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Sustainability grows here

Our Sustainability Roadmap

In 2008, we developed a sustainability roadmap that focuses on four key areas:

- climate change
- responsible fiber sourcing
- product stewardship
- stakeholder engagement

Our roadmap incorporates the input from a broad consultation process that began shortly after the creation of AbitibiBowater in October 2007 — a process aimed at helping us build on past achievements and the best practices of our predecessor companies.

A diagnostic study was commissioned to evaluate and review our previous achievements and our positioning related to climate change and forestry initiatives. As well, the study examined relevant trends and practices among other leading forest products and natural resource companies.

External stakeholders, including customers as well as environmental non-governmental organizations, were consulted. We also discussed risks and opportunities with members of our senior management team and other key personnel from across the corporation.

The results of the diagnostic study, along with the recommendations that emerged from our extensive consultations, are reflected in the roadmap, which is designed to guide us in better integrating sustainability into all aspects of our operations while providing a structured process for continuous improvement.

About this Report

Sustainability is our way forward. The purpose of this report is to share the priorities set out in our sustainability roadmap and to highlight our most recent sustainability-related initiatives.

In developing this report, we consulted a cross-section of stakeholders to ensure that the information presented would be relevant and material.

To align ourselves with the world's most widely used sustainability reporting framework, we took our cue from the Global Reporting Initiative (GRI) with regard to the principles and indicators referenced in this report.

For more information regarding AbitibiBowater's sustainability-related initiatives, visit our Website at www.abitibibowater.com.

This brochure is printed on AbitibiBowater papers.

Cover:

AbiBowMAX 84 GLOSS

70 lb (103 g/m²)

Produced at our Catawba mill, in South Carolina.

- Catawba is one of only four mills in the United States to have entered the EPA's Voluntary Advanced Technology Incentives Program, which encourages participants to move beyond baseline technologies to minimize environmental impact.
- Over 70% of the energy consumed on site is from carbon-neutral renewable sources.
- **AbiBow**MAX 84 GLOSS is suitable for applications such as magazines, catalogs and annual reports.

Inside:

ECOPAQUE

50 lb (74 g/m²)

Produced at our Beaupré mill, in Quebec.

- High opacity, environmentally preferable alternative to traditional offset paper.
- Uses 50% less wood fiber than traditional offset paper.
- Manufactured totally chlorine-free.
- Production process uses mainly hydroelectricity, reducing the use of fossil fuel and lowering greenhouse gas emissions.

Message from the President and CEO

I would like to welcome you to AbitibiBowater's first Sustainability Report.

At AbitibiBowater, our definition of sustainability extends well beyond the traditional focus on environmental stewardship. It is also about being profitable, sustainable and responsible.

We believe that making sustainability an integral part of the way we do business will give us a competitive advantage in terms of delivering value to shareholders over the long term — especially in difficult economic and market circumstances.



Sustainability entails operating responsibly in a manner that reflects societal values and takes into account the interests of our people, our communities and other key stakeholders. With respect to people, the safety of our employees is paramount.

Today's extraordinarily challenging business environment dictated the need to make some tough decisions to reduce production capacity, divest various assets and restructure our debt.

As you are undoubtedly aware, after an exhaustive examination of recapitalization options, we determined in April 2009 that the best course of action was to obtain creditor protection in the United States and Canada and to pursue an overall restructuring of AbitibiBowater under Court supervision. We plan to use this process to make the changes necessary to ensure the Company's future viability for the benefit of all stakeholders. Returning AbitibiBowater to sustained profitability and making good on our commitments to investors will ensure that we have sufficient means to continue advancing our environmental and social agendas.

Integrating our sustainability roadmap into AbitibiBowater's everyday business practices is an essential element of our strategy to build a globally competitive company.

To that end, we will continue to build on our commitment to reduce costs and improve efficiency, while enhancing our environmental performance and ensuring the responsible use of resources in our manufacturing processes, particularly with regard to fiber, energy and water.

This report reflects our commitment to enhanced relations with all stakeholders, tough times notwithstanding. We invite your feedback and welcome constructive dialogue that will help us continue improving our overall performance.

A handwritten signature in black ink that reads "David J. Paterson". The signature is written in a cursive, slightly slanted style.

David J. Paterson
President and Chief Executive Officer

Key Performance Indicators

At AbitibiBowater, compliance with environmental laws and regulations is a given. We aim to exceed such requirements and ensure that our products are developed, sourced, manufactured, distributed and disposed of in a responsible manner that will help reduce our environmental footprint. To that end, we are committed to continuous improvement in sustainable forest management, manufacturing efficiency, emission prevention, waste reduction, reuse and recycling practices. The key indicators charted below reflect our recent performance. Certain 2008 data take into account the sale of the Snowflake (Arizona) newsprint mill and other capacity reductions.

Indicators	Units of Measure	2007	2008
Safety and health	Occupational Safety and Health Administration (OSHA) incident rate	3.06	1.95
Recycled paper	million metric tons	2.7	2.4
Greenhouse gas emissions			
• Absolute	million metric tons CO ₂ e	3.6	2.6
• Intensity	kg CO ₂ e per metric ton	359	292
Energy sources for paper making			
• Hydroelectricity from our own dams	percent	5	6
• Biomass energy (steam and electricity)		37	41
• Purchased fossil fuel and steam		24	21
• Purchased electricity		34	32
Air emissions			
• Sulfur dioxide (SO ₂)	kg/metric ton	1.48	1.32
• Nitrogen oxides (NO _x)		0.92	0.94
• Total particulate matter (TPM)		0.32	0.31
Water			
• Use	m ³ /metric ton	47	45
• Biochemical oxygen demand (BOD)	kg/metric ton	0.93	1.05
• Total suspended solids (TSS)	kg/metric ton	1.80	1.78
Solid waste			
• Total solid waste produced	kg/metric ton	n/a	213
• Beneficial use of solid waste	percent	n/a	60
• Waste sent to landfill	percent	n/a	40

