

NORBORD INC.

Annual Information Form

March 2, 2009



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Unless otherwise noted, all information contained in this Annual Information Form (“AIF”) is as at December 31, 2008.

All dollar amounts in this AIF are in US dollars unless otherwise specified.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

This AIF includes forward-looking statements, as defined by applicable securities legislation. Often, but not always, forward-looking statements can be identified by the use of words such as “believes,” “expects,” or “does not expect,” “is expected,” “targets,” “outlook,” “plans,” “scheduled,” “estimates,” “forecasts,” “intends,” “anticipates” or “does not anticipate” or variations of such words and phrases or statements that certain actions, events or results “may,” “could,” “would,” “might” or “will” be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Norbord to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

Examples of such statements include, but are not limited to, comments with respect to: (1) outlook for the markets for products; (2) expectations regarding future product pricing; (3) the outlook for operations; (4) expectations regarding mill capacity and production volumes; (5) objectives; (6) strategies to achieve those objectives; (7) expected financial results; (8) sensitivity to changes in product prices, such as the price of OSB; (9) sensitivity to key input prices, such as the price of natural gas; (10) sensitivity to changes in foreign exchange rates; (11) Margin Improvement Program targets; (12) expectations regarding income tax rates; (13) expectations regarding compliance with environmental regulations; (14) expectations regarding contingent liabilities and guarantees, including the outcome of pending litigation; and (15) expectations regarding the amount, timing and benefits of capital investments.

Although Norbord believes it has a reasonable basis for making these forward-looking statements, readers are cautioned not to place undue reliance on such forward-looking information. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predictions, forecasts and other forward-looking statements will not occur. These factors include, but are not limited to: (1) assumptions in connection with the economic and financial conditions in the United States, Europe, Canada and globally; (2) risks inherent with product concentration; (3) effects of competition and product pricing pressures; (4) risks inherent with customer dependence; (5) effects of variations in the price and availability of manufacturing inputs including continued access to fibre resources at competitive prices; (6) various events that could disrupt operations, including natural events and ongoing relations with employees; (7) impact of changes to or non-compliance with environmental regulations; (8) impact of any product liability claims in excess of insurance coverage; (9) risks inherent with a capital intensive industry; (10) impact of future outcome of certain tax exposures; and (11) effects of currency exposures and exchange rate fluctuations.

The above list of important factors affecting forward-looking information is not exhaustive. Additional factors are noted elsewhere and reference should be made to the other risks discussed in filings with Canadian securities regulatory authorities. Except as required by applicable law, Norbord does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by or on behalf of the Company, whether as a result of new information, future events or otherwise, or to publicly update or revise the above list of factors affecting this information.

CORPORATE STRUCTURE

Norbord Inc. was formed under the Canada Business Corporations Act on December 31, 1998 by the amalgamation of Noranda Forest Inc. and NFI Forest Holdings Ltd. The Company filed Articles of Arrangement and Restated Articles of Incorporation on June 30, 2004, to facilitate the transfer of its paper and timber business to a new public company, Fraser Papers Inc. and changed its name from Nexfor Inc. to Norbord Inc.

The registered and principal office of Norbord Inc. is 1 Toronto Street, Suite 600, Toronto, Ontario, M5C 2W4.

In this form, “Norbord” means Norbord Inc. and its consolidated subsidiaries and affiliates, and its hardwood plywood 50/50 joint venture, True North Hardwood Plywood Inc., and “Company” means Norbord Inc. as a separate corporation, unless the context implies otherwise.

“Brookfield” means collectively, Brookfield Asset Management Inc. and its consolidated subsidiaries and affiliates, a related party, by virtue of a controlling equity interest in the Company.

Norbord is an international producer of wood-based panels with approximately 2,500 employees and 15 plant locations in the United States, Europe and Canada. Norbord has assets of \$1.0 billion, net sales of approximately \$1.0 billion, and is one of the world’s largest producers of oriented strand board (“OSB”). In addition to OSB, Norbord manufactures medium density fibreboard (MDF), particleboard and related value-added products and hardwood plywood.

At March 2, 2009 Brookfield owned approximately 75% of the outstanding Common Shares of the Company.

The principal operating subsidiaries of the Company are:

Name	Jurisdiction of Incorporation	Percentage of Voting Securities Owned	Date of Incorporation
Norbord Alabama Inc.	Alabama	100%	10/12/1999
Norbord Georgia LLC.....	Delaware	100%	12/31/2008
Norbord Industries Inc.	Ontario	100%	08/24/1988
Norbord Industries, Inc.	New York	100%	04/06/1987
Norbord Limited	United Kingdom	100%	03/22/1995
Norbord Minnesota Inc.	Delaware	100%	12/20/2006
Norbord Mississippi LLC	Delaware	100%	12/31/2008
Norbord NV	Belgium	100%	05/28/2004
Norbord South Carolina Inc.	South Carolina	100%	05/22/1998
Norbord Texas (Jefferson) Inc.	Delaware	100%	12/20/2006
Norbord Texas (Nacogdoches) Inc.	Delaware	100%	12/20/2006

There are no voting or non-voting securities issued by any of the Company’s subsidiaries that are not 100% owned, directly or indirectly, by the Company.

GENERAL DEVELOPMENT OF THE BUSINESS

Changes in the Business 2006-2008

In December, 2008, Norbord and Kruger Inc., through its 100% owned subsidiary Longlac Wood Industries Inc. announced an agreement in principle to form a 50/50 joint venture hardwood plywood business. The transaction closed on January 30, 2009. The new company, True North Hardwood Plywood Inc., owns and operates Norbord's former mill in Cochrane, Ontario.

On December 24, 2008 Norbord completed the initial subscription under a Rights Offering whereby 109.6 million units comprising 109.6 million Common Shares and 54.8 million warrants were issued for gross proceeds of \$79 million (CAD \$96 million). Under a Standby Purchase Agreement, Brookfield purchased an additional 163 million Common Shares and 81.5 million warrants for gross proceeds of \$120 million (CAD \$144 million) on January 6, 2009.

In November 2008, Norbord announced initiatives to strengthen its balance sheet, including suspending quarterly dividend payments and raising CAD \$240 million through a Rights Offering. In conjunction with these initiatives, Norbord reached an agreement with its lenders to amend the terms under its revolving bank lines including the extension of the term to May 2011 and a change in the financial covenants to minimum tangible net worth of \$250 million and maximum net debt to total capitalization of 70%. These amendments are subject to customary conditions including the execution of definitive documentation which the Company expects to complete during the first quarter of 2009.

As at October 1, 2008, Norbord mills were in compliance with the US Environmental Protection Agency's Maximum Achievable Control Technology (MACT) regulations. These regulations were designed to reduce hazardous air emissions and came into force in October 2004 and were effective October 1, 2008. The new standards apply to more than 200 mills manufacturing plywood, OSB, MDF, particleboard and other wood composite panels. Final compliance testing and regulatory reporting will be complete at all Norbord mills in the first quarter of 2009.

In May 2008, Norbord entered into settlement agreements in connection with US antitrust litigation against the North American OSB industry. Under the terms of the settlement agreement with the certified class of direct purchasers of OSB, Norbord agreed to pay \$30 million into an escrow account for the benefit of the class. Norbord also agreed to pay \$2.2 million into an escrow account for the benefit of certified classes of indirect purchasers of OSB. The settlements were paid during 2008. Norbord has also entered into agreements with purchasers who opted out of the direct purchaser class settlement. The terms of these agreements are not material to the Company.

