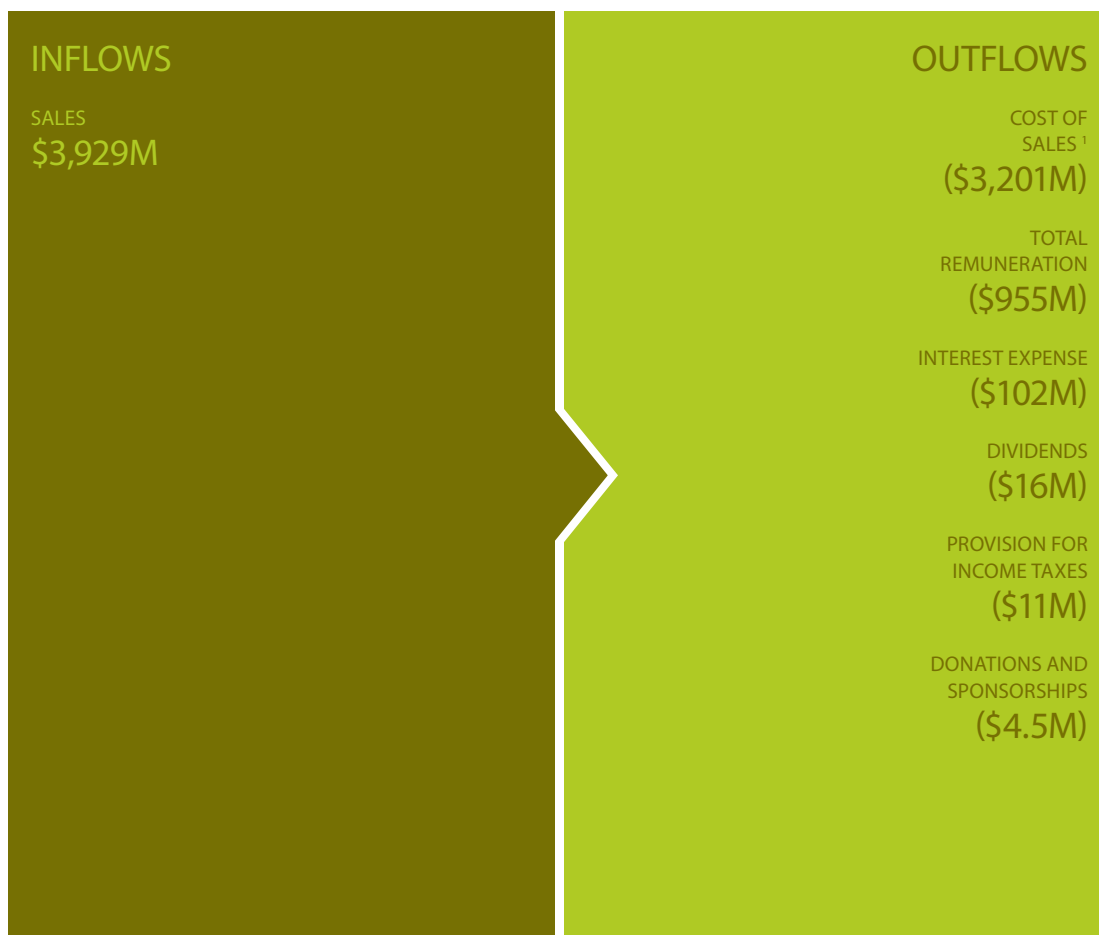
EDUCATION: MAJOR INDIRECT INVESTMENTS

In 2007, Cascades continued with its commitments to educational institutions like the Université du Québec à Montréal and its Chair in Social Responsibility and Sustainable Development, the Université de Sherbrooke – by generously contributing to the Ensemble Campaign, the Fondation du Cégep de Trois-Rivières and Ryerson University in Toronto just to name a few.

For a second year in a row, Cascades joined forces with Forces Avenir, an organization dedicated to promoting the involvement of young university students in projects that enhance knowledge, that foster the taste for success, that encourage the surpassing of oneself, and develop an analytical sense. Thus, during a national contest, Cascades became a bursary partner and gave the "Avenir Environment" award, which rewards the best student initiative on sustainable development.

In addition to being totally committed to the environment, Cascades wishes to stimulate the entrepreneurial spirit of tomorrow's potential employees. Therefore, it supports the Réseau québécois des écoles entrepreneuriales et environnementales (Québec Network of Entrepreneurial and Environmental Schools), the Fondation du maire de Montréal pour la jeunesse (Foundation of the Mayor of Montréal for Youth) and the Quinzaine de l'entrepreneuriat Cascades organized by the Institut d'entrepreneuriat at the Université de Sherbrooke. Cascades also supports the Fondation de l'entrepreneuriat, whose board is chaired by Alain Lemaire. For the first time this year, Cascades is supporting the Association des clubs d'entrepreneurs étudiants du Québec (Student Entrepreneur Club Association), whose mission is to make young people aware of the importance of entrepreneurship.

CAPITAL
FLOW 2007



¹ EXCLUDING DEPRECIATION AND INCLUDING A PORTION OF THE TOTAL REMUNERATION

CORPORATE GOVERNANCE

Cascades Inc.'s Board of Directors believes that a quality corporate governance policy is critical to running the company efficiently.

The Board of Directors of Cascades is made up of 13 Directors, seven of which are independent. In 2007, Robert Chevrier was appointed lead Director. He oversees the responsibilities of the Independent Directors and assumes other responsibilities that the Independent Directors might jointly assign from time to time.