Sustainability Performance Highlights



Climate Change

- 52% reduction of absolute carbon emissions since 2000, 32% on a per-metric-ton basis, through energy efficiency and increased use of biomass
- 47% self-sufficiency for total energy needs using renewable sources



Responsible Fiber Sourcing

- 100% of the woodlands under AbitibiBowater's care certified to internationally recognized sustainable forest management standards
- 12 pulp and paper mills third-party certified to chain-of-custody standards



Product Stewardship

- Innovative environmentally friendly papers that are chlorine-free and use 50% less wood fiber than traditional offset paper
- Among the largest recyclers of old newspapers and magazines in the world
- Producer of more than 40 grades of paper with recycled content



Stakeholder Engagement

- Occupational Safety and Health Administration (OSHA) incident rate reduced by 36% in 2008
- Numerous partnerships with First Nations in areas of forest management, production, silviculture and transportation

Climate Change

Our aspiration

To become a carbon-neutral enterprise, which involves achieving zero net carbon emissions by balancing the amount of carbon released with an equivalent amount sequestered or offset.

We agree with the view of most credible experts that climate change is a genuine concern. Consequently, actions to reduce greenhouse gas emissions and combat climate change are a key element of our multi-faceted sustainability agenda.

Having already achieved considerable reductions in greenhouse gas emissions, we are raising the bar by striving to become a carbon-neutral enterprise.

We have been working with the Forest Products Association of Canada (FPAC), the National Council for Air and Stream Improvement (NCASI) and the World Wildlife Fund Canada (WWF-Canada) to develop a methodology to characterize the total carbon profile of our company. This collaboration has also helped us identify opportunities to reach our carbon-neutral goal.



About climate change

According to the United Nations Intergovernmental Panel on Climate Change, the earth's climate is warming as evidenced by increases in global average air and ocean temperatures, widespread melting of snow and ice, rising sea levels and an increase in extreme weather events.

It is widely believed that global warming is the result of an increase in man-made greenhouse gas emissions.

Greenhouse gases — some naturally occurring and others resulting from human activity — contribute to climate change by trapping heat within the lower layers of the earth's atmosphere. This is called the greenhouse effect.

The greenhouse gas of most concern is carbon dioxide (CO₂), which occurs naturally but is also produced from the combustion of fossil fuels such as oil, coal and natural gas.

Combating climate change on several fronts

Given the nature of AbitibiBowater's business, we are uniquely positioned to help combat climate change on several fronts. On the one hand, we are actively engaged in reducing greenhouse gas emissions and making our operations more energy efficient.

But we also contribute on a broader front through our everyday activities: the sustainable management of forests that naturally absorb CO₂ from the atmosphere; the supply of durable lumber and other wood products that store carbon throughout their life cycles; and the recycling of enormous quantities of paper that would otherwise end up in landfills and produce methane — another greenhouse gas — as it decomposes.

Green energy from biomass

A recently completed C\$84-million biomass boiler at our Fort Frances (Ontario) mill produces 46 megawatts of carbon-neutral energy from biomass such as bark. Going forward, this new green energy source will enable the facility to reduce direct greenhouse gas emissions by more than 300,000 metric tons of CO₂ equivalents per year — down 90% from previous levels when the mill relied on natural gas. The power plant generates enough energy to supply the equivalent of 30,000 homes.

Tackling greenhouse gas emissions

We have succeeded in reducing our greenhouse gas emissions per metric ton of paper produced by 32% (intensity) from 2000 levels. Absolute emissions, taking capacity reductions into account, have been reduced by 52%, or 2.8 million metric tons of CO₂ equivalents per year, equal in effect to removing 560,000 automobiles from the roads.

Our progress to date reflects a Company-wide focus on improved energy efficiency and on switching from fossil fuels to renewable energy sources.

Absolute greenhouse gas emissions



Total reduction:
52%

Greenhouse gas emission intensity



Reduction per metric ton:
32%

Energy a key issue

With energy accounting for up to 30% of paper production costs, we are always exploring ways to enhance our overall energy efficiency. Optimizing the use of renewable energy sources such as hydroelectricity and carbon-neutral biomass, while reducing consumption of fossil fuels, is also a key element of our strategy to improve AbitibiBowater's carbon footprint.

A recent example of progress in that regard involved the replacement of five older turbines at our Coosa Pines (Alabama) mill with a much more efficient single unit, reducing coal and oil consumption and cutting greenhouse gas emissions by 10%.

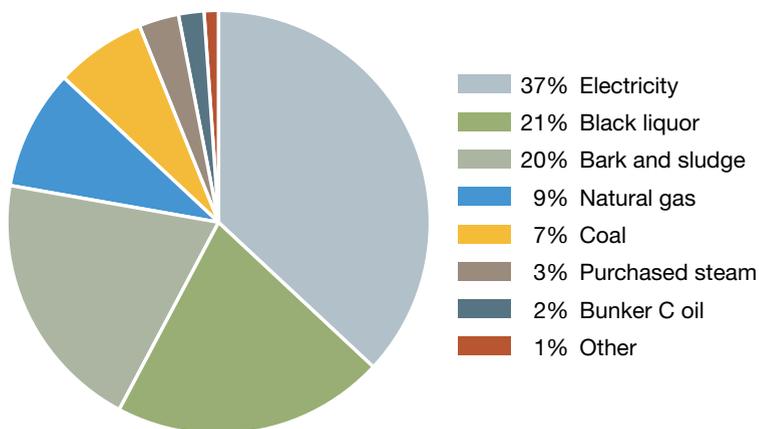
At our Thorold (Ontario) mill, we take advantage of the natural process of biodegradation that occurs in a nearby landfill by piping in the resulting methane gas to help power the mill's boilers. Methane from the landfill has replaced 27% of natural gas requirements at the mill, reducing our energy costs while diverting the release of a potent greenhouse gas into the atmosphere.