In March 2008, Norbord permanently closed its particleboard line at Genk, Belgium, which utilized older technology and had been considered non-core at the time the site was acquired in 2004.

In February 2008, Norbord completed a tender offer and consent solicitation for its 8-1/8% Debentures due March 2008 pursuant to which a wholly-owned subsidiary acquired and holds those debentures.

In January 2008, the Company concluded a \$100 million unsecured term debt facility with Brookfield. The facility matures in 2010 and is subordinated to the Company's committed unsecured revolving bank lines. Any drawings under the facility are treated as tangible net worth for bank line covenant purposes. In conjunction with the revolving bank line amendments discussed above, the term debt facility commitment will be reduced from \$100 million to \$50 million and the term will be extended to June 2011.

During 2007, Norbord ramped up the second line at its Cordele, Georgia OSB mill to full production capacity. Construction began in June 2005 and was completed in December 2006 at a cost of \$135 million. The second line added 550 million square feet (³/₈-inch basis) of OSB production capacity, increasing Norbord's North American OSB capacity by 15%.

During 2007, Norbord completed biomass energy installations at Genk, Cowie and Nacogdoches.

In November 2007, Norbord finalized a \$50 million accounts receivable securitization facility providing the Company with an additional cost-effective source of liquidity. In July 2008, the facility was increased to \$85 million.

In July 2007, Norbord increased its committed unsecured revolving bank lines from \$200 million to \$235 million.

In July 2007, Norbord sold its I-Joist assets in Juniper, New Brunswick which had been indefinitely shut since December 2006. A provision of \$13 million was recorded in the Company's 2006 consolidated financial statements related to the closure.

In February 2007, Norbord completed a private placement of \$200 million ten-year notes to early refinance its 8¹/₈% debentures due 2008.

On July 14, 2006, the Company paid \$128 million to shareholders in a special CAD \$1.00 per common share dividend.

DESCRIPTION OF THE BUSINESS

Principal Products and Markets

Norbord's business comprises the manufacturing, sales, marketing and distribution of panelboards and related products used primarily in the construction of new homes or the renovation and repair of existing structures. In general, the business is affected by the level of housing starts, the level of home repairs, the availability and cost of financing, changes in industry capacity, changes in raw material prices, changes in foreign exchange rates, primarily the Canadian dollar, British pound and Euro currencies, and other operating costs.

Products are primarily sold to major retail chains, contractor supply yards, wholesale distributors and industrial users. Some mill products are sold to industrial customers for further processing or as components for other products (e.g., upholstered furniture). In addition to commodity OSB, Norbord's product offerings include *SolarBoard*[™] (radiant barrier sheathing), *Tallwall*[®], *TruFlor*[™], *WindStorm*[™] (wall sheathing), *Stabledge*[®] (sub-flooring), *Conti*[®], *Caberboard*[®], *Caberwood*[®] *MDF* and *SterlingOSB*[®].

The Company operates in North America and Europe. Net sales by geographic segment are determined based on the origin of shipment. In 2008 and 2007, Norbord's sales originated as follows:

	2008	2007
North America.....	57%	54%
Europe	43%	46%

North America is the principal market destination for Norbord's products. In 2008, North American OSB comprised 70% of Norbord's panel shipments by volume, European panels comprised 27% and North American MDF and hardwood plywood comprised 3%.

OSB is used principally for sheathing, flooring and roofing in home construction. OSB production currently represents approximately 60% of total North American structural panel production. In Europe, OSB's share of the structural panel market is lower than in North America due mainly to different housing construction methods, however, OSB use is growing rapidly in Europe. Norbord's particleboard is used primarily in flooring and other construction applications. MDF applications include cabinet doors, moldings and interior wall paneling.

Principal Operating Interests

Information regarding Norbord's estimated annual production capacity is set forth in the following table. The estimated annual production capacity is based on normal operating rates and normal production mixes under current market conditions, taking into account known constraints, such as permit restrictions. Factors such as market conditions, fluctuations in raw material availability, mechanical interruptions and the nature of current orders may cause actual production rates and mixes to vary significantly from the estimated production rates and mixes used to derive the estimated annual capacities shown.

	Estimated Annual		
	Capacity at Year-End	Production	
	2008	2008	2007
OSB (MMsf-³/₈")			
Bemidji, Minnesota	470	421	468
Cordele, Georgia	990	861	839
Genk, Belgium	260	230	251
Guntown, Mississippi	450	348	441
Huguley, Alabama ⁽¹⁾	500	398	447
Inverness, Scotland	350	320	308
Jefferson, Texas ⁽¹⁾	415	281	342
Joanna, South Carolina	500	345	487
La Sarre, Quebec	375	234	367
Nacogdoches, Texas	380	380	366
Val-d'Or, Quebec	340	210	298
	5,030	4,028	4,614
Particleboard (MMsf-³/₈")			
Cowie, Scotland	380	286	365
Genk, Belgium ⁽²⁾	-	14	222
South Molton, England	225	175	208
	605	475	795
MDF (MMsf-³/₈")			
Cowie, Scotland	380	321	350
Deposit, New York	160	116	142
	540	437	492
Hardwood Plywood (MMsf-³/₈")			
Cochrane, Ontario ⁽³⁾	80	51	71

⁽¹⁾ In January 2009, Norbord announced that indefinite curtailments would be taken at its OSB mills in Huguley, Alabama and Jefferson, Texas to contain costs and manage operating working capital across the Company. Combined, these mills represent 915 MMsf-3/8" of annual production capacity.

⁽²⁾ In the first quarter of 2008, the Company permanently closed the particleboard line in Genk, Belgium.

⁽³⁾ On January 30, 2009, Norbord and Kruger Inc., through its 100% owned subsidiary Longlac Wood Industries Inc., formed a 50/50 joint venture hardwood plywood business. This business owns and operates Norbord's former Cochrane location.

Norbord employs multi-opening press technology at its Minnesota, Georgia, Mississippi, and Texas OSB mills in the United States. All of these mills purchase their wood fibre requirements from outside sources with prices based on regional market dynamics. These mills are not unionized and employees participate

in profit sharing programs whereby a percentage of each mill's operating income is shared equally across all employees at that mill.

Norbord also employs multi-opening press technology at its two Quebec OSB mills in Canada. A significant portion of the production of these mills is concentrated on specialty panels including I-joist web stock, thin panels and flooring. The wood fibre requirements for these mills are obtained under 25-year timber supply and forest management agreements with the Quebec Government and also from other outside sources with prices based on regional market dynamics. These mills are unionized.

Norbord employs continuous press technology at its South Carolina and Alabama OSB mills in the US. Continuous press technology allows for the production of OSB in non-standard sizes and with specialized performance characteristics. These mills purchase their wood fibre requirements from outside sources with prices based on regional market dynamics. These mills are not unionized and employees participate in profit sharing programs whereby a percentage of each mill's operating income is shared equally across all employees at that mill.

Norbord's mill in Cowie, Scotland is a large operation with a continuous press MDF production line and a continuous press particleboard line. The South Molton, England particleboard mill employs single-opening press technology and is integrated with laminating operations and a flat-pack furniture manufacturing facility. The OSB mill in Inverness, Scotland employs two multi-opening press lines. All of Norbord's mills in the UK purchase their wood fibre requirements from outside sources with prices based on regional market dynamics. These mills are unionized.

