

## Canfor Corporation

### NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

To: The Common Shareholders of Canfor Corporation

Notice is hereby given that the Annual General Meeting (the "Meeting") of the Common Shareholders of Canfor Corporation (the "Company") will be held at the Ramada Hotel Prince George, 444 George Street, Prince George, British Columbia, on Wednesday, April 30, 2014 at 12:30 p.m. for the following purposes:

1. To receive and consider the consolidated financial statements of the Company and its subsidiaries for the fiscal year ended December 31, 2013 and the report of the auditors thereon.
2. To elect Directors for the ensuing year.
3. To appoint auditors for the ensuing year.
4. To transact such other business as may properly come before the Meeting.

DATED at Vancouver, British Columbia this 6th day of March, 2014.

**By Order of the Board of Directors**

**David M. Calabrigo, QC**  
**Corporate Secretary**

An Information Circular and a copy of the Annual Report of the Company for the year ended December 31, 2013 accompany this Notice of Annual General Meeting. The Information Circular contains details of matters to be considered at the Meeting. The Annual Report includes consolidated financial statements of the Company for the year ended December 31, 2013 and the auditors' report thereon and the Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company.

**A shareholder who is unable to attend the Meeting in person and who wishes to ensure that its shares will be voted at the Meeting is requested to complete, date and sign the enclosed form of proxy and to deliver the form of proxy in accordance with the instructions set out in the form of proxy and the Information Circular.**

## Contents

SOLICITATION OF PROXIES.....	3
RECORD DATE .....	3
APPOINTMENT OF PROXYHOLDERS AND REVOCATION OF PROXIES.....	3
VOTING OF SHARES AND EXERCISE OF DISCRETION BY PROXYHOLDER.....	3
VOTING SHARES AND PRINCIPAL HOLDERS THEREOF .....	3
ELECTION OF DIRECTORS .....	4
COMPOSITION OF THE MANAGEMENT RESOURCES AND COMPENSATION COMMITTEE.....	9
COMPENSATION DISCUSSION AND ANALYSIS .....	9
SUMMARY COMPENSATION TABLE .....	13
SECURITIES AUTHORIZED FOR ISSUANCE .....	14
DIRECTOR COMPENSATION .....	15
INDEBTEDNESS OF DIRECTORS, EXECUTIVE OFFICERS AND SENIOR OFFICERS.....	17
CORPORATE GOVERNANCE.....	17
THE BOARD OF DIRECTORS .....	18
BOARD MANDATE .....	19
POSITION DESCRIPTIONS.....	19
ORIENTATION AND CONTINUING EDUCATION .....	19
ETHICAL BUSINESS CONDUCT .....	19
NOMINATION OF DIRECTORS.....	19
COMPENSATION.....	19
BOARD COMMITTEES .....	20
BOARD/COMMITTEE ASSESSMENTS.....	21
APPOINTMENT OF AUDITOR.....	22
OTHER INFORMATION .....	22

**Canfor Corporation**  
**INFORMATION CIRCULAR**  
DATED AS OF MARCH 6, 2014  
(except as otherwise provided)

**SOLICITATION OF PROXIES**

This Information Circular is furnished in connection with the solicitation by the management of Canfor Corporation (the "Company") of proxies to be used at the Annual General Meeting (the "Meeting") of the Common Shareholders of the Company to be held at the time and place and for the purposes set forth in the notice of the Meeting accompanying this Information Circular. The solicitation will be by mail. The cost of solicitation will be borne by the Company.

**RECORD DATE**

The Directors of the Company have fixed March 6, 2014 at the close of business as the record date for determining the names of Common Shareholders of the Company entitled to receive notice of the Meeting. Each person who is entered in the central securities register of the Company at the close of business on March 6, 2014 as a holder of one or more Common Shares of the Company is entitled to attend and vote at the Meeting in person or by proxy and in the event of a poll to cast one vote for each Common Share held.

