

Norbord Inc.
CORPORATE GOVERNANCE PRACTICES

Norbord Inc. (“Norbord”) is committed to following sound corporate governance policies and practices to ensure that the interests of our stakeholders, including our shareholders, employees, creditors and the communities in which we operate are continuously maintained.

Role of Board of Directors

The Board of Directors is responsible for overseeing the management of Norbord’s affairs directly and through its Committees. At all times, the Board intends to act in the best interests of Norbord.

Among its principal responsibilities, the Board:

- Reviews and approves Norbord’s overall business strategy and its annual business plan;
- Reviews the risks and alternatives in Norbord’s business to ensure appropriate systems or plans are in place to manage these risks;
- Reviews and approves strategic initiatives and capital investment plans to ensure Norbord’s proposed actions are consistent with stakeholders’ reasonable objectives and expectations;
- Appoints the Chief Executive Officer (“CEO”) and approves the appointment of senior management;
- Establishes a compensation plan for the CEO and approves the compensation of senior management;
- Assesses management’s performance against approved business plans and key industry performance indicators;
- Reviews succession and development plans for senior management;
- Reviews and approves disclosure controls and procedures, internal controls and procedures for financial reporting and compliance with the Code of Business Conduct intended to ensure integrity within Norbord;
- Approves Norbord’s financial reports to shareholders;
- Sets the Company’s dividend policy and approves dividend payments, when appropriate;
- Ensures the effective operation of the Board and its Committees;
- Ensures policies and processes are in place to address key business issues of the Company including financial, environment, health and safety, business conduct, pension management and communications; and

- Approves significant and material issues. In addition to those matters that must, by law, be approved by the Board, Norbord's Board also must approve:
 - Any capital disposition or expenditure in excess of \$3 million and any cost overrun on any project in excess of \$2 million, whichever is less;
 - Any new third party loan agreement or guarantee for an amount in excess of \$10 million;
 - Changes in senior management at the Company; and
 - Any other material agreement or arrangement that is not in the ordinary course of business.

Role of Chair

The Board of Directors has adopted the following written position description for the Chair of the Board. The Chair is appointed by the Board of Directors. The role of the Chair is as follows:

1. Manage the business of the Board and ensure that the functions identified in the terms of reference of the Board are being effectively carried out by the Board and its Committees;
2. Ensure that all Directors receive the information required for the proper performance of their duties;
3. Ensure that the appropriate Committee structure is in place and recommend appointments to such Committees;
4. Lead in the annual review of Director and Board performance and make recommendations for changes when appropriate; and
5. Work with the CEO and senior management to monitor progress on strategic planning, policy implementation and succession planning.

Meetings of the Board

The Board of Directors meets at least quarterly, with additional meetings scheduled when required. While most Board meetings are held at the Norbord corporate office in Toronto, meetings are periodically held at an operating location. This gives the Directors an opportunity to improve their understanding of the operations of Norbord.

Composition and Size of the Board

The Corporate Governance and Nominating Committee has examined the size of the Board and has concluded that nine is an appropriate number of Directors for the Company. The nominees for the Board of Directors comprises nine Directors, including eight independent Directors, three of whom are associated with the Company's principal shareholder, Brookfield Asset Management Inc., and one non-independent Director being the CEO. The Board considers that this combination leads to a constructive exchange of views in Board deliberations resulting in objective, balanced and informed decision-making.

The Company's Directors represent a diverse base of business skills and experiences to ensure effective oversight and reporting.

Independent Directors – (Eight of Nine)

Jack L. Cockwell
Dian N. Cohen
Pierre Dupuis
Gordon E. Forward
Dominic Gammiero
Robert J. Harding
Neville W. Kirchmann
Margot E. Northey

Non-Independent Directors – (One of Nine)

J. Barrie Shingleton

It is the policy and practice of the Board that at each meeting, the Directors meet and discuss the Company's affairs without the management Director present for a portion of the meeting.

Committees of the Board

Board Committees assist in the effective functioning of the Company's Board of Directors. The composition of the Board Committees ensures that the views of independent Directors are effectively represented.