The Genk, Belgium facility had two independent production lines, which manufactured OSB and particleboard. The OSB line started up in 2001 and employs continuous press technology. The particleboard line was permanently closed in March 2008. The Genk mill purchases its wood fibre requirements on the open market from a combination of public and private sources in the region. The mill is unionized.

The Deposit, New York mill employs multi-opening technology and produces MDF from hardwood fibre. The Cochrane, Ontario plywood mill produces hardwood overlay plywood and was transferred into a 50/50 joint venture with Longlac Wood Industries Inc., a subsidiary of Kruger Inc., on January 30, 2009.

Manufacturing Inputs

Wood fibre, resin and wax and energy are the principal raw material inputs used in the production of Norbord's panel board products.

Wood Fibre

Norbord does not own any timberlands, and purchases timber, wood chips and other wood fibre as well as recycled materials on the open market in competition with other users of such resources.

Norbord's wood fibre supply comes from several different sources. In the US, roundwood logs are primarily sourced from private and industry owned woodlands. The MDF mill also purchases wood chips and sawdust from local sawmills. In Europe, wood fibre is purchased from government-owned and private landowners. Fibre for OSB comes from roundwood logs while the MDF and particleboard mills source fibre in the form of roundwood logs, wood chips, sawdust and recycled wood. Norbord's Canadian mills hold forestry licences and agreements to source poplar and birch from Crown timberland in Ontario and Quebec. Most of this volume is harvested and delivered by third parties that also hold licences to operate in these areas.

Resin and Wax

Resin and wax input costs are influenced by changes in the prices of raw materials used to produce resin, primarily petroleum products, as well as demand and availability for resin and wax products.

Energy

Norbord's manufacturing processes generate residual wood material that cannot be used in the final product. This material can be used as a biomass fuel to produce heat and, in some cases, electricity used in the manufacturing process. Approximately 80% of Norbord's total manufacturing energy needs and all of Norbord's OSB process heat requirements are met with biomass fuel.

Norbord also procures electricity and natural gas for its manufacturing and air emissions control processes. Energy prices have experienced significant volatility in recent years, particularly in deregulated markets. In 2008, approximately 40% of Norbord's natural gas consumption was used to generate electricity and process heat at Norbord's Cowie operations. An additional 30% was used to operate air emission control equipment in Norbord's US plants.

Seasonality and Cyclicity of Business

Norbord's business is subject to seasonal variances, with greater demand for many of the Company's products during the peak building season in the second and third quarters.

OSB is a cyclical commodity business and demand for building materials is closely tied to the relative strength and weakness of home building activity.

Competitive Conditions

The wood-based panels industry is a highly competitive business environment in which companies compete, to a large degree, on the basis of price. Norbord's principal market is the United States where it competes with North American and, in some instances, foreign producers. Norbord's European operations compete primarily with other European producers.

Research and Development

Norbord carries out research and applied technology programs to improve production techniques and product quality, develop new products, and minimize the environmental impact of its operations. The Company operates a central laboratory facility in St. Laurent, Quebec. In addition, the Company performs contract work at a number of industry-wide organizations including Forintek Division of FP Innovations and the Alberta Research Council.

Environment, Health and Safety

Norbord's Environment Policy and Health and Safety Policy are attached as Appendices A and B respectively to this AIF.

Norbord measures its performance against environment, health and safety targets in four areas: 1) injury frequency and severity; 2) environmental compliance; 3) impact minimization; and 4) environment, health and safety management systems. Norbord audits its operations on a regular schedule to ensure continuing high standards of performance.

Norbord's operations are subject to a range of general and industry-specific environmental laws and regulations relating to air emissions, wastewater discharges, solid and hazardous waste management, plant and wildlife protection and site remediation.

US Environmental Protection Agency's Maximum Achievable Control Technology (MACT) regulations, designed to reduce hazardous air emissions came into force in the US in October 2004. The new standards apply to more than 200 mills manufacturing plywood, OSB, MDF, particleboard and other wood composite panels. Including \$12 million spent in 2008, Norbord has invested approximately \$40 million for additional air emission control equipment to bring all of its US mills into compliance with the new rules. At the October 1, 2008 compliance deadline, Norbord mills were in compliance with the MACT requirements. Final compliance testing and regulatory reporting will be complete at all mills in the first quarter of 2009.

In Europe, regulations to control the risks of fire and explosion came into force in 2004 (the UK's Dangerous Substances and Explosive Atmosphere (DSEAR) regulations, and Europe's Explosive Atmosphere (ATEX) Directive). In the UK, compliance work was completed in 2007. In Genk, compliance work began in 2006 and was completed in 2008. To date, the Company's European operations have invested approximately \$6 million in equipment and controls to comply with the regulations. Development of similar regulations, specific to the control of combustible dust is under discussion in the US. Procedural and mechanical improvements are already underway in Norbord's North American operations to meet current voluntary standards and in anticipation of future regulations.

The Kyoto Accord has been ratified in Canada and Europe. The US government chose not to ratify the Accord, but is expected to develop its own greenhouse gas reduction plans in 2009. Canada has not yet finalized regulations to reduce greenhouse gas emissions; however, the regulatory initiatives currently under discussion should not impact Norbord's Canadian operations. All of Norbord's UK operations entered into Kyoto climate change energy efficiency agreements in 2001, which has to-date resulted in over £14 million tax and energy efficiency cost savings. In 2009 Norbord will negotiate the next phase of reductions and lower energy efficiency targets which will come into force in 2010.

A "cap and trade" carbon trading program was also rolled out across Europe in 2005. Biomass and CHP (combined heat and power) energy generating units at Norbord's Genk mill and the Cowie MDF plant have benefited the European mills' ability to comply with energy efficiency targets and have resulted in a 72,000 metric ton surplus of carbon credits across Norbord's European business. In 2008, these credits were traded on the BlueNext Environmental exchange resulting in approximately £1 million in additional income. A similar volume of surplus carbon should be available for trade in 2009.

Norbord participates in both the *Sustainable Forestry Initiative*[®] program and the Forest Stewardship Council (FSC) forest certification program. See the Company's Environment, Health and Safety Report located on Norbord's web site at www.norbord.com for more information.

Human Resources

Norbord's corporate head office is in Toronto, Canada. Norbord employs approximately 2,500 people at its operations in the US, Europe and Canada. Approximately 50% of these employees are represented by labour unions.

RISKS OF THE BUSINESS

Norbord is exposed to a number of risks and uncertainties in the normal course of its business that could have a material adverse effect on the Company's business, financial position, operating results and cash flows. A discussion of some of the major risks and uncertainties follows.

Product Price Sensitivities

OSB accounts for almost 80% of Norbord's panel production capacity. The price of OSB is one of the most volatile in the wood-based panels industry. Norbord's concentration in OSB increases its sensitivity to product pricing and will result in a high degree of sales and earnings volatility.

Norbord's financial performance is principally dependent on the selling price of its products. Most of Norbord's products are globally traded commodities for which no liquid futures markets exist. The markets for most of Norbord's products are highly cyclical and are characterized by periods of supply and demand imbalance during which its product prices have tended to fluctuate significantly. In addition, since many of Norbord's products are used for new home construction, seasonal and annual weather changes can affect demand and sale volumes. These imbalances, which may affect different areas of Norbord's business at different times, are influenced by numerous factors that are beyond Norbord's control and include: changes in global and regional production capacity for a particular product or group of products; changes in the end use of those products or the increased use of substitute products; and the overall level of economic activity in the regions in which Norbord conducts business. Norbord has been negatively affected in the past by declines in product pricing and has taken production downtime to manage working capital and minimize cash losses.

