

Norbord Inc.
AUDIT COMMITTEE – TERMS OF REFERENCE

Role of Audit Committee

The role of the Audit Committee is to assist the Board in its oversight of the integrity of the financial and related information of the Company including its financial statements, the internal controls and procedures for financial reporting and the processes for monitoring compliance with legal and regulatory requirements and to review the independence, qualifications and performance of the external auditor of the Company. Management is responsible for the preparation, presentation and integrity of the financial statements and for establishing and maintaining the above noted controls, procedures and processes and the Audit Committee is appointed by the Board to review and monitor them.

Authority and Responsibilities

In carrying out its role, the Audit Committee has the following authority and responsibilities:

1. ***Financial information and reporting*** –
 - (a) to review and discuss with management and the external auditor, as appropriate:
 - (i) the annual audited financial statements and the interim financial statements including the accompanying Management’s Discussion and Analysis; and
 - (ii) other releases containing information taken from the Company’s financial statements prior to their release; and
 - (b) to review the Company’s financial reporting and accounting policies and any proposed material changes to them or their application;
2. ***Internal controls*** – to review, with the Chief Financial Officer (“CFO”), the external auditor and others, as appropriate, the Company’s system of internal controls;
3. ***External audit*** –
 - (a) to recommend to the Board, for shareholder approval, the external auditor to examine the Company’s accounts, controls and financial statements on the basis that the external auditor is accountable to the Board and the Audit Committee as representatives of the shareholders of the Company;
 - (b) to evaluate the audit services provided by the external auditor, pre-approve all audit fees and recommend to the Board, if necessary, the replacement of the external auditor;
 - (c) to pre-approve any non-audit services to be provided to the Company or its subsidiaries by the external auditor and the fees for those services;
 - (d) to obtain and review at least annually a written report by the external auditor setting out the auditor’s internal quality control procedures, any material issues raised by the auditor’s internal quality control reviews and the steps taken to resolve those issues; and
 - (e) to review at least annually the relationships between the Company and the external auditor in order to establish the independence of the external auditor;

- (f) to oversee the work of the external auditor, including the resolution of disagreements between management and the external auditors regarding financial reporting.
 - (g) to communicate directly with the internal and external auditors.
4. **Risk management** – to review and monitor the Company’s major financial risks and risk management policies and the steps taken by management to mitigate those risks; and
5. **Compliance** –
- (a) to review the Company’s financial reporting procedures and policies relating to compliance with legal and regulatory requirements and to investigate any non-adherence to those procedures and policies; and
 - (b) to establish procedures for the receipt and treatment of any complaint regarding accounting, internal accounting controls or auditing matters including procedures for the confidential, anonymous submissions by employees of concerns regarding questionable accounting or auditing matters.

Composition and Procedures

1. **Size** – The Audit Committee will consist of a minimum of three Directors. The members of the Committee are appointed by the Board upon the recommendation of the Corporate Governance and Nominating Committee and may be removed by the Board in its discretion.
2. **Qualifications** – All members of the Committee must be “independent” within the meaning of sections 1.4 and 1.5 of Multilateral Instrument 52-110. All members of the Committee must be “financially literate”, i.e., have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the financial statements of the Company.
3. **Meetings** – The Committee will meet at least four times a year and a portion of each meeting will be held without the presence of management.
4. **Review of Financial Statements** – The Committee will review the Company’s annual audited financial statements with the CEO and CFO and then the full Board. The Committee will review the interim financial statements with the CEO and CFO. The external auditor will be present at these meetings.
5. **Review of CEO and CFO Certification Process** – In connection with its review of the annual audited financial statements and interim financial statements, the Committee will also review the process for the CEO and CFO certifications with respect to the financial statements and the Company’s disclosure and internal controls, including any material deficiencies or changes in those controls.
6. **Review of Earnings and Other Releases** – The Committee will review with the CFO any news release containing financial information taken from the Company’s financial statements prior to the release of the financial statements to the public. The committee will satisfy itself that adequate procedures are in place for the review of the Company’s public disclosure of financial information extracted or derived from the Company’s financial statements and will periodically assess the adequacy of those procedures.
7. **Approval of Audit and Non-Audit Services** – In addition to recommending to the Board the external auditor to examine the Company’s financial statements and the compensation of the

external auditor for audit services, the Committee must approve any use of that external auditor to provide non-audit services prior to its engagement. It is the Committee's practice to restrict the non-audit services that may be provided by the external auditor in order to minimize relationships that could appear to impair the objectivity of the external auditor.

8. ***Hiring Guidelines for Independent Auditor Employees*** – The Committee will adopt guidelines regarding the hiring of any partner, employee, reviewing tax professional or other person providing audit assurance to the external auditor of the Company on any aspect of its Audit Report of the Company's financial statements.
9. ***Audit Partner Rotation*** – The Committee will ensure that the lead audit partner assigned by the external auditor to the Company, as well as the independent review partner charged with reviewing the financial statements of the Company, are changed at least every five years.
10. ***Process for Handling Complaints about Accounting Matters*** – The Committee has established the following procedure for the receipt and treatment of any complaint received by the Company regarding accounting, internal accounting controls or auditing matters:
 - (a) The Company will make available and make known special mail and e-mail addresses and telephone numbers for receiving complaints regarding accounting, internal accounting controls or auditing matters;
 - (b) Copies of complaints received will be sent to the members of the Committee;
 - (c) All complaints will be investigated by the Company's finance staff, except as otherwise directed by the Committee. The Committee may request that outside advisors be retained to investigate any complaint; and
 - (d) The status of each complaint will be reported on a quarterly basis to the Committee and, if the Committee so directs, to the full Board. The Company's Code of Business Conduct prohibits any Director, officer or employee of the Company from retaliating or taking any adverse action against anyone for raising or helping to resolve a complaint.
11. ***Evaluation*** – The Committee will conduct and present to the Board an annual evaluation of the performance of the Committee and the adequacy of these terms of reference and recommend any proposed change to the Board for approval.
12. ***Other Matters*** – The Committee will conduct reviews and, where appropriate, recommend action by the Board, on:
 - (a) The Annual Information Form to be filed by the Company;
 - (b) Regular reports on outstanding litigation that could have a material effect on the Company;
 - (c) An annual certificate of the CEO attesting that senior management of the Company have received and agreed to be bound by the Company's Code of Business Conduct and as to compliance with the Code;
 - (d) An annual report on officers' expenses;
 - (e) An annual report on consulting and legal fees paid by the Company; and
 - (f) An annual report on the Company's insurance coverage and costs.