**APPOINTMENT OF PROXYHOLDERS AND REVOCATION OF PROXIES**

Each of the persons named in the enclosed form of proxy is a Director or senior officer of the Company. **A Common Shareholder has the right to appoint a person (who need not be a shareholder) as his nominee to attend and act for him and on his behalf at the Meeting other than the persons designated in the form of proxy accompanying this Information Circular. To exercise this right a shareholder may insert the name in full of his/her nominee in the blank space provided in the form of proxy and strike out the names of the persons now designated, or complete a similar form of proxy.** The proxy will not be valid unless the completed form of proxy is delivered to CST Trust Company Inc., Suite 1600, 1066 West Hastings Street, Vancouver, British Columbia, V6E 3X1, or the Corporate Secretary of the Company, not less than twenty-four (24) hours (excluding Saturdays and holidays) before the time of the Meeting. A Common Shareholder who has given a proxy has the power to revoke it by a signed instrument in writing in the manner provided in the articles of the Company or in any other manner provided by law any time before it is exercised. The articles of the Company provide that the revocation must be executed by the shareholder or his/her legal representative or trustee in bankruptcy authorized in writing, or where the shareholder is a corporation, by a duly authorized representative of the corporation, and delivered to the registered office of the Company at any time up to and including the last business day preceding the Meeting or delivered to the Chairman of the Meeting prior to the Meeting on the day of the Meeting.

**VOTING OF SHARES AND EXERCISE OF DISCRETION BY PROXYHOLDER**

The form of proxy accompanying this Information Circular confers discretionary authority upon the proxy nominee with respect to any amendments or variations to matters identified in the notice of the Meeting and any other matters which may properly come before the Meeting. At the date of this Information Circular, management of the Company knows of no such amendments, variations or other matters to come before the Meeting other than the matters referred to in the notice of the Meeting and routine matters incidental to the conduct of the Meeting. In the event that any further or other business is properly brought before the Meeting, it is the intention of the persons designated in the enclosed form of proxy to vote in accordance with their judgment of such business. **On any ballot or poll, the Common Shares represented by the proxy will be voted or withheld from voting in accordance with the instructions of the shareholder as specified in the proxy with respect to any matter to be acted on. If a choice is not so specified with respect to any such matter, the Common Shares represented by a proxy given to management are intended to be voted in favour of the resolutions referred to therein and for the nominees of management for election as Directors and the appointment of PricewaterhouseCoopers LLP as auditors.**

**VOTING SHARES AND PRINCIPAL HOLDERS THEREOF**

As at March 6, 2014, the Company has outstanding and entitled to be voted at the Meeting 139,904,593 Common Shares, each Common Share carrying the right to one vote. To the knowledge of the Directors and senior officers of the Company, no person or company owns beneficially, directly or indirectly, or exercises control or direction over, Common Shares carrying more than 10% of the voting rights attached to all Common Shares of the Company entitled to be voted at the Meeting except as set out below:

<b>Title of Class</b>	<b>Name of Beneficial Holder</b>	<b>Number of Shares</b>	<b>Percentage of Class</b>
Common Shares	James A. Pattison <sup>1</sup>	58,705,000	41.96
Common Shares	Mackenzie Financial Corporation <sup>2</sup>	17,488,821	12.5


- 1. The Common Shares beneficially owned by James A. Pattison, a Director of the Company, are held by companies wholly owned by Mr. Pattison.*
- 2. Based on public information.*

**ELECTION OF DIRECTORS**

The persons named in the enclosed form of proxy intend, unless otherwise directed, to vote for the election of a Board of Directors composed of the 8 nominees in the list that follows. All are currently Directors of the Company. If any of the nominees do not stand for election or are unable to serve, proxies may be voted for a smaller Board at the discretion of the proxy nominee.

The term of each Director currently in office will expire on April 30, 2014. Each Director proposed as a nominee below will hold office until the Company’s next Annual General Meeting, unless his office is earlier vacated in accordance with the articles of the Company.