Based on operating at full capacity, the following table shows the approximate annualized impact of changes in product prices on EBITDA.

	Sensitivity Factor	Impact on EBITDA (\$ millions)
OSB – North America	\$10 per Msf–7/16"	36
OSB – Europe	€10 per m ³	7
Other panels	\$10 per Msf–7/16"	9

Competition

The wood-based panels industry is a highly competitive business environment in which companies compete, to a large degree, on the basis of price. Norbord's principal market is the United States where it competes with North American and, in some instances, foreign producers. Norbord's European operations compete primarily with other European producers. Certain competitors may have lower-cost facilities than Norbord. Norbord's ability to compete in these and other markets is dependent on a variety of factors such as manufacturing costs, continued free access to markets, customer service, product quality, financial resources and currency exchange rates. In addition, competitors could develop new cost-effective substitutes for Norbord's wood-based panels, or building codes could be changed to make the use of Norbord's products less attractive for certain applications.

Customer Dependence

Norbord sells its products primarily to major retail chains, contractor supply yards, and wholesale distributors and faces strong competition for the business of significant customers. In 2008, Norbord had one customer whose purchases represented greater than 10% of total net sales. Norbord generally does not have contractual assurances as to future sales. As a result, any significant customer order cancellations

could negatively affect Norbord's sales and earnings. Continued consolidation in the retail industry could expose Norbord to increased concentration of customer dependence and increase customers' ability to exert pricing pressure on Norbord.

Manufacturing Inputs

Norbord is exposed to commodity price risk on most of its manufacturing inputs, principally wood fibre, resin and energy. These manufacturing inputs are purchased primarily on the open market in competition with other users of such resources and prices are influenced by factors beyond Norbord's control. Norbord may not be able to hedge the purchase price of manufacturing inputs or pass increased costs through to its customers.

Fibre Resource

As Norbord does not own any timberlands, it purchases timber, wood chips and other wood fibre as well as recycled materials on the open market in competition with other users of such resources where prices are influenced by factors beyond Norbord's control.

Norbord's wood fibre supply comes from several different sources. In the US, roundwood logs are primarily sourced from private and industry owned woodlands. The MDF mill also purchases wood chips and sawdust from local sawmills. In Europe, wood fibre is purchased from government-owned and private landowners. Fibre for OSB comes from roundwood logs while the MDF and particleboard mills source fibre in the form of roundwood logs, wood chips, sawdust and recycled wood. Norbord's Canadian mills hold forestry licences and agreements to source poplar and birch from Crown timberland in Ontario and Quebec. Most of this volume is harvested and delivered by third parties that also hold licences to operate in these areas.

The Crown licences require the payment of stumpage fees for the timber harvested and compliance with specified rehabilitation and silvicultural management practices. The licences cover periods ranging from 20 to 25 years and are renewed or extended every 5 years. They can be revoked or cancelled for non-performance and contain terms and conditions that could, under certain circumstances, result in a reduction of annual allowable timber that may be harvested by Norbord without any compensation.

Labour Relations

Norbord's US employees are non-unionized while its UK, Belgian and most of its Canadian employees are unionized – representing less than one-half of the workforce. All of Norbord's UK and Belgian union contracts are evergreen. Canadian union contracts typically cover a three- to five-year term.

In 2007, a new five-year agreement expiring May 31, 2012 was negotiated with the Steelworkers Union representing members at the Cochrane, Ontario, hardwood plywood mill in which Norbord has a 50% joint venture interest. In 2008, a new five-year agreement expiring December 31, 2012 was negotiated with the Teamsters union representing members at the Val-d'Or, Quebec, OSB mill. The Communications, Energy and Paperworkers union contract covering members at the La Sarre, Quebec OSB mill expires on June 30, 2009. Strikes or work stoppages could result in lost production and sales, higher costs or supply constraints if Norbord or its joint venture is unable to negotiate acceptable contracts with its various trade unions.

Environmental Matters

Norbord's operations are subject to a range of general and industry-specific environmental laws and regulations relating to air emissions, wastewater discharges, solid and hazardous waste management, plant and wildlife protection, and site remediation. Failure to comply with applicable environmental laws and regulations could result in fines, penalties or other enforcement actions that could impact Norbord's production capacity or increase Norbord's production costs. Norbord has incurred, and expects to continue to incur, capital expenditures and operating costs to comply with applicable environmental laws and regulations. In addition, environmental laws and regulations could become more stringent in the future.

Product Liability

Norbord produces a variety of wood-based panels that are used in new home construction, repair and remodeling of existing homes, furniture and fixtures, and industrial applications. In the normal course of business, the end users of Norbord's products have in the past, and could in the future, make claims with respect to the fitness for use of its products or related to product quality or performance issues. Norbord could face increased costs if any future claims exceed purchased insurance coverage.

Natural Events

Norbord's business is exposed to numerous natural events such as forest fires, adverse weather conditions, insect infestation, disease, prolonged drought, and other natural disasters, which are not insurable events. If such an event occurs, Norbord may need to curtail production or incur increased fibre or other costs.

Capital Intensity

The production of wood-based panels is capital intensive. There can be no assurance that key pieces of equipment will not need to be repaired or replaced. In certain circumstances, the costs of repairing or replacing that equipment and the associated downtime of the affected production line may not be an insurable event.

Tax Exposures

Norbord takes various tax filing positions in the normal course of business and there can be no assurance that tax authorities will not challenge such filing positions. In addition, Norbord is subject to further uncertainties concerning the interpretation and application of tax laws in various operating jurisdictions. Norbord maintains reserves for known estimated tax exposures in all jurisdictions. These exposures are settled primarily through the closure of audits with the jurisdictional taxing authorities. However future settlements could differ materially from the Company's reserves.

Currency Exposures

Norbord reports its financial results in US dollars. A portion of Norbord's product prices and costs are influenced by relative currency values (particularly the Canadian dollar, Pound Sterling and Euro). Significant fluctuations in relative currency values could negatively affect the cost competitiveness of Norbord's facilities, the value of its foreign investments, the results of its operations and its financial position.

Norbord's foreign exchange exposure arises from the following sources:

- Net investments in self-sustaining foreign operations, limited to Norbord's investment in its European operations.
- Net Canadian dollar-denominated monetary assets and liabilities.
- Committed or anticipated foreign currency transactions, primarily Canadian dollar costs in Norbord's Canadian operations and Euro revenues in Norbord's UK operations.

LEGAL PROCEEDINGS

Norbord and eight other North American OSB producers were named as defendants in several lawsuits filed in the US District Court for the Eastern District of Pennsylvania. The lawsuits alleged that these nine North American OSB producers violated US and various state antitrust and other laws by allegedly agreeing to fix prices and reduce the supply of OSB from June 1, 2002 through at least February 2006.

The Court certified: a nationwide class of persons and entities that purchased OSB in the US directly from any of the defendant North American OSB producers between June 1, 2002 and February 24, 2006; a nationwide class of persons who, as end users, indirectly purchased in the US for their own use, and not for resale, new OSB manufactured and sold by one or more of the defendant North American OSB producers between June 1, 2002 and February 24, 2006 (other than persons who purchased OSB only as part of a house or other structure); and a multi-state class of residents of seventeen States who, as end users, indirectly purchased in the US for their own use, and not for resale, new OSB manufactured and sold by one or more of the defendant North American OSB producers between June 1, 2002 and February 24, 2006 (other than persons who purchased OSB only as part of a house or other structure). All three classes sought damages or injunctive or other relief under applicable laws.