During the year, the Board of Directors adopted a written description for the position of Chairman of the Board as well as that of President and CEO.

THE BOARD HAS THE FOLLOWING COMMITTEES:

Corporate Governance and Nominating Committee

Audit Committee

Human Resources Committee

Environment, Health and Safety Committee

A statement of Cascades' corporate governance practices can be found in the management information proxy circular.

AN ACCLAIMED CITIZEN!

Cascades was voted among the top 50 Canadian corporate citizens in 2007 according to the Corporate Knights, a Canadian magazine on responsible business.

Our Directors proudly wear the green tie, which was awarded to them by the Institut des administrateurs de sociétés du Québec (Québec Institute of Company Administrators) in recognition of Cascades' sound environment management of its operations.

For having effectively integrated ethical considerations into its business practices, Cascades was among the finalists for the 2007 Québec Corporate Citizen Award, a contest organized by Korn/Ferry and the Chair of Business Ethics at the Université de Montréal in cooperation with the magazine L'Actualité.

SUMMARY TABLE OF PERFORMANCE INDICATORS

	Unit	2007	2006	2005
FIBRE SUPPLY ¹				
Recycled fibres	Millions of short tons	2.8	2.8	2.5
	% of total	77%	69%	64%
Virgin fibres	Millions of short tons	0.3	0.7	0.9
	% of total	9%	18%	22%
Recycled pulp	Millions of short tons	0.1	0.1	0.1
	% of total	3%	2%	2%
Virgin pulp	Millions of short tons	0.4	0.4	0.5
	% of total	11%	11%	12%
Total fibre supply	Millions of short tons	3.6	4.0	3.9
WATER ¹				
Water consumption	m³/metric tonne	10.5	16.3	18.7
Plants that consume less than 10 m³/metric tons	Plants	15	18	14
Total suspended solids returned to effluent	kg/metric tonne	0.83	0.94	1.00
Dissolved organic matter returned to effluent	kg/metric tonne	0.51	0.50	0.56
ATMOSPHERIC EMISSIONS ¹				
Equivalent CO₂	kg/metric tonne	286	301	327
Particulate matters	kg/metric tonne	0.31	0.39	0.37
RESIDUAL MATERIAL ¹				
Beneficial use of residue	kg/tonne métrique	73%	71%	75%
ENERGY CONSUMPTION ¹				
Natural gas	Millions of GJ	13	13	15
	% of total	37%	36%	41%
Electricity	Millions of GJ	9	10	10
	% of total	26%	28%	27%
Other	Millions of GJ	13	13	12
	% of total	37%	36%	32%
Total energy consumption	Millions of GJ	35	36	37
Energy consumption - papermaking	GJ/metric tonne	10.05	10.33	10.83
WORKFORCE PROFILE ¹				
Number of employees	Employees	13,998	14,243	15,556
Average number of years of seniority	Year	13	11	11
Average age	Year	42	42	41
Hiring of interns	Employees	156	164	212
Hiring of students	Employees	666	684	773
GEOGRAPHICAL BREAKDOWN OF EMPLOYEES ¹				
Canada	% of total	61%	61%	65%
United States	% of total	29%	28%	25%
Europe	% of total	10%	11%	10%
REMUNERATION ²				
Gross salaries and employee benefits	\$ Million	913	749	855
Profit-sharing	\$ Million	42	34	31
Total remuneration	\$ Million	955	783	886
TRAINING ¹				
Number of hours of training	Thousands of hours	390	320	369
Number of employees trained	Employees	9,954	7,496	8,119
Amount invested in training	\$ Million	13	10	12
	% of total payroll	2%	2%	2%
HEALTH AND SAFETY ^{1,3}				
Frequency rate OSHA		8.0	8.0	9.5
DONATIONS AND SPONSORSHIPS				
Total donations and sponsorships	\$ Million	4.5	3.8	4.5
FINANCIAL DATA SELECTED				
Sales	\$ Million	3,929	3,278	3,201
Consolidated OIBD ^{4,5}	\$ Million	350	315	262
Net earnings ^{4,5}	\$ Million	22	52	6
Cash flow from operations ^{4,5}	\$ Million	202	196	172
Capital expenditures	\$ Million	167	110	121
Business acquisitions	\$ Million	10	572	52
Interest expense	\$ Million	102	79	76
Dividends	\$ Million	16	13	13
Provision for (recovery of) income taxes	\$ Million	11	6	(8)

1 REPRESENTS 100% OF CASCADES AND NORAMPAC.

2 REPRESENTS 100% OF CASCADES AND NORAMPAC IN 2007, AND ONLY 50% OF NORAMPAC FOR 2005 AND 2006.

3 CASES OF UNEMPLOYABILITY PER 200,000 HOURS WORKED, EXCLUDING RESTRICTED ACTIVITIES.

4 EXCLUDING SPECIFIC ITEMS.

5 SEE ADDITIONAL INFORMATION ON NON GAAP MEASURES INCLUDED IN THE ANNUAL REPORT - MANAGEMENT'S ANALYSIS.

For more information or to comment on any one of our sustainable development initiatives, please contact Christine Beaulieu, Director of Communications, at christine_beaulieu@cascaades.com.

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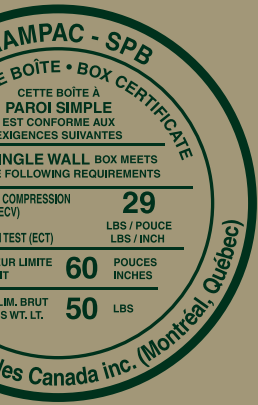
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FRAGILE

HANDLE WITH CARE

