

## **ABITIBIBOWATER INC.**

### **BOARD OF DIRECTORS CODE OF BUSINESS CONDUCT AND ETHICS**

As adopted on October 29, 2007

The Board of Directors (the “Board”) of AbitibiBowater Inc. (including its subsidiaries and their divisions, collectively the “Company”) has adopted the following code of business conduct and ethics (the “Directors’ Code”) for directors of the Company.

Each Company director shall be responsible for complying with this Directors’ Code. If any director of the Company believes that a prohibited act under this Directors’ Code has occurred, then he or she shall promptly report such belief to the Senior Vice President, Corporate Affairs and Chief Legal Officer, as well as one or both of the Chairman of the Nominating and Governance Committee or Chairman of the Audit Committee.

No code or policy can replace the thoughtful behavior of an ethical director. Directors are encouraged to bring questions about particular circumstances that may implicate one or more of the provisions of this Directors’ Code to the attention of the Chairman of the Nominating and Governance Committee.

Directors who also serve as officers of the Company also must comply with the Company’s Code of Business Conduct and other applicable Company policies.

#### **1. CONFLICT OF INTEREST**

Directors must avoid any conflicts of interest between the director and the Company. A “conflict of interest” may occur when:

- A director’s personal interest is adverse to—or may appear to be adverse to—the interests of the Company as a whole; or
- A director, or a person closely related (as defined in paragraph 10 below) to a director, receives any improper personal benefit as a result of such director’s position as a member of the Company’s Board.

A director shall recuse himself or herself from any Company Board decision in the event of a conflict of interest.

Examples of conflicts that directors must avoid are listed below:

- a. Relationship with third parties doing business with the Company: Directors may not receive a personal benefit from any person seeking to do business or to retain business with the Company, unless such relationship is fully disclosed by the interested director and approved by the vote of a majority of the directors disinterested in the transaction.
- b. Compensation from non-Company sources: Directors may not accept compensation in any form for services performed for the Company from any source other than the Company.
- c. Gifts: Directors may not accept gifts from persons who have dealings with the Company in those cases where any such gift is being made in order to influence a director's actions as a member of the Company's Board, or where acceptance of a gift could create the appearance of a conflict of interest.
- d. Personal use of Company assets: Directors may not use Company assets, labor or information for personal use unless approved by the Chairman of the Nominating and Governance Committee, or as part of a compensation or expense reimbursement program available to all directors.
- e. Loans and guarantees: Neither directors nor persons closely related to any director may accept a loan or a guarantee of a personal obligation as a result of such director's position as a member of the Company's Board.

## 2. **CORPORATE OPPORTUNITIES**

Directors owe a duty to the Company to advance its legitimate interests when the opportunity to do so arises.

Directors must not:

- a. Take for themselves or for persons closely related to them any opportunity that is discovered through the use of Company property, Company information or their position as a director, unless such opportunity is fully disclosed by the interested director and the interested director's actions are approved by the vote of a majority of the disinterested directors;
- b. Use the Company's property or information or the director's position in the Company for personal gain; or
- c. Compete with the Company for business opportunities; provided, however, that if a majority of the Company's disinterested directors determine that the Company will not pursue an opportunity that relates to the Company's business, a director may then pursue such opportunity.

**3. CONFIDENTIALITY**

Each director must maintain the confidentiality of information entrusted to him or her by the Company and any other non-public information relating to the Company that comes to such director, from any source, in his or her capacity as a director, except when disclosure is expressly authorized or legally mandated.

**4. COMPLIANCE WITH LAWS, RULES AND REGULATIONS**

Directors must comply, and oversee compliance by employees, officers and other directors, with laws, rules and regulations applicable to the Company, including insider trading laws and the Company's Insider Trading Policy.

**5. FAIR DEALING**

Directors must deal fairly, and must oversee fair dealing by employees and officers, with the Company's customers, suppliers, competitors and employees.

**6. ENCOURAGING THE REPORTING OF ANY ILLEGAL OR UNETHICAL BEHAVIOR**

Directors should promote ethical behavior and take steps to ensure the Company:

- a. Encourages employees to talk to supervisors, managers and other appropriate personnel when in doubt about the best course of action in a particular situation;
- b. Encourages employees to report violations of laws, rules, regulations or the Company's Code of Business Conduct to appropriate personnel; and
- c. Informs employees that the Company will not allow retaliation for any reports made in good faith.

**7. PROTECTION AND PROPER USE OF COMPANY ASSETS**

All directors should protect the Company's assets and ensure their efficient use. All Company assets should be used for legitimate business purposes.

**8. ENFORCEMENT**

The Board (or, at the discretion of the independent members of the Board, the Nominating and Governance Committee) will review and investigate any reported prohibited act, without the participation of any director who may be the subject of such report. If the Board (or the Nominating and Governance Committee, if determined by the independent members of the Board) determines that any such act represents a violation under this Directors' Code, then appropriate action will be taken and, if applicable, disclosed.

**9. WAIVERS**

Any waiver of the provisions of this Directors' Code may be made only by the Nominating and Governance Committee and must be promptly disclosed to the Company's shareholders in accordance with applicable law.

**10. DEFINED TERMS**

As used in this Directors' Code, any reference to a "person" shall include any individual, corporation, partnership, limited liability company, trust or other entity.

As used in this Directors' Code, any reference to a person "closely related" to a director includes: a director's immediate family (spouse, parents, children, siblings, mothers-in-law and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law and anyone (other than employees) who shares such director's home); entities for which the director serves as an officer, director or in a position of equivalent authority; and any other person with whom the director has a close relationship.