AbitibiBowater generates 47% of its own energy requirements from renewable sources.



Sturgeon Falls Generating Station, in Ontario

Energy sources in 2008 for paper making



AbitibiBowater leadership recognized

AbitibiBowater was named the leading forest products company in Canada in the 2008 Climate Disclosure Leadership Index, which recognizes companies demonstrating best-in-class disclosure practices in climate change strategy as well as reporting of greenhouse gas emissions.

The annual index is published by the Carbon Disclosure Project (CDP), an independent not-for-profit organization representing 385 institutional investors with a combined asset base of US\$57 trillion. On their behalf, the CDP compiles information from the world's largest companies on the business risks and opportunities presented by climate change and greenhouse gas emissions.

Lighter carbon footprint

At AbitibiBowater, we have been active in many areas to reduce our overall carbon footprint by:

- Significantly reducing greenhouse gas emissions by improving our energy efficiency and cutting back on the use of fossil fuels;
- Carefully managing forests to optimize their natural ability to absorb carbon dioxide from the atmosphere, utilizing practices that conform to stringent third-party certification standards;
- Developing innovative new paper products that require less fiber and energy to produce;
- Recovering and recycling old newspapers and magazines that would otherwise end up in landfills and emit methane, a greenhouse gas that has approximately 21 times more global warming potential than carbon dioxide; and
- Optimizing our use of renewable energy sources such as hydro-electricity and carbon-neutral biomass.

Next-generation energy opportunities

Recognizing the importance of technological advancements in the production of energy from renewable sources, AbitibiBowater has been seeking to actively participate in the production and marketing of next-generation energy from biomass.

To that effect, a team was created with a mandate to develop new business opportunities in the conversion of forest biomass into renewable fuels such as bioethanol, biodiesel and wood pellets. This team is also responsible for investigating new opportunities to generate renewable power and provide strategic positioning with regards to existing and impending carbon markets.

Cap-and-trade program provides incentives

With various projects AbitibiBowater undertakes, we evaluate not just the environmental impact but also the economic costs associated with greenhouse gas emissions. In that respect, we support the creation of mandatory cap-and-trade systems, which facilitate sustainable development by enabling companies to pursue the most cost-effective emission reduction options.

Under a cap-and-trade program, a central authority establishes an overall emissions cap or limit and issues tradable allowances granting businesses the right to emit a set amount. Those who can reduce their emissions below their cap are able to sell or trade their extra allowances (credits) to companies that would otherwise have to resort to more costly compliance options.

A number of regulated and voluntary markets in North America and Europe offer trading in carbon credits and derivatives. We have been a member of the Chicago Climate Exchange since 2003 and, in fact, were one of the first forest products companies to be listed.

Next Steps

- ✓ Further reduce the volume of mill organic waste sent to landfills by developing alternate uses such as combustion to generate steam or conversion to green energy biofuels;
- ✓ Capitalize on other opportunities for the capture and combustion of biogas (e.g. methane) from landfills to replace fossil fuels;
- ✓ Develop forest-based bio-products such as ethanol and other chemicals that can replace fossil fuels;
- ✓ Research innovative forest management practices that will enhance carbon sequestration;
- ✓ Expand markets for wood products by promoting their use as a low-carbon substitute for cement and steel construction materials;
- ✓ Quantify our global carbon footprint using a newly developed, recognized methodology and establish specific targets.

Responsible Fiber Sourcing

Our aspiration

To produce paper and wood products with fiber originating either from our own certified forests or other sustainably managed forests through third-party certified fiber tracking systems.

AbitibiBowater's commitment to produce quality products that meet the criteria of today's environmentally conscious stakeholders begins with responsible fiber sourcing. This entails the responsible management of the forests entrusted to our care, careful tracking of sources of wood fiber supply and the utilization of recycled fiber.

Forest certification and fiber tracking confirm the sustainability of our fiber supply. Ascertaining the origins of the wood utilized by AbitibiBowater assures customers that our products are sourced from legally harvested forests managed in accordance with best practices.



Enviro Foto



Sustainable forest management

Paper and wood products are derived from a renewable resource — the forest. As well as being a rich source of raw materials, forest ecosystems play a crucial role in sustaining biodiversity, including vital wildlife habitats. As responsible forest managers, we seek to balance the cycles of growing and harvesting trees with the protection of wildlife, plants, soil and water as well as aesthetic, cultural and recreational values.

In Canada, the fiber used in our products is sourced primarily from publicly owned woodlands located, for the most part, in the vast boreal forest. We manage the forests subject to strict government regulations and in accordance with internationally recognized sustainable forest management (SFM) standards and practices.

A rigorous planning process

Economic, environmental and social considerations are factored into the comprehensive 20- and 25-year forest management plans prepared by our foresters. Impacts on communities, soil and water conservation and the protection of sensitive ecosystems are all taken into account. These plans are subject to government approval and must be updated every five years. Local community groups, Aboriginal peoples and various other stakeholders participate in the planning process.