Norbord's Board of Directors has four standing Committees: the Audit Committee, the Corporate Governance and Nominating Committee, the Environmental, Health and Safety Committee and the Human Resources Committee. It is the Board's policy that each Committee meets without the management Director present for a portion of each of its meetings.

Special committees may be formed from time to time as required to review particular matters or transactions.

Full terms of reference for each of the standing Committees are available on the Company's web site at www.norbord.com.

Role of Committee Chair

The Board of Directors has adopted the following written position description for all Board Committee chairs. The chair of each Committee of the Board is appointed by the Board at the first Board meeting held after the annual shareholders meeting. The role of each Committee chair is as follows:

1. To ensure that the activities of the Committee are consistent with the Committee terms of reference;
2. To ensure that the Committee meets as many times as necessary to carry out its duties and responsibilities effectively;
3. In co-operation with Norbord's management team, as appropriate, to review meeting agendas to ensure all required business is brought before the Committee to enable the Committee to carry out its duties and responsibilities;
4. To report to the Board at the next Board meeting following any Committee meeting or upon the signing of a written resolution approving a decision or recommendation of the Committee;

5. To provide leadership to enable the Committee to act as an effective team in carrying out its duties and responsibilities; and
6. To carry out any other appropriate duties and responsibilities as assigned by the Board or delegated to the Committee.

Audit Committee

The Audit Committee, composed entirely of independent Directors, within the meaning of Sections 1.4 and 1.5 of Multi-lateral Instrument 52-110, assists 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. Its duties also include reviewing risk management practices and approving quarterly and annual financial filings.

Corporate Governance and Nominating Committee

The Corporate Governance and Nominating Committee, composed entirely of independent Directors, is responsible for the development and monitoring of the Company's corporate governance practices, Disclosure Policy and its Code of Business Conduct. Its duties include the identification and recommendation of potential nominees or appointees to the Board, and the assessment of the effectiveness of the Board, its size and composition, its committee structure and the individual performance of its Directors. The Committee also recommends compensation for Directors.

In considering and seeking potential nominees to the Board, the Committee assesses the skills and expertise of its current Board to determine the complimentary skills and experience that any potential candidates should possess. The Committee seeks candidates through recommendations sought from the current Board and Committee members and, when necessary, through recruitment firms. Once candidates have been identified, they are contacted to confirm their interest, credentials and availability to serve on the Board. Interviews of candidates are then conducted by members of the Committee and a recommendation is made to the Board.

Environmental, Health and Safety Committee

The mandate of the Environmental, Health and Safety Committee is to assist the Board in carrying out its responsibilities with respect to health, safety and environmental issues. The Committee reviews compliance with relevant Board resolutions and with the Company's environmental and health and safety policies, and assesses the effectiveness of the Company's environmental management processes and health and safety programs including the review of internal audits of these processes and programs.

Human Resources Committee

The Human Resources Committee approves the Company's compensation and benefits policy and monitors its implementation. It reviews management succession plans and considers appointments of officers of the Company. The Committee annually assesses the performance of the CEO against agreed targets and recommends the CEO's compensation to the Board. Together with the CEO, the Committee reviews the performance of senior officers of the Company and makes compensation recommendations to the Board. The Human Resources Committee is responsible for overseeing the funding, investment management and administration of Norbord Inc.'s employee retirement plans.

Norbord Management

The primary responsibility of management is to create long-term value in the Company based on an approved business strategy and action plan. The Board of Directors is responsible for ensuring the performance of management is adequate and to bring about any management change that will enable Norbord to perform satisfactorily. Norbord's corporate governance principles are intended to encourage autonomy and effective decision-making by management while ensuring scrutiny by Norbord's Board of Directors and its Committees.