Although Norbord vigorously contested the plaintiffs' allegations and continues to deny that it violated US antitrust or any other laws, Norbord entered into settlement agreements with the certified classes of direct and indirect purchasers of OSB to limit the risks and costs associated with a prolonged trial. Under the terms of the settlement agreements, which have been approved by the Court, Norbord paid \$30 million into an escrow account for the benefit of members of the direct purchaser class and \$2 million into an escrow account for the benefit of members of the indirect purchaser classes.

As allowed by Court order, a small number of class members chose to opt out of the direct-purchaser class; no members of the indirect purchaser classes chose to opt out. Each entity that opted out of the direct-purchaser class is entitled to pursue its own individual "opt-out" claims against Norbord and the other defendants. Norbord has entered into a settlement agreement with one such entity. Norbord has also entered into an agreement with the remaining entities that opted out of the direct purchaser class. The terms of these agreements are not material to the Company.

CAPITAL STRUCTURE

Description of Share Capital

The authorized share capital of Norbord consists of an unlimited number of Class A Preferred Shares, an unlimited number of Class B Preferred Shares, an unlimited number of Non-Voting Participating Shares and an unlimited number of Common Shares. As of March 2, 2009 there were 431.7 million Common Shares outstanding.

Under the Rights Offering announced in November 2008, Norbord issued 109.6 million Common Shares and 54.8 million warrants under the initial subscription which closed on December 24, 2008 and 163 million Common Shares and 81.5 million warrants under the standby commitment which closed on January 6, 2009. Each warrant holder is entitled to purchase one Common Share of the Corporation at a price of CAD \$1.36 per share at any time prior to December 24, 2013. As of March 2, 2009 there were 136.3 million warrants outstanding.

The following is a summary of the principal attributes of the Common Shares, the Class A Preferred Shares, the Class B Preferred Shares and the Non-Voting Participating Shares of Norbord. For a complete description of the terms of Norbord's share capital, refer to its Restated Articles of Incorporation filed on SEDAR at www.sedar.com.

Common Shares

The holders of Common Shares are entitled to one vote per share at all meetings of shareholders. They are entitled to receive dividends if, as and when declared by the Directors ratably with any holders of the Non-Voting Participating Shares, subject to the attributes of each series of Non-Voting Participating Shares. In the event of any liquidation, dissolution or winding up, subject to the rights of holders of any Class A Preferred Shares and Class B Preferred Shares, the holders of Common Shares are entitled to participate ratably with any holders of Non-Voting Participating Shares in any distribution of the assets of Norbord, subject to the attributes of each series of Non-Voting Participating Shares.

Class A Preferred Shares

The Class A Preferred Shares are issuable in series. The Directors of Norbord are empowered to fix the number of shares in and the designation and attributes of each series, which may include voting rights. The Class A Preferred Shares are entitled to priority over the Class B Preferred Shares, the Non-Voting Participating Shares and the Common Shares with respect to the payment of dividends and the distribution of assets of Norbord in the event of any liquidation, dissolution or winding up of Norbord.

Class B Preferred Shares

The Class B Preferred Shares are issuable in series. The Directors of Norbord are empowered to fix the number of shares in and the designation and attributes of each series, which may include voting rights. The Class B Preferred Shares are entitled to priority over the Non-Voting Participating Shares and the Common Shares with respect to the payment of dividends and the distribution of assets of Norbord in the event of any liquidation, dissolution or winding up of Norbord.

Non-Voting Participating Shares

The Non-Voting Participating Shares are issuable in series. The Directors of Norbord are empowered to fix the number of shares in and the designation and attributes of each series, which may include a preferential dividend or a priority in any distribution of assets of Norbord. Subject thereto, the holders of Non-Voting Participating Shares are entitled to receive dividends if, as and when declared by the Directors ratably with the holders of Common Shares and, in the event of any liquidation, dissolution or winding up, subject to the rights of the holders of any Class A Preferred Shares and Class B Preferred Shares, to participate ratably with the holders of Common Shares in any distribution of the assets of Norbord.

Description of Debt Securities

At March 2, 2009, Norbord had issued and outstanding senior debt securities as follows:

- \$240 million of 7.25% debentures due July 1, 2012.
- \$200 million of 7.95% senior notes due February 15, 2017.

The 7.95% senior notes were issued to early refinance Norbord's \$197 million 8¹/₈% debentures due March 20, 2008, and are subject to a credit ratings-based coupon step-up provision.

Interest is payable semi-annually and the debt securities may be redeemed at Norbord's option at any time at specified redemption prices.

Credit Ratings

The following table summarizes the credit ratings accorded to Norbord's senior debt securities at March 2, 2009 by the following rating agencies:

Rating Agency	Rating	Outlook
Standard & Poor's Ratings Services, Inc. ("S&P")	BB-	Negative
Moody's Investors Service, Inc. ("Moody's")	Ba3	Negative
DBRS Limited ("DBRS")	BB (High)	Negative

Credit ratings are intended to provide investors with an independent measure of credit quality of any issue of securities. The credit ratings accorded to debt securities by the rating agencies are not recommendations to purchase, hold or sell the debt securities as such ratings do not comment as to market price or suitability for a particular investor. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by a rating agency in the future if, in its judgement, circumstances so warrant.

S&P credit ratings are on a long-term debt rating scale that ranges from AAA to D, which represents the range from highest to lowest quality of such securities rated. According to S&P, the BB rating is the fifth highest of ten major categories, and debt securities rated BB or lower are regarded as having significant speculative characteristics. Debt securities rated BB are less vulnerable to non-payment than other speculative issues, however they face major ongoing uncertainties or exposure to adverse business, financial or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitment on the securities. The ratings from AA to CCC may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

Moody's credit ratings are on a long-term debt rating scale that ranges from Aaa to C, which represents the range from highest to lowest quality of such securities rated. According to Moody's, a rating of Ba is the fifth highest of nine major categories, and debt securities rated Ba are judged to have speculative elements and are subject to substantial credit risk. Moody's applies numerical modifiers 1, 2 and 3 in each generic rating classification from Aa through Caa. The modifier 1 indicates that the security ranks in the higher end of its generic rating category, the modifier 2 indicates a mid-range ranking and the modifier 3 indicates a ranking in the lower end of that generic rating category.

DBRS credit ratings are on a long-term debt rating scale that ranges from AAA to D, which represents the range from highest to lowest quality of such securities rated. According to DBRS, a rating of BB is the fifth highest of ten major categories, and debt securities rated BB are defined to be speculative and non-investment grade. The degree of protection afforded interest and principal is uncertain, particularly during

periods of economic recession. Entities in the BB range typically have limited access to capital markets and additional liquidity support. In many cases, deficiencies in critical mass, diversification and competitive strength are additional negative considerations. Rating categories AA through CC are denoted by the subcategories “high” and “low”. The absence of either a “high” or “low” designation indicates the rating is in the “middle” of the category.

DIVIDENDS

The Company paid a quarterly dividend of CAD \$0.10 per Common Share from the fourth quarter of 1990 to the fourth quarter of 2008 and a special dividend of CAD \$1.00 per share in each of 2004, 2005 and 2006.

