

# **BOWATER INCORPORATED**

## **HUMAN RESOURCES AND COMPENSATION COMMITTEE CHARTER**

Amended February 24, 2005

### **1. Purpose**

The purpose of the Human Resources and Compensation Committee (the “Committee”) is to discharge certain responsibilities of the Board of Directors (the “Board”) with respect to (i) human resources strategy, policies and programs and (ii) matters relating to utilization of human resources. Without limiting the foregoing, the Committee shall evaluate the compensation of the Chief Executive Officer (“CEO”) of Bowater Incorporated and the officers who report directly to the CEO (together with the CEO, the “Senior Executives”) and assure that they are compensated effectively in a manner consistent with the stated compensation strategy of the Company and the requirements of the appropriate regulatory bodies. The Committee shall have the authority and responsibilities vested in it by the benefit plans of the Company. The Committee shall produce an annual report on executive compensation for inclusion in the Company’s proxy statement. In addition, the Committee shall evaluate and make recommendations regarding the compensation of Directors.

### **2. Membership and Member Qualifications**

The Committee shall consist of two or more “independent” Directors in accordance with the definition set forth in the Company's Corporate Governance Principles. The Committee members shall be appointed by the Board annually for terms of one year, or until their successors shall be duly elected and qualified. The Board may remove any Committee member at any time. The Board shall elect a Committee Chair.

### **3. Meetings and Operations**

The Committee shall meet as often as necessary to carry out its responsibilities, but not less frequently than twice each year. Meetings may be called by the Committee Chair, by the Chairman of the Board, or by a majority of the Committee members. The Committee may create one or more subcommittees and may delegate, in its discretion, a portion of its responsibilities to such subcommittees.

All meetings of and actions by the Committee shall be held or otherwise taken pursuant to the Company’s By-Laws, including provisions governing notices of meetings, waivers of notice, the number of Committee members required to take action at meetings or by written consent, and other related matters. The Committee shall report to the Board on its activities after each of its Committee meetings.

The Committee shall review and assess the adequacy of this Charter annually and, as appropriate, shall recommend changes to the Board. The Committee shall undertake and review with the Board an annual performance evaluation of the Committee which shall compare the performance of the Committee with the requirements of this Charter. The performance evaluation by the Committee shall be conducted in such manner as the Committee deems appropriate. Each of the Committee's reports to the Board may take the form of an oral report by the Committee Chair or his or her delegate.

#### **4. Goals, Responsibilities and Authority**

In carrying out its purpose, the Committee shall have the following goals, responsibilities and authority. The Committee shall:

A. Review from time to time, modify if necessary, and approve the structure of the Company's executive compensation to ensure that such structure is appropriate to achieve the Company's objectives of (1) rewarding the Company's Senior Executives appropriately for their contributions to the Company's growth and profitability and the Company's other goals and objectives and (2) linking the interests of the Company's Senior Executives to the interests of the Company's equity owners.

B. Review from time to time the Company's benefit plans and human resources policies and recommend any proposed changes to the board or management, as appropriate. Receive periodic reports on human resources and industrial relations matters.

B. Annually evaluate the compensation of the CEO, and determine the amounts and individual elements of total compensation for the CEO consistent with the Company's corporate goals and objectives. Annually and in conjunction with the Nominating and Governance Committee, review and approve the corporate goals and objectives relating to CEO compensation and to assess the CEO's performance in light of those corporate goals and objectives. Annually evaluate, in connection with the CEO, the compensation and performance relative to compensation of the other Senior Executives and approve the individual elements of total compensation for each such Senior Executive. Communicate in the Company's annual proxy statement the factors and criteria on which the CEO's compensation for the last year was based and the relationship of the Company's performance to executive compensation.

In determining executive compensation, the Committee shall consider the Company's performance versus its financial and strategic objectives and the creation of shareholder value, the compensation of executives employed by comparable companies, and individual performance measures.

C. Periodically evaluate the terms and administration of the Company's Senior Executive incentive plans to assure that they are structured and administered in a manner consistent with the Company's goals and objectives.

D. Periodically evaluate and approve proposed amendments to existing Senior Executive equity-based plans and evaluate and approve the adoption of any new equity-based plans.

Determine when it is necessary or otherwise desirable to (1) modify, discontinue or supplement any such plans, or (2) submit such amendment or adoption to a vote of the Board and/or to the Company's shareholders (upon the advice of counsel).

E. Fulfill the responsibilities vested in the Committee by the Company's compensation and benefit plans.

F. Recommend to the Board compensation for Directors and for members and chairs of Board committees and the terms and awards of any stock compensation for Directors taking into consideration substantial charitable contributions, if any, made by the Company to any organization with which a Director is affiliated.

G. The Committee shall review and approve employment, severance and change in control agreements, as well as any special or supplemental benefit arrangements, for Senior Executives.

H. Periodically recommend to the Board, in consultation with the CEO, nominees to serve as officers of the Company.

I. Other Matters

(1) Address any other subject within the purpose of the Committee as determined by the Committee Chair or by the Chairman of the Board.

(2) Exercise such other powers and perform such other duties and responsibilities as are incidental to the purpose, responsibilities and authority specified in this Charter, as may be delegated from time to time to the Committee by the Board, and as designated in plan documents.

## **5. Compensation of Employees Other Than Senior Executives.**

Unless otherwise prohibited by any applicable governmental or listing authority rule or regulation, the Committee delegates to the CEO the authority for making recommendations to the Board with respect to compensation and incentive- and equity-based plans for employees who are not Senior Executives.

## **6. Additional Resources**

The Committee shall have the right to retain appropriate advisors to the extent it deems necessary or appropriate.