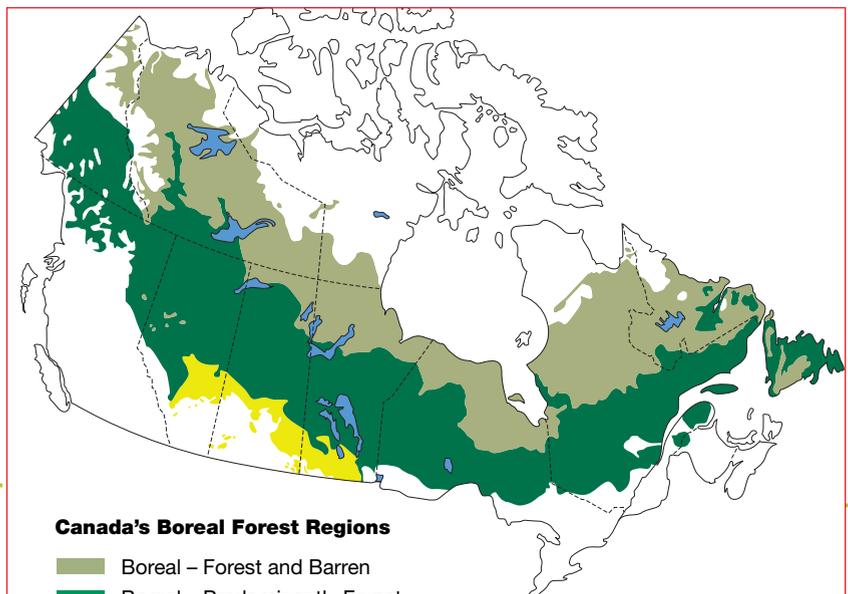
Numerous stakeholders are invited to participate in the planning process.

In any given forest management unit, 20 to 30% of the forest is not eligible for harvesting. These forest preserves generally include protected areas, environmentally sensitive zones, wildlife habitats, forested wetlands, etc.

Forests 100% regenerated

In Canada, by law, all harvested areas must be promptly regenerated. The boreal forest has a remarkable ability to grow back on its own. In fact, about 75% of the area harvested is naturally regenerated. Our foresters ensure that the rest is promptly planted or seeded using a mix of native species that imitates the natural forest.

In the United States, where most of AbitibiBowater's fiber originates from private non-industrial forest lands, we work with external suppliers to ensure that forestry best management practices are followed. In the United Kingdom and South Korea, we use only recycled fiber to produce paper.



Canada's Boreal Forest Regions

- Boreal – Forest and Barren
- Boreal – Predominantly Forest
- Boreal – Forest and Grass

Source - Adapted from a Natural Resources Canada map

About the boreal forest

Named after Boreas, the Greek god of the North Wind, the boreal forest encircles the northern portion of the globe, stretching across Alaska, Canada, Scandinavia and Russia.

The boreal forest occupies 30% of the total Canadian land mass. It encompasses a diverse landscape comprised of wetlands, rivers and predominantly coniferous forest cover.

Concerns for biodiversity and sensitive ecosystems have made preservation of the boreal an issue for several stakeholders, including some environmental non-governmental organizations.

Conservation and biodiversity

Protecting the habitat of the woodland caribou

As part of our comprehensive approach to sustainable forest management, we protect biodiversity and species at risk. To that end, we maintain a proportion of mature, over-mature and high-conservation-value stands in the forests entrusted to our care.

Our foresters also work closely with biologists and researchers from government, universities and other organizations to address the habitat needs of boreal wildlife, such as the woodland caribou.

In both Ontario and Quebec, we participate in radio collaring and other research projects aimed at improving our understanding of migration paths in order to better identify and protect caribou habitats.

As well, in 2008, we made a three-year commitment to fund a new research project by the National Council for Air and Stream Improvement (NCASI) that will study habitat influences on woodland caribou populations. This unique project will cover new ground by focusing on how diet and access to robust food sources, which industry might be able to help improve, could make the caribou significantly less susceptible to predators and thus increase their survival rate.

All AbitibiBowater managed forests are certified

Strict adherence to internationally recognized sustainable forest management (SFM) standards provides our customers — and the consumer — with assurance that the wood fiber we utilize originates from responsibly managed forests.

By the end of 2008, we had completed the certification of all woodlands under our care to stringent, independent third-party audited standards — some 19.5 million hectares (48.1 million acres), an area greater than the states of Massachusetts, New York and Vermont combined.

By way of comparison, only about 10% of the world's forests are SFM-certified — with Canada accounting for some 40% of that total. In keeping with our strong commitment to sustainable forest management, we are working with other industry players, governments and non-governmental organizations to promote increased certification and, in fact, favor mandatory certification on public land.



Researchers attaching radio collar to caribou to track the animal's movement. No harm is done to the animal.

Photo: Quebec Ministry of Natural Resources and Wildlife



An inclusive approach to certification

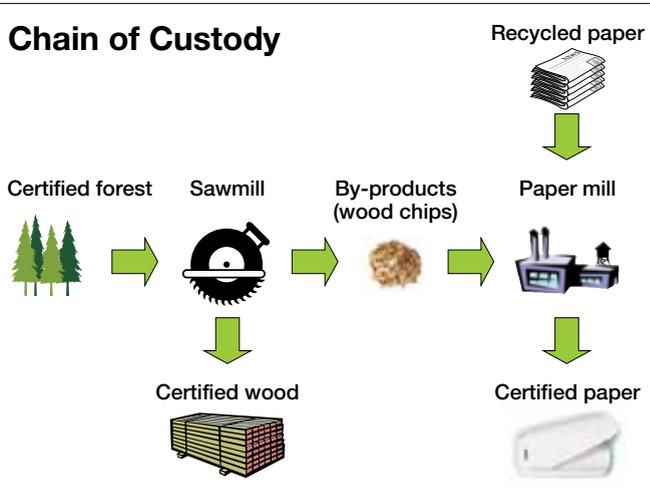
Are all forest certification standards equal? In our view, there are far more similarities than differences. Furthermore, as the leading standards continue to evolve through statutory revision, they tend to converge, further reducing disparities.

At AbitibiBowater, we take an inclusive approach to certification, recognizing several globally accepted standards, all based on stringent criteria: the Canadian Standards Association (CSA) standard; the Sustainable Forestry Initiative® (SFI) standard; the Forest Stewardship Council (FSC) standard; and the American Tree Farm System (ATFS) standard.

The forests we manage are certified mainly to CSA and SFI standards, which are fully endorsed by the international Programme for the Endorsement of Forest Certification (PEFC) schemes.

