
TEMBEC INC.

AUDIT COMMITTEE CHARTER

I. OVERALL PURPOSE / OBJECTIVES

The Audit Committee (the “Committee”) will assist the Board of Directors (the “**Board**”) of Tembec Inc. (the “**Corporation**”) in fulfilling its oversight responsibilities. The Committee will review the financial reporting process, the system of internal control and management of financial risks, the audit process, the attestation process regarding internal controls and the Corporation’s process for monitoring compliance with laws and regulations and its own corporate policies. In performing its duties, the Committee will maintain effective working relationships with the Board, management, and the internal and external auditors. The Corporation shall ensure that appropriate funding is provided to the Committee to compensate the auditors and any other advisors engaged by the Committee, as well as for ordinary administrative expenses.

Subject to any power (i) conferred to the Committee under the Corporation’s by-laws or any applicable laws, rules or regulations (including those of any stock exchange), or (ii) otherwise assigned to the Committee by resolution of the Board of Directors, the Committee shall have no decision-making authority other than as specifically contemplated in this Charter.

II. COMPOSITION

The Committee shall consist of not fewer than three directors, each of whom shall be “independent”, as defined in applicable securities legislation. All members of the Committee shall be “financially literate”, as defined in applicable securities legislation. Members of the Committee shall be appointed by the Board and shall serve at the pleasure of the Board. Unless a chairman is appointed by the Board, the members of the Committee will select its chairman (the “**Chairman**”).

III. MEETINGS

The Committee shall meet at least four times annually. The Committee shall meet at least quarterly with the external auditors and at least annually with the internal auditors to discuss any matters that the Committee believes should be discussed, including privately held conversations. Meetings of the Committee may be called by its Chairman or the chairman of the Board, the external auditors or the internal auditors. Minutes of all meetings of the Committee shall be maintained and submitted as soon as practicable to the Board. In addition, the Committee will report to the Board on the Committee’s activities at the Board meeting following each Committee meeting.

A majority of Committee members shall constitute a quorum.

The members of the Committee shall have the right, for the purposes of discharging the powers and responsibilities of the Committee, to inspect any relevant records of the Corporation and its subsidiaries. The Committee shall also have the authority to hire independent counsel and other advisors at the Corporation's expense, if necessary to carry out its duties and the authority to set and pay the compensation for any independent counsel or advisor employed by the Committee. The Committee shall also have the authority to communicate directly with internal and external auditors.

IV. RESPONSIBILITIES AND DUTIES

The Audit Committee shall:

Documents/Reports Review

- (1) Review and reassess the adequacy of this Charter annually, report to the Board thereon and ensure that it is reproduced in the annual information form on an annual basis and posted in an up-to-date format on the Corporation's website.
- (2) Review and discuss with management and the external auditor and, if appropriate, recommend for approval by the Board prior to any disclosure:
 - (i) interim unaudited financial statements;
 - (ii) audited annual financial statements, in conjunction with the report of the external auditors; and
 - (iii) all public disclosure documents containing audited or unaudited financial information, including management's discussion and analysis of financial condition and results of operations, any prospectus and annual and interim earnings press releases.

This review shall include, where appropriate, an examination of:

- (i) the existence and substance of significant accruals, estimates, or accounting judgments;
 - (ii) transactions with related parties and adequacy of disclosures; and
 - (iii) qualifications, if any, contained in letters of representation and the contents of review or audit reports from the Corporation's external auditors, with respect to the Corporation's financial statements.
- (3) Review any report which accompanies published financial statements (to the extent such a report discusses financial condition or operating results) for consistency of disclosure with the financial statements themselves.

- (4) Obtain an explanation from management of all significant variances between comparative reporting periods and an explanation from management for items which vary from expected or budgeted amounts as well as from previous reporting periods.
- (5) Review uncertainties, commitments, and contingent liabilities material to financial reporting.

External Audit

- (6) Recommend to the Board the firm to be proposed to the Corporation's shareholders for appointment or reappointment as external auditors and recommend the fees to be paid to the external auditors. The external auditors are accountable to the Board and the Committee, as representatives of the Corporation's shareholders, and the external auditors shall confirm same in their annual engagement letter. The external auditors must report directly to the Committee.
- (7) Pre-approve all services to be provided by the external auditors to the Corporation or any of its subsidiaries or adopt specific policies and procedures for the engagement of such services, provided that such pre-approval policies and procedures are detailed as to the particular service, the Committee is informed of each service and the procedures do not include delegation of the Committee responsibilities to management. The Committee may delegate to one or more members of the Committee the authority to pre-approve services provided by external auditors, provided that such member or members must present any such services so approved to the full Committee at its first scheduled meeting following such pre-approval.
- (8) On an annual basis, review and discuss a written report by the external auditors detailing all factors that might have an impact on the auditors' independence, including all services provided and fees charged by the external auditors.
- (9) Oversee the work, review the performance of the external auditors and approve any proposed change of the external auditors. In such a case, approve the information required to be disclosed by regulations.
- (10) Approve the scope and plan of the annual audit, of the attest services and require the external auditors to review the quarterly financial statements and related documents.
- (11) Review the audit findings and recommendations and management's response thereto.

