

Norbord Inc.
BOARD OF DIRECTORS – TERMS OF REFERENCE

Role of Board

The role of the Board of Directors is to supervise the business and affairs of the Company, which are conducted by its officers and employees under the direction of the Chief Executive Officer (“CEO”), to enhance the long-term value of the Company. The Board is elected by the shareholders to oversee management to ensure that the best interests of the Company as a responsible corporate citizen are advanced in a manner that recognizes the concerns of stakeholders in the Company including its shareholders, creditors, employees, suppliers, customers and the communities in which it operates.

Authority and Responsibilities

The Board of Directors meets regularly to review reports by management on the performance of the Company. In addition to the general supervision of management, the Board, directly or through its committees, performs the following functions:

1. **Strategic Planning** – overseeing the strategic planning process within the Company and reviewing, approving, on at least an annual basis, and monitoring the strategic plan for the Company including fundamental financial and business strategies and objectives;
2. **Risk Assessment** – assessing the major risks facing the Company and reviewing, and monitoring appropriate systems to manage those risks;
3. **CEO** – developing a position description for the CEO including the corporate objectives that the CEO is responsible for meeting, and selecting, evaluating and compensating the CEO;
4. **Senior Management** – overseeing the selection, evaluation and compensation of senior management and monitoring succession planning;
5. **Communication** – reviewing and monitoring communications by and to the Company including its disclosure policy and a system for receiving feedback from stakeholders in the Company;
6. **Maintaining Integrity** – reviewing and monitoring the controls and procedures within the Company to maintain a culture of integrity including its internal controls and procedures for financial reporting, and compliance with its Code of Business Conduct; and
7. **Corporate Governance** – reviewing and maintaining the corporate governance principles and guidelines of the Company.

In addition to those matters that must, by law, be approved by the Board, specific Board approval must be obtained for:

1. Any capital disposition or expenditure in excess of \$3 million and any cost overrun on any project in excess of \$2 million;
2. Any new loan agreement or guarantee for an amount in excess of \$10 million; and
3. Any other material agreement or arrangement that is not in the ordinary course of business of the Company.

Composition and Procedures

1. ***Size of Board and Selection Process*** – The Directors of the Company are elected each year by the shareholders at the Annual Meeting of Shareholders. The Corporate Governance and Nominating Committee proposes to the full Board the nominees for election to the Board and the Board proposes a slate of nominees to the stakeholders for election. Any shareholder may propose a nominee for election to the Board either by means of a shareholder proposal upon compliance with the requirements prescribed by the *Canada Business Corporations Act* or at the annual meeting. The Board also determines the number of Directors on the Board, subject to a minimum of eight and a maximum of 20. Between annual meetings, the Board may appoint Directors to serve until the next annual meeting.
2. ***Qualifications*** – Directors should have the highest personal and professional ethics and values and be committed to advancing the best interests of the shareholders of the Company. They should possess skills and competencies in areas that are relevant to the Company's activities. A majority of the Directors will be "independent" Directors within the meaning of Section 1.4 of Multilateral Instrument 52-110.
3. ***Election of Directors*** – The Board requires any Director to offer his or her resignation if he or she has not received at least 50% of the votes cast at the annual shareholders meeting in favour of his or her election to the Board. The Board will evaluate the impact of the change on the composition of the Board and accept or reject the resignation as appropriate.
4. ***Share Ownership*** – The Board requires each Director to own, directly or indirectly, common shares or deferred share units equal in value to at least three times the annual Director retainer fee based on the acquisition cost of the common shares or deferred share units. New Directors will have five years from the date of joining the Board to achieve this minimum share ownership requirement.
5. ***Change in Personal Circumstances*** – The Board requires any Director to offer his or her resignation if there has been a relevant change in his or her personal circumstances, or if he or she has not attended at least 75% of the regularly scheduled Board and relevant committee meetings in the most recent 12-month period. The Board will evaluate the impact of the change on the composition of the Board and accept or reject the resignation as appropriate.
6. ***Orientation and Continuing Education*** – The Corporate Governance and Nominating Committee is responsible for overseeing the orientation and continuing education programs for new and existing Directors. The Chief Executive Officer and the Chief Financial Officer are responsible for the execution of an orientation and education program for new Directors. Each new Director must, within three months of becoming a Director, spend one day at the head office of the Company for personal briefings by senior management on the Company's strategic plan, major risks and other key business matters. The Directors are provided with information on an ongoing basis relating to the operations of the Company and changes in applicable law and tour the different facilities of the Company.
7. ***Meetings*** – The Board has at least four scheduled meetings a year. The Board is responsible for its agenda. Prior to each Board meeting, the CEO will discuss agenda items for the meeting with the Chair of the Board. Materials for each meeting are distributed to the Directors in advance and Directors are expected to review such materials prior to the meeting. At the conclusion of each Board meeting the independent Directors meet without management present.

8. ***Committees*** – The Board has established the following standing committees to assist the Board in discharging its responsibilities – Audit, Corporate Governance and Nominating, Environmental, Health and Safety and Human Resources. Special committees are established from time to time to assist the Board in connection with specific matters. The chair of each committee reports to the Board following meetings of the committee. The terms of reference of the Board and each standing committee are reviewed annually by the Board.
9. ***Evaluation*** – The Corporate Governance and Nominating Committee performs an annual evaluation of the effectiveness of the Board as a whole, the committees of the Board and the contributions of individual Directors. Each standing committee also conducts an evaluation of its performance and terms of reference.
10. ***Compensation*** – The Corporate Governance and Nominating Committee recommends to the Board the compensation for non-management Directors. In reviewing the adequacy and form of compensation and benefits, the Committee seeks to ensure that the compensation reflects the responsibilities and risks involved in being a Director of the Company and align the interests of the Directors with the best interests of the stakeholders.
11. ***Access to Independent Advisors*** – The Board and any committee may at any time retain outside financial, legal or other advisors at the expense of the Company. Any Director may, subject to the approval of the Chair of the Board, retain an independent advisor at the expense of the Company.
12. ***Feedback from Stakeholders*** – The CEO will ensure that the Board is kept apprised of noteworthy stakeholder feedback and where the Board deems it appropriate, a member of the Board may respond directly to stakeholders in this regard.