The following is further information regarding each of the individuals who are proposed as nominees for election as Directors of the Company, including their other principal occupations, directorships and appointments and, where applicable, memberships on committees of the Board of Directors of the Company. A record of attendance at meetings of the Board and its committees during the twelve months ended December 31, 2013 is also noted below.

 <p><b>Peter J.G. Bentley, O.C., LL.D</b></p> <p>Vancouver, British Columbia Canada</p> <p>Age: 83 Director of Canfor since 1966</p> <p>Independent</p> <p><i>Areas of expertise:</i></p> <ul style="list-style-type: none"> <li>• Business management</li> <li>• Governance</li> <li>• Operations</li> <li>• Compensation</li> <li>• Risk Management</li> </ul>	<p>Mr. Bentley is Chairman Emeritus of the Board of Directors of the Company and a Director of Canfor Pulp Products Inc. (“Canfor Pulp”). After working in various positions throughout the Company, Mr. Bentley became Executive Vice President in 1970, President in 1975, and Chairman and Chief Executive Officer (“CEO”) in 1985, a position he held until April 24, 1995. Mr. Bentley was reappointed to the position of President and CEO of the Company on July 25, 1997 and relinquished the position of President and CEO of the Company on January 1, 1998. Mr. Bentley is Chairman and a Director of Sierra Mountain Minerals Inc. and a member of the Board of the Canadian Institute for Advanced Research, a member of the Advisory Board of BuildDirect.com and a Trustee and Chair Emeritus of the Vancouver General Hospital and University of British Columbia Hospital Foundation. He also served for many years as a Director of Bank of Montreal and Shell Canada Ltd. Mr. Bentley retired as Chancellor of the University of Northern British Columbia in May 2007. Mr. Bentley holds Honorary Doctorate of Law degrees from the University of British Columbia and University of Northern British Columbia.</p> <p><i>Other public company board/committee memberships in the past five years:</i></p> <ul style="list-style-type: none"> <li>• Canfor Pulp Products Inc. (2006 – present)</li> </ul>	
	<p><b>Overall Attendance: 100%</b></p>	
	<p><b>Board/Committee Membership<sup>1</sup></b></p>	<p><b>Attendance at Regular Meetings</b></p>
	<p>Board</p> <p>Joint Corporate Governance - Chair</p> <p>Joint Capital Expenditure</p> <p>Joint Environmental, Health &amp; Safety</p> <p>Joint Management Resources and Compensation</p>	<p>5 / 5</p> <p>2 / 2</p> <p>2 / 2</p> <p>4 / 4</p> <p>2 / 2</p>
	<p><b>Securities Held</b></p>	
	<p>March 6, 2014</p>	<p>March 7, 2013</p>
Common Shares	497,607	497,607
DSUs <sup>2</sup>	28,414	28,414



**Glen D. Clark**

Vancouver, British Columbia  
Canada

Age: 56  
Director of Canfor since 2009

Independent

*Areas of expertise:*

- Business Management
- Operations
- Financial
- Risk Management

Mr. Clark is the President and a Director of The Jim Pattison Group and a member of the Board of Directors of Westshore Terminals Investment Corporation. In the capacity of President of the Jim Pattison Group, Mr. Clark has corporate responsibility for Pattison Sign, Canadian Fishing Company, Overwaitea Food Group, Ocean Brands, Jim Pattison Lease, Ripley Entertainment, Guinness World Records and TNG North America. Prior to 2001, Mr. Clark served as Premier of British Columbia from February 1996 to August 1999. He was Minister of Finance and Corporate Relations from November 1991 to September 1993 and Minister of Employment and Investment from September 1993 until February 1996. Mr. Clark was first elected to the Legislative Assembly of British Columbia in 1986 to represent the constituency of Vancouver-East. In the 1991 and 1996 general elections, he was re-elected to represent the constituency of Vancouver-Kingsway. Mr. Clark holds a Bachelor of Arts degree from Simon Fraser University and a Master's Degree in Community and Regional Planning from the University of British Columbia.