The FSC National Boreal Standard for Canada was developed after work towards our various CSA and SFI certifications was either well advanced or, in some instances, completed in our woodlands operations. We subsequently undertook initiatives to also implement in 2009 FSC certification for three forest units in Nova Scotia, Ontario and Quebec.

We are confident that these globally accepted standards have a positive impact on forest management, and we believe taking an inclusive approach is the best way to ensure that customers and consumers can be confident the products they buy are sourced from responsibly managed forests.



Chain-of-custody (CoC) certification is a documented paper trail to trace the mill's fiber from its origin through the manufacturing process to a customer or end user.

Leading North American Certification Standards



- SFI Sustainable Forestry Initiative® (US and Canada)
- CSA Canadian Standards Association – CSA Z-809 (Canada)
- FSC Forest Stewardship Council (International)
- PEFC Programme for the Endorsement of Forest Certification (International)
- ATFS American Tree Farm System (US)

Fiber tracking provides added assurance

AbitibiBowater has implemented a fiber tracking system at its pulp and paper mills to ensure that the fiber used, including that purchased from external suppliers, comes from responsible sources and is legally harvested. The process includes tracking and recording the ownership and transfer of wood and

fiber from the forests of origin to the finished product, at any given stage of production.

Already 12 of our pulp and paper mills have been third-party certified to internationally recognized chain-of-custody standards such as PEFC, SFI, FSC or Pricewaterhouse Coopers (PwC).

Next Steps

- ✓ Continue collaborative research projects with university partners and other organizations aimed at finding new and better ways to manage our forests, sustain biodiversity and protect species at risk;
- ✓ Complete FSC certifications under way in three designated forest regions;
- ✓ Promote certification with our external fiber suppliers;
- ✓ Increase the number of mills with chain-of-custody certification.

Product Stewardship

Our aspiration

To offer best-in-class, eco-efficient products that provide more value with less environmental impact, helping our customers and consumers meet their sustainability goals.

From our perspective, product stewardship presents not only challenges but also significant opportunities to capitalize on the requirements of today's environmentally aware customers and consumers.

We have been developing new, best-in-class products that offer numerous environmental benefits compared to both traditional paper and wood products and competing construction materials like steel and concrete.

At AbitibiBowater, we are striving to ensure that our products are developed, sourced, manufactured, distributed and, ultimately, disposed of in a responsible manner that will contribute to reducing our environmental footprint.

“Nothing is lost, nothing is created, everything is transformed.”

– Antoine Lavoisier (1743-1794)



Everything is transformed

Paper and wood products originate from a rich renewable resource — the forest, which is where our product stewardship role essentially begins.

We utilize forest certification and fiber tracking to make certain that all the wood fiber we use comes from sustainably managed forests and is legally harvested.

Our manufacturing processes are designed to optimize the use of forest resources. Logs are

used to produce wood products. Wood chips, a by-product of sawmill operations, provide most of the virgin fiber required by our paper mills, while sawdust and bark represent a ready source of carbon-neutral biomass fuels. As Antoine Lavoisier — known as the father of modern chemistry — might have termed it, everything is transformed.

Eco-friendly papers at forefront of innovation

AbitibiBowater's unparalleled portfolio of printing papers includes a wide range of uncoated freesheet (UFS) substitute grades. These papers are used for various applications such as instruction manuals, advertising inserts, flyers, direct mail pieces, forms, maps and workbooks. They are environmentally friendly and offer specifications and quality comparable to conventional UFS at lighter basis weights, delivering up to 30% more printing surface per metric ton. That translates into a significant reduction in the amount of paper required to print the same job.

Environmental impacts are becoming an essential factor in the choices of many customers and are, therefore, a major driver of product development. New products like EcoLaser™, Ecopaque™ and Ecopaque Laser™, the latest additions to our market-leading line of UFS substitutes, demonstrate our commitment to position AbitibiBowater at the forefront of innovation.

These ecologically advanced papers use up to 50% less wood fiber than traditional offset paper, are chlorine-free and are manufactured with a greener production process that requires less water than needed to produce the conventional freesheet products they are designed to replace.

Steadily increasing sales of our pioneering line of UFS substitute papers indicate that the marketplace is beginning to recognize and value their economic and environmental attributes.



Wood products store carbon

In addition to producing quality lumber, we also remanufacture and engineer wood to maximize its strength and create value-added products for use in specialized applications such as structural roofing and flooring components, bed frames and decking. We are among the largest wood remanufacturers in Canada.

The lumber and other durable wood products we produce typically have long shelf lives during which they effectively store carbon for the life of the product.

Given the social and environmental benefits they provide during their lengthy life cycles, our wood products are well suited to a carbon-constrained, energy-efficient world.



Harvesting urban forests

A crucial consideration in terms of stewardship is what happens to a product at the end of its useful life.

AbitibiBowater is the leading recycler of old newspapers and magazines in North America and one of the largest in the world. We transform discarded reading material into more than 40 different grades of brand new recycled paper. The recycled fiber content in our newsprint grades averages 38%, exceeding the North American industry average of 34% in 2008.

In 2008, our recycled fiber content in newsprint exceeded the industry average.

In addition to meeting customer requirements with recycled content harvested from “urban forests”, our recycling activities provide direct environmental benefits by reducing deposits to solid waste landfills, which, in turn, reduces the methane emissions that contribute to the greenhouse gas problem. The use of recycled fiber also reduces the amount of energy required to manufacture many paper products.

Unfortunately, despite the best efforts of AbitibiBowater and other producers, not all the volume of old newspapers (ONP) collected is actually recycled. The problem lies with the single-stream collection methods used in many cities. As a result of being compacted and co-mingled with other commodities during collection and transport, some of the ONP becomes contaminated to the point where it can no longer be recycled into new paper grades.