- (12) Review any analysis prepared by management and/or the external auditor setting forth significant financial reporting issues and judgements made in connection with the preparation of the financial statements, including any analysis of the effects of alternative generally accepted accounting principles methods on the financial statements.
- (13) Review annually with the external auditors the acceptability and the quality of the implementation of generally accepted accounting principles focused on the accounting estimates and judgments made by management and their selection of accounting principles.
- (14) Review any disagreement between management and the external auditors regarding financial reporting and, to the extent possible, resolve any such disagreements.
- (15) At least annually consult with the external auditors out of the presence of management about the adequacy of internal controls (including the steps to be adopted in light of any material control deficiencies), the fullness and accuracy of the financial statements and any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.
- (16) Monitor the rotation of the lead audit partner, concurring partner and other audit partners.
- (17) Review and approve the Corporation's hiring of any partners, employees and former partners and employees of its present external auditors and of its former external auditors.

Internal Audit and Internal Control

- (18) Review any decisions related to the need for internal auditing, including whether this function should be outsourced and in that case, approve the supplier which shall not be the external auditors.
- (19) Review and approve the appointment or removal of the director of internal audit who shall report to a senior officer other than the Corporate Controller.
- (20) Approve the mandate of the internal audit function, and review annually the internal audit plan and the corresponding budgets.
- (21) Ensure that management has established and maintained adequate internal controls and procedures for financial reporting and accounting, with particular emphasis on controls over computerized systems, and review annually a management assessment of the effectiveness of internal controls. In the event of a material deficiency in internal controls, the Committee shall work with the external auditors and internal auditors to resolve such deficiency.

- (22) Review significant internal audit findings, recommendations and management's response.
- (23) Ensure the coordination of the work between internal and external auditors.
- (24) Ensure the internal auditor has ongoing access to the Chairman as well as all officers of the Corporation, particularly the chairman of the Board and the President.
- (25) At least annually, undertake private discussions with staff of the internal audit function to establish internal audit independence, the level of co-operation received from management, the degree of interaction with the external auditor, and any unresolved material differences of opinion or disputes.

Financial Risk Management

- (26) Review periodically and inquire of management, the internal auditors and the external auditors concerning the financial risk or exposures of the Corporation and assess the steps management has taken to control such risks. Business financial risks include, but are not limited to, risks in the nature of treasury-related risks (including foreign exchange risks), information systems-related risks, disclosure quality and standards relating to financial reporting.

Financial Reporting Processes

- (27) In consultation with the external auditors and the internal auditors, review the integrity and adequacy of the financial reporting processes, both internal and external, including procedures for review of the Corporation's public disclosure of financial information extracted or derived from its financial statements.
- (28) Consider and approve, if appropriate, changes to the accounting principles and practices as recommended by the external auditors, management or the internal auditors.

Disclosure Policy Oversight

- (29) Review, report and, where appropriate, provide recommendations to the Board on the Corporation's disclosure policy and other related policies and procedures, and recommend changes as deemed appropriate. The Committee, in performing this task, will review any reports on or proposed amendments to the disclosure policy submitted to it by the Disclosure Committee.
- (30) Assist the Disclosure Committee and the Board in interpreting and applying the Corporation's disclosure policy and other related policies and procedures.
- (31) Oversee compliance with the Corporation's disclosure policy.

Legal compliance and other responsibilities

- (32) Review incidents of fraud, illegal acts, conflicts of interest and related-party transactions.
- (33) Establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
- (34) Review claims or potential claims and any other legal matters as reported to the Committee that could have an impact on the financial statements.
- (35) Satisfy itself that the corporate expense policy is being enforced in relation to officers of the Corporation.
- (36) Review material matters relating to audits of subsidiaries.
- (37) Review, assess and, if appropriate, recommend for approval by the Board any and all new borrowings.
- (38) Perform any other activities consistent with this Charter, the Corporation's by-laws and policies and governing laws, as the Committee or the Board deems necessary or appropriate.

Remuneration of Committee Members

- (39) No member of the Committee may earn fees from the Corporation or any of its subsidiaries other than fees for acting as a member of the Board or any Board committee (which fees may include cash or other in-kind consideration ordinarily available to directors, as well as all of the regular benefits that other directors receive). For greater certainty, no member of the Committee shall accept, directly or indirectly, any consulting, advisory or other compensatory fee from the Corporation.