On November 10, 2008, Norbord announced that its Board of Directors had suspended the quarterly dividend. This decision was made in response to the unprecedented financial market turmoil and uncertainty regarding the near-term recovery of US housing starts. The dividend suspension will save the Company approximately \$56 million on an annual basis or \$14 million per quarter, based on the average exchange rate in effect during 2008. The last dividend payment before the suspension was made on December 21, 2008 to shareholders of record on December 1, 2008.

The table below summarizes the total dividends on Common Shares declared by the Board of Directors, the amounts paid out in cash and the amounts distributed as shares under the dividend reinvestment plan for the preceding three financial years.

(\$ millions)	2008	2007	2006
Cash distribution	\$33	\$32	\$167
Share distribution	23	23	11
Total dividends on Common Shares	\$56	\$55	\$178

MARKET FOR SECURITIES

Common Shares

The Company's Common Shares trade on the Toronto Stock Exchange ("TSX") under the symbol NBD.

In 2008, the Company's Common Shares traded in a range between CAD \$0.48 and CAD \$8.08 per share, ending the year at CAD \$0.70. The average daily volume traded during the year was 0.7 million Common Shares.

CAD \$ Month	Common Shares			Volume
	High	Low	Close	
January.....	\$8.08	\$5.85	\$6.29	13,570,228
February.....	6.64	5.69	5.78	10,298,002
March.....	5.92	4.50	5.00	11,424,877
April.....	5.60	4.63	5.52	10,690,836
May.....	6.87	5.53	6.00	10,235,569
June.....	6.62	5.45	5.46	11,626,988
July.....	5.90	4.61	4.63	13,438,325
August.....	5.06	4.56	4.70	4,751,728
September.....	4.94	3.58	3.58	13,943,220
October.....	4.30	1.72	1.89	13,791,251
November.....	1.94	0.58	0.62	22,498,519
December.....	0.73	0.48	0.70	37,247,433

Warrants

The Company's warrants trade on the TSX under the symbol NBD.WT. The warrants began trading in January 2009.

DIRECTORS AND SENIOR EXECUTIVE OFFICERS

Directors

The Directors of the Company are set out below. They hold office until the next annual meeting of shareholders or until their successors are elected or appointed.

Name and Location of Residence	Position and Office Held	Principal Occupation	Director Since
JACK L. COCKWELL ⁽³⁾⁽⁴⁾ Toronto, Ontario, Canada	Director	Group Chair, Brookfield Asset Management Inc.	1987
DIAN N. COHEN ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾ Toronto, Ontario, Canada	Director	Corporate Director and Economics Consultant	1987
PIERRE DUPUIS ⁽¹⁾⁽³⁾⁽⁴⁾ Sutton, Quebec, Canada	Director	Corporate Director	1995
GORDON E. FORWARD ⁽¹⁾⁽³⁾⁽⁴⁾ San Diego, California, USA	Director	Corporate Director	1995
DOMINIC GAMMIERO ⁽³⁾⁽⁴⁾ Mississauga, Ontario, Canada	Director	Managing Partner, Tricap Partners Ltd.	1998
ROBERT J. HARDING ⁽²⁾⁽³⁾⁽⁴⁾ Toronto, Ontario, Canada	Director and Chair	Chair, Brookfield Asset Management Inc.	1998
NEVILLE W. KIRCHMANN ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾ Toronto, Ontario, Canada	Director	President, Kirchmann Holdings Ltd.	2007
MARGOT E. NORTHEY ⁽²⁾⁽³⁾⁽⁴⁾ Victoria, British Columbia, Canada	Director	Corporate Director	2000
J. BARRIE SHINETON Toronto, Ontario, Canada	Director, President and Chief Executive Officer	President and Chief Executive Officer, Norbord Inc.	2004

(1) Member of the Audit Committee. Mr. Dupuis is Chair of the Committee.

(2) Member of the Corporate Governance and Nominating Committee. Ms. Cohen is Chair of the Committee.

(3) Member of the Environmental, Health & Safety Committee. Dr. Northey is Chair of the Committee.

(4) Member of the Human Resources Committee. Mr. Cockwell is Chair of the Committee.

All of the Directors have held their principal occupations shown in the above table for the past five years, except for Pierre Dupuis, who was the former Vice President, Chief Operating Officer of Dorel Industries Inc., a global consumer product company, from 1999 to 2005 and Dominic Gammiero. Mr. Gammiero became a Managing Partner of Tricap Partners Ltd. in 2007. In addition, Mr. Gammiero has been President and CEO of Western Forest Products Inc. since November 2008. Prior to these roles, he was President and Chief Executive Officer of Fraser Papers Inc. from 2004 to 2007 and President and CEO of Norbord Inc. from 1999 to 2004.

Mr. Cockwell is Group Chair, Brookfield Asset Management Inc. (“Brookfield”), a global asset manager. Mr. Cockwell was President and Chief Executive Officer of Brookfield from 1991 to 2002. Mr. Cockwell is a Director of Brookfield and a number of Brookfield-related companies, including Brookfield Properties Corporation and Fraser Papers Inc. and is also a Director of Astral Media Inc. Mr. Cockwell is also Chair of the Board of Trustees of the Royal Ontario Museum and a Director of the Toronto Waterfront Corporation. Mr. Cockwell’s areas of expertise are business management, accounting and governance.

Ms. Cohen is a Corporate Director and an Economics Consultant and the author of a number of books on government, personal money management and social policy issues. Ms. Cohen is the recipient of many literary awards, as well as the Order of Canada. In addition to her role on the Norbord Board, Ms. Cohen

is a Director of Dorel Industries Inc., a trustee of Great Lakes Hydro Income Fund and Treasurer of the Sherbrooke and District University Women's Scholarship Foundation. Ms. Cohen's areas of expertise are economics, communications, and governance.

Mr. Dupuis is a Corporate Director. From 1999 to 2005 Mr. Dupuis was the Vice President, Chief Operating Officer of Dorel Industries Inc., a global consumer product company. Prior to his appointment at Dorel, Mr. Dupuis was President and COO of Transcontinental Inc., a Canadian printing and publishing company. In addition to his role on the Norbord Board, Mr. Dupuis is a trustee of Great Lakes Hydro Income Fund. Mr. Dupuis' areas of expertise are business management, accounting, governance, marketing and human resources.

Dr. Forward is a Corporate Director. From 1998 to 2000, Dr. Forward was Vice Chair of Texas Industries Inc. Prior to that, he was President and Chief Executive Officer of the Chaparral Steel Company from 1982 to 1998. In addition to his role on the Norbord Board, Dr. Forward is a Director of Texas Industries Inc. Dr. Forward is also Chair Emeritus of the United States Business Council for Sustainable Development. Dr. Forward's areas of expertise are business management, governance, environment, accounting, and executive compensation.

Mr. Gammiero is a Managing Partner of Tricap Partners Ltd., Brookfield Asset Management Inc.'s restructuring operation. He is also Chair of Fraser Papers Inc., a specialty paper company and President and CEO and a Director of Western Forest Products Inc. Prior to assuming these roles, Mr. Gammiero was President and CEO of Fraser Papers Inc. from 2004 to 2007 and President and CEO of Norbord Inc. from 1999 to 2004. He has over 30 years of experience in the forest products industry in North America and Europe. Mr. Gammiero's areas of expertise are business operations and environmental sustainability.