*Other public company board/committee memberships in the past five years:*

- Westshore Terminals Investment Corporation (2013 – present)
- Business Development Bank of Canada (2005 – 2013)
- Sun-Rype Products Ltd. (2008 – 2013)

Board/Committee Membership <sup>1</sup>	Overall Attendance: 100%	
	Attendance at Regular Meetings	
Board	5 / 5	
Joint Capital Expenditure	1 / 1	
Joint Environmental, Health & Safety	4 / 4	
Joint Pension	1 / 1	
Securities Held		
	March 6, 2014	March 7, 2013
Common Shares	2,000	2,000
DSUs <sup>2</sup>	7,500	7,500



**Michael J. Korenberg**

West Vancouver, British Columbia  
Canada

Age: 53  
Director of Canfor since 2003

Independent

*Areas of expertise:*

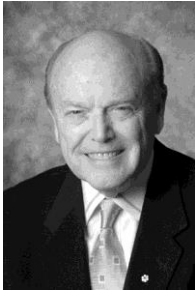
- Business management
- Financial
- Operations
- Legal/regulatory
- Risk management

Mr. Korenberg is Chairman of the Board of Directors of the Company and of the Company's principal subsidiary, Canadian Forest Products Ltd. ("CFP") and a Director and Chairman of Canfor Pulp. Mr. Korenberg is the Deputy Chairman & Managing Director of The Jim Pattison Group. Mr. Korenberg is also a Director of Jim Pattison Group Inc. (and its affiliates), Westshore Terminals Investment Corporation and Westshore Terminals Ltd. He is an adjunct professor, Faculty of Law, University of British Columbia, a member of the Dean's Advisory Committee for the National Centre for Business Law and a member of the Law Societies of Upper Canada (Ontario) and British Columbia.

*Other public company board/committee memberships in the past five years:*

- Canfor Pulp Products Inc. (2011 – present)
- Westshore Terminals Investment Corporation and Westshore Terminals Ltd. (2001 – present)
- Sun-Rype Products Ltd. (2008 – 2013)

Board/Committee Membership <sup>1</sup>	Overall Attendance: 100%	
	Attendance at Regular Meetings	
Board	5 / 5	
Audit	8 / 8	
Joint Corporate Governance	1 / 1	
Joint Capital Expenditure - Chair	2 / 2	
Joint Pension	1 / 1	
Securities Held		
	March 6, 2014	March 7, 2013
Common Shares	15,000	15,000
DSUs <sup>2</sup>	25,159	25,159



**James A. Pattison, O.C., O.B.C.**  
West Vancouver, British Columbia  
Canada

Age: 85  
Director of Canfor since 2003

Independent

*Areas of expertise:*

- Business management
- Governance
- Compensation
- Risk Management

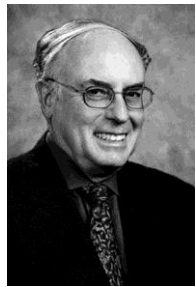
Mr. Pattison serves as the Managing Director, CEO and Chairman of The Jim Pattison Group. Mr. Pattison is a Director of Jim Pattison Group Inc. (and its affiliates), Brookfield Asset Management Inc. and a Trustee of the Board of the Ronald Reagan Presidential Foundation.