The full-circle recycler

AbitibiBowater’s fiber recovery operations encompass a combination of community drop-off programs, partnerships with municipalities and recycling arrangements with businesses and commercial offices.

Our signature AbitibiBowater Paper Retriever® program is recognized as a model recycling initiative. Serving more than 20 metropolitan areas in North America as well as several regions of the United Kingdom, the award-winning program is offered free of charge through not-for-profit, community-based partners. We supply large outdoor collection bins, provide a pick-up service and pay participating organizations for the weight of paper collected.

In the United Kingdom, we provide curbside collection of recyclables to more than 1.7 million homes. AbitibiBowater is also a market leader in the recovery of pressroom paper waste, collecting and re-processing thousands of metric tons every week. We thus close the loop by supplying many national and regional British newspapers with 100% recycled newsprint.

In 2008, AbitibiBowater recycled nearly 2.4 million metric tons — or more than 45,000 railcar loads of paper.



Recycled paper frequently asked questions

Why isn't all paper made from recycled fiber?

Wood fiber can theoretically be recycled up to seven times. But the fibers lose some of their strength with each round of recycling, becoming shorter and shorter until they can no longer be used for producing paper. Continuing input of virgin fiber is required to sustain the papermaking cycle.

What factors determine the amount of recycled fiber content?

Paper grade and intended end use essentially dictate the basic fiber mix. Generally speaking, the higher the paper quality, the higher the level of virgin fiber required. The challenge is to come up with a fiber composition that will achieve the desired properties in terms of strength, opacity and brightness with the lowest possible environmental impact.

Are recycled papers always more environmentally friendly?

Not necessarily. A number of factors must be taken into consideration when assessing a product's environmental benefits.

For instance, raw materials ideally should be available close to the mill in order to minimize transport requirements and the fossil fuel emissions inherent in truck or rail transportation. Production of recycled grades tends to be concentrated at facilities in or near urban areas with ready access to supplies of recovered paper, while grades requiring high levels of virgin fiber are produced at mills situated in more remote, less populous regions adjacent to forests.



Next Steps

- ✓ Advocate with local authorities to improve recycling collection and storage methods for old newspapers and magazines, in order to minimize waste resulting from dirt and contaminants;
- ✓ Promote increased public awareness and market demand for new environmentally friendly papers like EcoLaser™ and Ecopaque™;
- ✓ Collaborate with partner organizations to develop an environmental scorecard for paper products;
- ✓ Increase the use of forest certification logos on lumber and other wood products;
- ✓ Have select paper products certified to internationally recognized environmental-labeling standards.

Stakeholder Engagement

Our aspiration

To ensure that our decision-making process takes into account key stakeholder opinions and interests, with a view not just to resolve potential issues but also leverage opportunities.

At AbitibiBowater, we believe it is essential to have meaningful engagement with a wide range of stakeholders — customers, suppliers, employees, shareholders, communities, governments and non-governmental organizations.

We make every effort to be a solid corporate citizen, a responsible employer and a good neighbor, contributing to the economic, social and environmental sustainability of the regions where we operate.

Although we cannot always meet every expectation, we are committed to having frank, open discussions about issues and opportunities that concern our stakeholders and are willing to embrace fresh thinking and adopt new solutions appropriate to these challenging times.



Safety is our first priority

One of the traits that define AbitibiBowater's corporate personality is the conviction that our people make the difference. Accordingly, we reach out to our employees to share ideas, urging them to be actively involved, take personal responsibility and help achieve our collective goals.

Of course, our operations will not be sustainable if we do not take care of our employees — an obligation that begins with providing a safe and healthy work environment. So we are working to instill employee safety and health as core values linked to every part of our business.

We have implemented a comprehensive Safety and Health Management System that promotes continuous improvement by establishing world-class safety and health standards and measuring results.

In 2008, thanks to the commitment of our employees, we reduced the Company-wide Occupational Safety and Health Administration (OSHA) incident rate (number of recordable injuries per 100 full-time employees) by 36% from 3.06 to 1.95, surpassing our target of 1.98. Unfortunately, our success in reducing the incident rate was tempered by the severity of some injuries — which provided

added impetus to further improve our performance. For 2009, we have set the OSHA incident rate target at 1.60. We are also implementing action plans to further reduce the severity of injuries throughout the organization.

In 2008, our OSHA incident rate was reduced by 36%.

We believe that operating without injuries is the foundation of operational excellence and will continue striving to reach our ultimate goal of zero workplace incidents and zero injuries.

Mitigating the impact of closures

Changing and still challenging markets have dictated the necessity to reduce production capacity and close certain facilities. These are tough decisions and we are aware of the impact on employees, their families and the broader communities, especially where we are the principal employer.

When mill closures are unavoidable, we attempt to mitigate the impact to the greatest extent possible given available resources. Our initiatives in that regard typically include working with educators and training specialists to facilitate the upgrading of academic qualifications and acquisition of new skills among employees so they can qualify for other employment.

As well, we work with local authorities to find alternative uses for facilities and infrastructures that would lead to diversification of the local economy. Our aim is to help position the communities to attract new investments and new sources of jobs — to create viable opportunities for people from affected regions.

Taking care of people

Notwithstanding the challenging times, we try to lend a hand to support worthwhile causes and activities in communities where we have a significant presence, taking into account the Company's financial situation. Contributions can take the form of financial and material support or services provided, as well as staff time devoted to non-profit or humanitarian organizations. That is in addition to countless hours of volunteer work undertaken by civic-minded employees.

Our corporate Donations and Sponsorships Policy gives priority to initiatives aligned with the three pillars of sustainability — social, environmental and economic. Examples of undertakings that qualify for support include health and education programs (social); conservation and recycling projects (environmental); and community entrepreneurship (economic).