Mr. Harding is Chair of Brookfield Asset Management Inc., a global asset manager. Mr. Harding is also a Director of Fraser Papers Inc., Western Forest Products Limited and Atomic Energy of Canada Limited. Mr. Harding is the Chair of the Board of Governors of the University of Waterloo, Chair of the Board of Trustees of the United Way of Greater Toronto, and a member of the Board of Trustees of the Hospital for Sick Children. Mr. Harding's areas of expertise are governance, finance and business management.

Mr. Kirchmann is President and a Director of Kirchmann Holdings Ltd., a private investment company. He was President and CEO of Coca-Cola Canada, from 1975 to 1992, and Coca-Cola Southern Africa, from 1965 to 1975, and 1993 to 1995. In addition to his role on the Norbord Board, Mr. Kirchmann is a Director of Fibre Connections Inc. Mr. Kirchmann's areas of expertise are governance, finance, marketing and operations.

Dr. Northey is a Corporate Director. From 1995 to 2002, Dr. Northey was the former Dean, Queen's University School of Business. Prior to that, she was an Associate Professor at the University of Western Ontario's business school. Dr. Northey is a widely respected author of numerous articles, books and reports on a broad range of contemporary topics in business, corporate affairs, communications and the humanities. In addition to her role on the Norbord Board, Dr. Northey is a Director of British Columbia Transmission Corp., Fraser Papers Inc., and Wawanesa Insurance. Dr. Northey's areas of expertise are communications and marketing.

Mr. Shinton was appointed President and Chief Executive Officer of the Company in 2004. He has held various positions with Norbord, including Executive Vice President, Wood Products of Norbord Inc., President, Norbord Industries Inc. and Managing Director, Norbord Limited (UK). Mr. Shinton has more than 30 years of experience in the forest products industry, having held senior marketing, sales and operations positions for companies in North America and Europe. Mr. Shinton does not sit on the Board

of any other public company. Mr. Shineton's areas of expertise are sales, marketing and operations management.

Senior Executive Officers

The senior executive officers of the Company, are shown in the following table:

Name and Location of Residence	Current Office and Principal Occupation	Year Appointed
ROBERT J. HARDING Toronto, Ontario, Canada	Director and Chair Chair, Brookfield Asset Management Inc.	1998
J. BARRIE SHINETON Toronto, Ontario, Canada	President and Chief Executive Officer	2004
ROBIN E. LAMPARD Toronto, Ontario, Canada	Senior Vice President and Chief Financial Officer	2008
ROBERT KINNEAR Toronto, Ontario, Canada	Senior Vice President, Corporate Services	2005
KARL R. MORRIS..... Stirling, Scotland, UK	Senior Vice President, European Operations	2005
PETER C. WIJNBERGEN Toronto, Ontario, Canada	Senior Vice President, Eastern Operations	2007

For those senior executive officers of the Company appointed to their current positions within the past five years, their prior positions during this period were as follows.

Prior to his appointment as President and CEO, Mr. Shineton was Executive Vice President, Wood Products and President, Norbord Industries Inc. from 2003 to 2004.

Ms. Lampard was appointed Senior Vice President and Chief Financial Officer effective February 15, 2008. Prior thereto, she held the position of Vice President, Treasurer from 2002 to 2008.

Prior to his appointment as Senior Vice President, Corporate Services, Mr. Kinnear held the position of Vice President, Human Resources and Administration of Norbord Industries Inc.

Prior to his appointment as Senior Vice President, European Operations, Mr. Morris held the position of Managing Director of the Company's European Operations from 2003, prior to which he was Site Director of the Company's South Molton, U.K. manufacturing facility.

Prior to his appointment as Senior Vice President, Eastern Operations, Mr. Wijnbergen held the position of Senior Vice President, Marketing, Sales and Logistics of the Company from 2005, prior to which he was Vice President, Sales, Marketing and Logistics of Norbord Industries Inc.

As at March 2, 2009, the Directors and senior executive officers of the Company as a group directly own or exercise control or direction over 1,118,288 Common Shares of the Company (representing less than 1%) and over none of the voting securities of any of the Company's subsidiaries.

Brookfield is a public company with shares listed on the TSX and New York Stock Exchange. Brookfield's major shareholders are Partners Limited ("Partners") and Partners' 49%-owned affiliate, BAM Investments Corp., which, together with the shareholders of Partners, collectively own, directly or indirectly, exercise control or direction over, or have options or warrants to acquire, approximately 100 million Class A Limited Voting Shares of Brookfield, representing approximately 17% of the

Class A Limited Voting Shares on a fully diluted basis, and 85,120 Class B Limited Voting Shares of Brookfield, representing all of the Class B Limited Voting Shares. Messrs. Cockwell, Gammiero and Harding, Directors of the Corporation, are shareholders of Partners.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as set out below, no Director or officer of the Company, no person who beneficially owns, directly or indirectly, more than 10% of the Norbord Common Shares and no associate or affiliate of the foregoing persons has any material interest in any transaction within the past three years or during the current financial year that has materially affected or will materially affect Norbord. The following transactions have occurred between the Company and Brookfield during the normal course of business:

Rights Offering

In connection with the Rights Offering (see Capital Structure on page 14 of this AIF), the Company entered into a Standby Purchase Agreement with Brookfield, in which Brookfield agreed to exercise all of its rights and to purchase any units not otherwise subscribed for by other shareholders of the Company. For the year ended December 31, 2008, Brookfield paid \$72 million (CAD \$87 million) to purchase 99.1 million common shares and 49.6 million warrants through their basic subscription privilege which increased their ownership interest to approximately 60% of the Company's issued and outstanding Common Shares. Subsequent to year-end, Brookfield paid \$120 million (CAD \$144 million) to acquire 163 million Common Shares and 81.5 million warrants under the Standby Purchase Agreement, increasing their ownership interest to approximately 75%. Subsequent to year end, a standby fee of \$2 million was paid to Brookfield and was based on 1% of the gross proceeds of the Rights Offering.

Term Debt Facility

In 2008, the Company concluded a \$100 million term debt facility with Brookfield. In conjunction with the revolving bank line amendments (see General Development of the Business on page 5 of this AIF) the facility commitment will be reduced to \$50 million and the term will be extended to June 2011.

Dividend Reinvestment Plan (DRIP)

In 2008, Brookfield elected to receive all of its dividends totalling \$21 million (2007 – \$20 million) as Common Shares which were distributed under the Company's DRIP. The DRIP permits Canadian shareholders to elect to receive dividends as Common Shares.

MATERIAL CONTRACTS

Norbord has entered into the following material contracts, other than in the ordinary course of business:

1. Trust Indenture dated March 1, 2001 and Second Supplemental Indenture dated July 2, 2002 between Nexfor Inc. and Computershare Trust Company of Canada relating to the issuance of 7.25% Debentures due July 1, 2012.
2. Trust Indenture dated February 14, 2007 between Norbord (Delaware) GP I, Norbord Inc., and Computershare Trust Company N.A., relating to the issuance of 6.450% Notes due February 15, 2017.

3. Offer to Purchase dated February 13, 2008 for all of the outstanding \$196,700,000 aggregate principal amount of 8-1/8% Debentures due 2008.
4. Standby Purchase Agreement between Norbord and Brookfield Asset Management Inc. dated November 10, 2008 and Amendment No. 1 dated November 17, 2008.
5. Warrant Indenture dated December 24, 2008 between Norbord Inc. and CIBC Mellon Trust Company.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Shares is CIBC Mellon Trust Company, P.O. Box 7010, Adelaide Street Postal Station, Toronto, Ontario, M5C 2W9, Telephone: 1-800-387-0825, e-mail: inquiries@CIBCmellon.com.