Other public company board/committee memberships in the past five years:

- Brookfield Asset Management Inc. (2006 – present)
- Sun-Rype Products Ltd. (2008 – 2013)

<b>Board/Committee Membership<sup>1</sup></b>	<b>Overall Attendance: 100%</b>	
	<b>Attendance at Regular Meetings</b>	
Board	5 / 5	
Joint Management Resources and Compensation-Chair	2 / 2	
Joint Corporate Governance	2 / 2	

	<b>Securities Held</b>	
	March 6, 2014	March 7, 2013
Common Shares <sup>3</sup>	58,705,000	58,705,000
DSUs <sup>2</sup>	25,159	25,159



**Conrad A. Pinette**

Vancouver, British Columbia  
Canada

Age: 74  
Director of Canfor since 2008

Independent

*Areas of expertise:*

- Business management
- Compensation
- Operations
- Governance
- Risk Management

Mr. Pinette's work in the Canadian forest industry began 40 years ago as an owner and President of a family lumber business, Pinette & Therrien Mills Ltd. Mr. Pinette has also served as Executive Vice President, Tolko Industries Ltd. (2005), Executive Vice President, Riverside Forest Products Limited (2004) and served as President and Chief Operating Officer of Lignum Limited from January 1990 to April 2004. Mr. Pinette is the former Chairman of Finning International Inc. and a former Director of TimberWest Forest Corp, Northgate Minerals Corporation, A&W Revenue Royalties Income Fund, Finning International Inc. and the British Columbia Business Council. Mr. Pinette is currently a member of the Vancouver General Hospital and University of British Columbia Prostate Advisory Board, a director of Canfor Pulp and the Chairman and Director of Gold Canyon Resources Inc.

Other public company board/committee memberships in the past five years:

- Canfor Pulp Products Inc. (2012 – present)
- Gold Canyon Resources Inc. (2011 – present)
- A&W Revenue Royalties Income Fund (2002 – 2011)
- Northgate Minerals Corporation (2005 – 2011)
- TimberWest Forest Corp (2002 – 2010)
- Finning International Inc. (1992 – 2010)

<b>Board/Committee Membership<sup>1</sup></b>	<b>Overall Attendance: 100%</b>	
	<b>Attendance at Regular Meetings</b>	
Board	5 / 5	
Joint Management Resources and Compensation	2 / 2	
Joint Corporate Governance	1 / 1	
Joint Capital Expenditure	2 / 2	
Joint Environmental, Health and Safety - Chair	4 / 4	

	<b>Securities Held</b>	
	March 6, 2014	March 7, 2013
Common Shares	15,000	10,000
DSUs <sup>2</sup>	10,000	10,000



**J. McNeill (Mack) Singleton**

Myrtle Beach, South Carolina,  
United States of America

Age: 68  
Director of Canfor since 2007

Non-Independent

*Areas of expertise:*

- Business management
- Operations
- Governance
- Risk management

Mr. Singleton has 38 years of experience in the wood products industry, all with New South Companies Inc. ("New South") (a wholly-owned subsidiary of CFP) or its predecessor companies, and has been CEO of New South since 1985. Mr. Singleton retired as the CEO of New South in September 2009. He has served on the boards of numerous industry associations and committees and is past Chairman of the US Coalition for Fair Lumber Imports and the Southern Forest Products Association. Mr. Singleton received a BA degree from Presbyterian College, a J.D. degree from the University of South Carolina School of Law, and completed the PMD Program at Harvard Business School. He is currently a member of the Board of Trustees of Presbyterian College.

Other public company board/committee memberships in the past five years:

- None

		<b>Overall Attendance: 100%</b>	
<b>Board/Committee Membership<sup>1</sup></b>	<b>Attendance at Regular Meetings</b>		
Board	5 / 5		
Joint Capital Expenditure	2 / 2		
Joint Environmental, Health and Safety	4 / 4		
<b>Securities Held</b>			
	March 6, 2014	March 7, 2013	
Common Shares	10,000	10,000	
DSUs <sup>2</sup>	5,000	5,000	