When it comes to community involvement, our people truly make a difference. In the dozens of small towns and cities we call home, you will be sure to see our employees and their families pitching in to make a difference and lend a hand to those less fortunate — be it distributing food baskets, helping out with hurricane relief efforts or supporting youth programs.

Corporate governance emphasizes integrity

To engage effectively with stakeholders, we believe it is imperative that all aspects of our business be conducted with integrity and transparency. AbitibiBowater's approach to corporate governance incorporates the best practices of our predecessor companies, with the emphasis on integrity and ethical conduct as well as our reputation for honesty, fairness and mutual respect in all business dealings.

The Environmental, Health and Safety Committee of the Board is responsible for overseeing policies, management systems and performance with respect to environmental and occupational health and safety matters. The senior management team provides the committee with regular updates and progress reports.

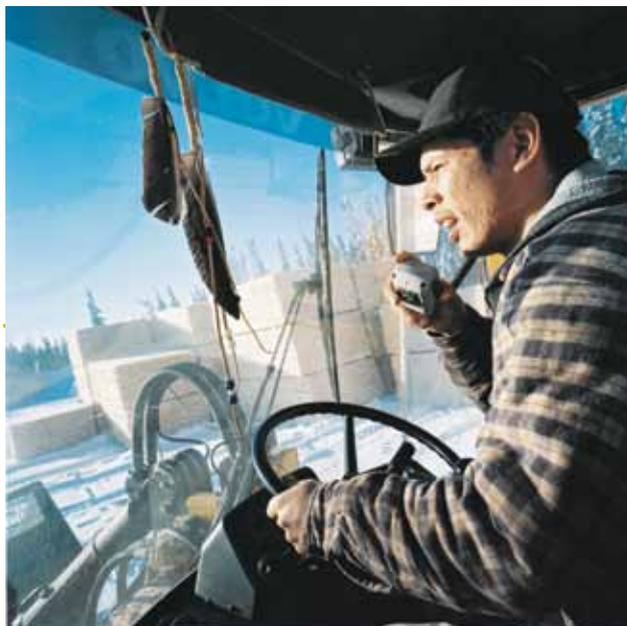
We have adopted corporate governance principles related to certain key areas such as director qualifications and responsibilities, responsibilities of key Board committees and director compensation. We have also adopted a Board of Directors Code of Conduct, as well as a Code of Business Conduct for all employees.

Our corporate governance principles and codes of conduct, as well as the charters of relevant Board committees, are published on our Website.

First Nations

Partners in the forest

At AbitibiBowater, we maintain positive business relationships with numerous First Nations and Native American groups in the areas of cooperative management of sustainable forest licenses, engineering, production, forestation, road access, harvesting, silviculture and transportation.



For instance, First Nations stakeholders are playing a crucial support role for the new, green energy biomass boiler at Fort Frances (Ontario). Rainy Lake Logistics, a partnership between Northern Bulk and the Rainy Lake Tribal Development Corporation, has been retained as the primary supplier of transportation services to haul the wood waste that fuels the boiler.

Another example is the collaboration that occurs during the forest certification process to integrate Aboriginal needs, rights and interests with natural resource management considerations, in order to help ensure sustainable development within an area. That is the case with the Quebec Mashteuatsh Innu, who have been involved in the implementation of the Canadian Standards Association (CSA) and, currently, the Forest Stewardship Council (FSC) sustainable forest management standards. Since 2006, we have also been working with them to achieve a large-scale reforestation of old burned areas.

Silviculture

In the Quebec Mauricie region, AbitibiBowater contracts a company owned by the Manouane Atikamekw community to provide silviculture services. Since 2004, this First Nations business has planted more than 8.5 million trees and conducted plantation tending and pre-commercial thinning operations on more than 3,000 hectares (7,400 acres) of forest.

Focus on youth

We endorsed a landmark agreement signed in July 2008 by the Forest Products Association of Canada (FPAC) and the Assembly of First Nations, which commits First Nations and forest industry leaders to work together to strengthen Canada's forest sector through economic development initiatives, strong environmental stewardship and the creation of skill-development opportunities, particularly targeted to First Nations youth.

In fact, our Company has been a frontrunner in that regard. Since 2000, we have acted as the primary developer, coordinator and, now, major partner of the First Nations Natural Resources Youth Employment Program in Ontario. Participants, known as Rangers, spend their summers working as members of AbitibiBowater crews carrying out vital reforestation work enabling them to gain the skills and experience required for careers in forestry.

Landmark agreement

Another long-standing collaboration involves our Thunder Bay (Ontario) sawmill, which has been operating since 2003. This sawmill is located on Fort William First Nation land in a building constructed by the First Nation and leased to our Company on a long-term basis. The Fort William First Nation, the federal and provincial governments and AbitibiBowater are now finalizing a unique agreement that would eventually see the industrial park that houses the sawmill returned to Aboriginal reserve status.

Finding solutions

Despite much successful collaboration, as a major forest stakeholder, we sometimes find ourselves involved in litigation regarding traditional land claims. When these situations arise, we endeavor to help the governments and Aboriginal groups find a workable solution. That is why, in June 2008, we made a significant move to facilitate resolution of the Government of Ontario's long-running dispute with the Grassy Narrows First Nation by deciding to no longer use fiber harvested in the disputed Whiskey Jack Forest.

United effort to protect Cumberland Plateau

In June 2005, a historic memorandum of understanding (MOU) was signed with the Dogwood Alliance and the Natural Resources Defense Council to enhance the protection of forests on Tennessee's Cumberland Plateau as well as in other parts of the southern United States.

Highlights of the MOU include: commitments to promote the management of natural forests; the study of certain lands of exceptional ecological, geological or historical significance on the Cumberland Plateau; and commitments to identify and promote recycling opportunities. All three parties continue to engage in regular dialogue regarding the MOU commitments and their implementation.