AUDIT COMMITTEE

The Audit Committee is appointed by the Board and, among other things, reviews the consolidated financial statements and management's discussion and analysis; considers the report of the external auditors; assesses the adequacy of the internal controls of the Company; examines the fees and expenses for audit services; and recommends to the Board the independent auditors for appointment by the shareholders. The Committee reports its findings to the Board of Directors for consideration when approving the consolidated financial statements for issuance to the shareholders. The full terms of reference of the Audit Committee are included in this Annual Information Form as Appendix C.

The Audit Committee includes the following Directors, each of whom has been determined by the Board of Directors to be "independent" and "financially literate", as such terms have been defined in Multilateral Instrument 52-110. The Board has selected each of the following individuals based upon their education and experience, as same is relevant to his or her responsibilities as a member of the audit committee:

Pierre Dupuis (Chair)
Dian Cohen
Gordon E. Forward
Neville W. Kirchmann

For a description of the education and experience of each audit committee member that is relevant to the performance of his or her responsibilities as an audit committee member, please see the bio notes for Directors commencing on page 19 of this AIF.

As part of its mandate, the Audit Committee assesses the independence of the Company's auditors. From time to time the Company's auditors also provide non-audit services to Norbord. It is the Company's policy not to engage its auditors to provide services that may impair their objectivity or that are specifically forbidden by law or regulation. The Company has implemented procedures to ensure that any engagement of the auditors for non-audit services receives prior clearance by the Audit Committee. In approving any such engagement, the Audit Committee will consider whether the provision of such non-audit services is compatible with maintaining the auditors' independence.

For the year 2008, Norbord paid a total of \$1.1 million to the Company's auditors for all services. In 2007 the equivalent total was \$1.5 million. The following provides details on these billings:

Audit Fees

Norbord paid \$0.7 million to the Company's auditors (2007 – \$0.8 million) for the annual financial statement audit of the Company and certain of its subsidiaries. The fees include the review of the Company's unaudited interim financial statements.

Audit-Related Fees

Norbord paid less than \$0.1 million to the Company's auditors in 2008 (2007 – less than \$0.1 million) for audit-related services. Audit-related services in 2008 include audits of the Company's pension plans.

Taxation Fees

Norbord paid \$0.3 million to the Company's auditors (2007 – \$0.7 million) for taxation services. Taxation services include tax advisory and compliance services.

All Other Fees

Norbord did not engage the Company's auditors to perform other non-audit services in 2008 (2007 – nil).

INTERESTS OF EXPERTS

KPMG LLP have prepared the audit report on the audited consolidated financial statements of the Company as at December 31, 2008 and for the year then ended. None of the designated professionals of KPMG LLP beneficially own, directly or indirectly, any of the Company's outstanding securities.

ADDITIONAL INFORMATION

The Management Proxy Circular dated March 2, 2009 contains additional information concerning the Company including Directors' and Officers' remuneration and indebtedness, principal holders of Common Shares and its stock option and share purchase plans. Additional financial information about the Company is included in Norbord's audited Consolidated Financial Statements and in the Company's Management's Discussion and Analysis for the year ended December 31, 2008.

These documents and additional information about the Company and its operations can be found on Norbord's web site at www.norbord.com or on SEDAR at www.sedar.com.

GLOSSARY

m³: Cubic metre. A measure of volume equal to approximately 1,130 square feet (³/₈-inch basis).

MDF: Medium density fibreboard. A panelboard produced by chemically bonding highly refined wood fibres of uniform size under heat and pressure.

Msf (MMsf): Measurement for panel products equal to a thousand (million) square feet.

Msf (MMsf) (³/₈-inch basis): Measurement for panel products equal to a thousand (million) square feet, ³/₈-inch thick.

OSB: Oriented strand board. An engineered structural wood panel produced by chemically bonding wood strands in a uniform direction under heat and pressure.

Panelboards: Oriented strand board, particleboard, medium density fibreboard and plywood.

Particleboard: A panelboard produced by chemically bonding clean sawdust, small wood particles and recycled wood fibre under heat and pressure.

Plywood: A panelboard produced by chemically bonding thin layers of solid wood veneers.

APPENDIX A – NORBORD ENVIRONMENT POLICY

Norbord recognizes that our environment is fundamental to our existence, and that our businesses and the communities where we operate depend on its health. We strive for excellence, leadership, sustainability and competitive advantage with integrity through continual improvement in our environmental performance and management of forest land. For Norbord, sustainable development means creating economic growth and caring for society and the environment, while taking into account the needs of future generations.

Norbord will integrate environmental protection into our business processes and decisions. Our belief in sustainable development means we are committed to:

Full Compliance

Comply fully with all applicable environmental legislation and regulations that affect our activities.

Forest Management

Manage forest resources in a manner consistent with the principles of sustainable forestry, this policy and applicable legislation.

Minimization of Environmental Impact

Improve our environmental performance as the expectations of society change. We shall do this by using forest, energy and other resources with increasing efficiency, and by reducing all forms of waste.

Risk Management

Continually identify, evaluate and control the environmental risks associated with our operations. We shall have procedures in place to prevent and respond to emergencies.

Environmental Management Systems

Implement systematic environmental management that supports this policy at every operation. We shall assign appropriate human and financial resources. Every year we shall establish measurable objectives and targets for environmental management and performance improvement.

Innovation

Support pollution prevention and environmental research, and implement findings consistent with this policy.

Performance Evaluation

Evaluate the environmental performance of our operations and personnel, and recognize achievements that support this policy. We shall provide our employees with information and training for them to fully integrate this policy into their responsibilities at work.

Communication with Stakeholders

Engage in a constructive dialogue with the communities in which we operate and other key stakeholders, taking their needs into account when we make our decisions.

Open Government Relations

Work constructively with governments and regulators on the establishment of scientifically and economically sound requirements for our operations.

Audits

Conduct environmental audits at all our operations at a frequency appropriate to their risks.

Reports

Report regularly on our environmental performance to the management of the corporation, the board of Directors, our shareholders, employees and the communities in which we operate.

Norbord requires its operations to develop policies, systems, organizations and competencies, and to embrace an environmental commitment consistent with these principles. Norbord requires all employees to take responsibility for environmental protection in their jobs.

APPENDIX B – NORBORD HEALTH AND SAFETY POLICY

We are committed to safeguarding the health and well-being of our employees, contractors and visitors by creating and maintaining a safe working environment.

Beliefs

- All injuries and occupational illnesses are preventable.
- Health and safety is a top priority and an integral part of our business and decision-making.
- Management is ultimately responsible for workplace health and safety.
- Safe operating practices are a shared responsibility among management, employees, contractors and visitors.
- Employees and contractors are accountable for their safety and that of fellow workers.
- Working safely is a condition of employment.
- Sharing best practices improves performance.

Practices

- Design safe facilities.
- Continually review and improve processes and procedures.
- Identify hazards and assess risks.
- Develop, implement and enforce safe work practices.
- Ensure all facilities comply with applicable laws and regulations.
- Provide employees with information and training to work safely.
- Require employees and contractors to execute their work in accordance with legislative requirements and Norbord policy.
- Establish and monitor health and safety objectives.
- Take action to prevent recurrence of incidents.
- Implement health and safety management systems to continually improve performance.
- Conduct health and safety audits.
- Report health and safety performance to senior management, the board of Directors, shareholders, employees, and the public.

APPENDIX C – 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.