Role of President and CEO

The Board of Directors has adopted the following written description for the President and CEO. The President and CEO reports to and is accountable to the Board of Directors. The President and CEO's role is as follows:

1. Provide leadership of the Company and, subject to approved policies and direction by the Board, manage the operation, organization and administration of the Company;
2. Present to the Board for approval a long-term vision for the Company together with strategies to achieve that vision, the risks and alternatives to these strategies and specific steps and performance indicators that will enable the Board to evaluate progress on implementing such strategies;
3. Propose to the Board for approval annual capital and operating plans that implement the Company's strategies together with key financial and other performance goals for the Company's activities and report regularly to the Board on the progress against these goals;
4. Act as the primary spokesperson for the Company to all its stakeholders;
5. Present to the Board for approval annually an assessment of the Company's management resources together with a succession plan that provides for the orderly succession of senior management including the recruitment, training and development required;
6. Recommend to the Board the appointment or termination of any officer of the Company other than the Chair; and
7. Develop and implement the systems and processes to support the policies established by the Board.

Board Information

The information provided by Norbord management to the Board of Directors is critical to the Board's effectiveness. In addition to reports presented to the Board at regular and special meetings, the Board is also informed on a timely basis by management of corporate developments and key decisions by management in pursuing Norbord's strategic plan.

All Directors have the opportunity to meet and participate in work sessions with management to obtain insight into the operations and business of the Company. Directors are also free to consult with members of management, whenever they so require, and to engage outside advisors with the Chair's authorization.

Orientation and Continuing Education

The Chief Financial Officer and the Assistant Corporate Secretary are responsible for providing an orientation and education program for new Directors. Each new Director is provided with information outlining the role of the Board, Committees and Directors. New Directors must, within three months of becoming a Director, spend one day at the head office of the Company for briefings by senior management on the Company's strategic plan, major risks and other key business matters.

The Company holds off-site Board meetings at one of its mill locations periodically, to provide the Directors with ongoing information on the Company's operations. Speakers on specialized industry topics are periodically invited to provide Directors with current and detailed information on the markets for the Company's products. Directors are advised on an ongoing basis of changes in applicable laws and regulations.

Management Remuneration

Norbord's remuneration policies are intended to provide a direct link between competitive industry compensation and Company and individual performance. Bonus compensation is reviewed annually by the CEO and the Human Resources Committee and approved by the Board of Directors. Periodic reviews of compensation practices are carried out to ensure management is fairly rewarded, based on performance.

Communications Policy

Norbord keeps shareholders informed of its activities and progress through a comprehensive annual report, quarterly reports and news releases. A regularly updated web site (www.norbord.com) provides additional information about the Company, including statutory filings and supplemental information provided to financial analysts and investors.

Directors and management meet with Norbord shareholders at the annual meeting, held in Toronto, and are available to respond to shareholder questions.

Norbord's investor relations program seeks to ensure that investors' inquiries are responded to in a timely manner. Management meets on a regular basis with investment analysts and financial advisors to ensure that accurate information is available to investors, including quarterly conference calls and web casts to discuss Norbord's performance. Norbord also endeavours to ensure news media is kept apprised of developments as they occur. All Norbord communications are carried out in accordance with the Company's Disclosure Policy, which is posted on Norbord's web site at www.norbord.com. This ensures fairness, accuracy and timeliness in reporting material information that is likely to affect the price of Norbord's publicly-traded securities.

Code of Business Conduct

The Board of Directors has adopted a written code of business conduct prescribing the minimum moral and ethical standards of conduct required of all Directors, officers and employees of the Company and its wholly-owned subsidiaries. A copy of the Code is available on the Company's web site at www.norbord.com.

The Corporate Governance and Nominating Committee is charged with reviewing the Code on an annual basis and recommending proposed changes to the Board for approval.

The Company provides, on an annual basis, a copy of the Code to designated employees, requiring them to sign an acknowledgment that they have received, read and understand the contents of the Code and agree to adhere to same.

All employees are required to disclose in writing to their supervisors all activities, investments or businesses that might create an actual or potential conflict of interest with their duties to the Company. Directors are required to consult with the Chair of the Board with respect to potential conflicts and abstain from voting when such matter is before the Board for approval.

All violations of law or of the Code must be reported. The Company has implemented an ethics reporting system allowing Directors, officers and employees to report, in confidence, a violation of law or with the Code to the CEO or the Chair of the Audit Committee, whose contact information can be found on the Company's web site at www.norbord.com. Norbord's ethics reporting system, Clearview Connects, can be also accessed from the Company's web site.