Constructive dialogue with ENGOs

AbitibiBowater is committed to openly engaging with environmental non-governmental organizations (ENGOs) to find solutions that address our mutual interest in the sustainability of forests.

As a high-profile forest products company, we are inevitably subject to intense debates about sustainable forestry practices and the environment — and have been targeted on occasion by market campaigns conducted by ENGOs with the aim of influencing our customers' choice of suppliers. Such tactics, no matter how well-intentioned, often cloud the issues and lead to confusion in the public's mind.

At AbitibiBowater, we believe constructive dialogue supported by meaningful action is the best way to address issues relating to forestry practices and regulations.

Such dialogue does not always achieve the desired outcome. In 2008, discussions with Greenpeace Canada aimed at establishing a long-term collaboration unfortunately reached an impasse on the subject of specific conservation measures in the boreal forest. However, we remain open to a renewal of our dialogue with Greenpeace, while pursuing closer collaboration with other ENGOs as we have in the past.



AbitibiBowater foresters and Dogwood Alliance representatives discuss hardwood forest management on Tennessee's Cumberland Plateau.

Next Steps

- ✓ Establish a corporate-wide, cross-functional Sustainability Committee with a mandate to seek out and pursue opportunities to further advance all aspects of our sustainability agenda;
- ✓ Implement a structured approach designed to facilitate enhanced dialogue and collaboration with

diverse stakeholders — particularly communities — in order to better understand their concerns and benefit from their insights;

- ✓ Implement action plans to achieve our 2009 OSHA target of 1.60 and to further reduce the severity of injuries throughout the organization.

Quality Products for a Changing World

Newsprint

AbitibiBowater supplies publishers worldwide with quality newsprint — including varieties made of up to 100% recycled fiber. In addition to newspapers, our newsprint is utilized for a wide range of other printed material such as advertising inserts, flyers, brochures, circulars, directories and commercial guides. Almost 45% of our newsprint production is sold to markets outside North America.



Market Pulp

AbitibiBowater offers a complete spectrum of quality northern and southern hardwood, softwood and fluff pulp products. Our market pulp is used to manufacture an array of products — everything from tissues to paper towels, filter paper, disposable diapers and other absorbent products, as well as printing and writing papers.



Commercial Printing Papers

AbitibiBowater is a global leader in the production of commercial printing papers. Our coated and uncoated papers are used for magazines, catalogs, direct-mail inserts, manuals, directories, maps, advertising inserts and flyers, as well as books. We also offer the largest range of book papers in North America.



Wood Products

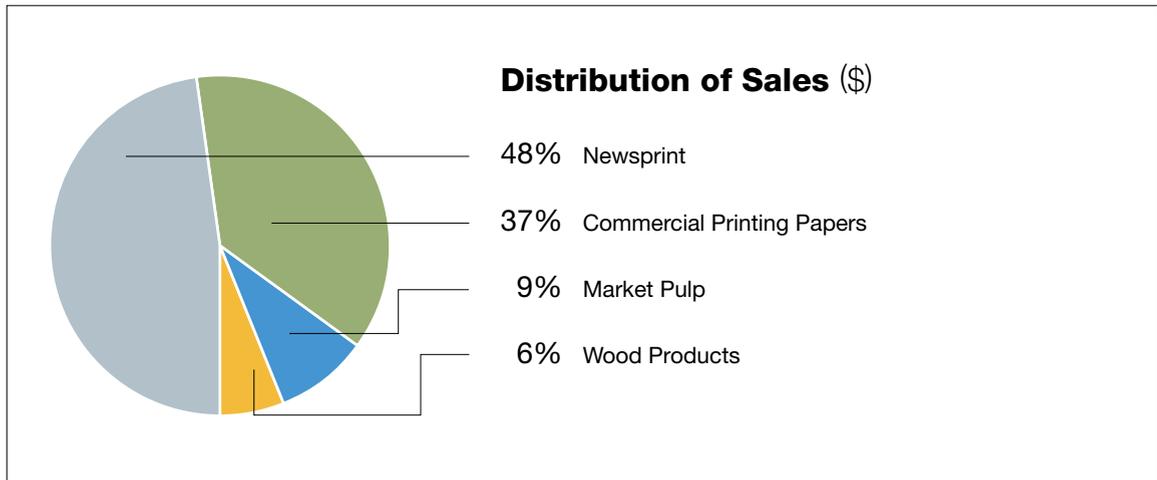
AbitibiBowater is the largest lumber producer in Eastern Canada, supplying the structural and industrial markets as well as do-it-yourself retail outlets in major markets across the continent. We also remanufacture and engineer wood to maximize its strength and create value-added products for use in specialized applications like structural roofing and flooring components, bed frames and decking.



AbitibiBowater Profile

Incorporated in Delaware and headquartered in Montreal, Quebec, AbitibiBowater is one of the largest publicly traded pulp and paper manufacturers in the world, with operations in the United States, Canada, the United Kingdom and South Korea.

AbitibiBowater produces a wide range of newsprint, commercial printing papers, market pulp and wood products, serving customers in more than 90 countries. The Company is also among the world's largest recyclers of old newspapers and magazines, and has third-party certified 100% of its managed woodlands to sustainable forest management standards.



Additional Information

We welcome your feedback. Inquiries or comments should be directed to AbitibiBowater's Sustainability and Environment Department at corporate headquarters.

AbitibiBowater Inc.
1155 Metcalfe Street, Suite 800
Montreal, Quebec H3B 5H2
CANADA

514-875-2160
eco.info@abitibibowater.com

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An aerial photograph of a vast, dense forest. The trees are a mix of dark green and lighter green, suggesting different species or stages of growth. A winding river or stream flows through the forest, visible as a dark blue line. The lighting is bright, creating strong shadows and highlights on the forest canopy. A white dashed line runs diagonally across the lower half of the image.

AbitibiBowater produces a broad range of forest products marketed in more than 90 countries.