**Ross S. Smith, F.C.A.**

West Vancouver, British Columbia,  
Canada

Age: 74  
Director of Canfor since 2009

Independent

*Areas of expertise:*


- Business management
- Compensation
- Financial
- Operations
- Risk management

Mr. Smith had a successful 35 year career at KPMG LLP where he held various roles, including Managing Partner for British Columbia region and served for 13 years on the National Management Committee prior to his retirement in 1998. While in public practice, Mr. Smith served major public and private companies, many of which were in the forest industry, from an audit and securities perspective. Mr. Smith is a member of the Board of Directors of Kal Tire Ltd. and Rotherham Holdings Ltd. He is also a member of the Advisory Board of Marsh Canada Limited and is Chairman of the Board of Directors for K-Bro Linen Inc and Kal Tire Holdings Ltd. Mr. Smith is a former member of the Board of Directors of HSBC Bank Canada. Mr. Smith has served on many charitable and community boards and is a past member of the Board of Governors of the University of British Columbia. Mr. Smith qualified as a Chartered Accountant in 1962 and was elected a Fellow of the Institute of Chartered Accountants of British Columbia (ICABC) in 1990 and in 2010 was awarded a lifetime achievement award by the ICABC.

Other public company board/committee memberships in the past five years:

- None

		<b>Overall Attendance: 100%</b>	
<b>Board/Committee Membership</b>	<b>Attendance at Regular Meetings</b>		
Board	5 / 5		
Audit - Chair	8 / 8		
Joint Management Resources and Compensation	2 / 2		
Joint Pension	1 / 1		
<b>Securities Held</b>			
	March 6, 2014	March 7, 2013	
Common Shares	5,000	5,000	
DSUs <sup>2</sup>	7,500	7,500	

 <p><b>William W. Stinson</b></p> <p>Vancouver, British Columbia Canada</p> <p>Age: 80 Director of Canfor since 2011</p> <p>Independent</p> <p><i>Areas of expertise:</i></p> <ul style="list-style-type: none"> <li>• Business management</li> <li>• Compensation</li> <li>• Operations</li> <li>• Risk management</li> </ul>	<p>Mr. Stinson is the Chairman and CEO of Westshore Terminals Investment Corporation. Mr. Stinson is a member of the Board of Canfor Pulp. Mr. Stinson spent the majority of his business career with Canadian Pacific Ltd. retiring as Chairman and CEO in 1996 after 11 years in that position. He has served on a wide variety of boards and has held the positions of Chairman of Sun Life Financial, Chairman of the Executive Committee of United Dominion Industries and Lead Director of CHC Helicopter Corporation.</p> <p>Other public company board/committee memberships in the past five years:</p> <ul style="list-style-type: none"> <li>• Canfor Pulp Products Inc. (2009 – present)</li> <li>• Westshore Terminals Investment Corporation (1997 – present)</li> </ul>																																							
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1. As of May 2012, all Committees of the Company, other than Audit, have as members Directors of Canfor Pulp and are joint committees with Canfor Pulp.
2. Represents deferred share units ("DSUs") under the Non-Employee Director DSU Plan (See "Director Compensation - Compensation of Directors/Attendance" herein).
3. The Common Shares beneficially owned by Mr. James A. Pattison, a Director of the Company, are held by companies wholly owned by Mr. Pattison (See "Voting Shares and Principal Holders Thereof" herein).

For additional information regarding current Directors of the Company, see the section of the Company's Annual Information Form dated February 5, 2014 entitled "Directors and Officers", which is incorporated by reference herein.

To the knowledge of the Company, no nominee for election as a Director of the Company is, at the date of this Information Circular, or has been within the last 10 years prior to the date of this Information Circular, a director, chief executive officer or chief financial officer of any company that, (i) while acting in that capacity, was subject to a cease trade or similar order or an order that denied access to any exemption under securities legislation for a period of 30 consecutive days; (ii) was subject to an event that occurred while the nominee was acting in such capacity but which resulted, after he ceased to act in such capacity, in a cease trade or similar order or an order that denied access to any exemption under securities legislation for a period of 30 consecutive days. To the knowledge of the Company, no nominee for election as a Director of the Company is, at the date of this Information Circular, or has been within the last 10 years of the date of this Information Circular, a director or executive officer of any company that, while acting in that capacity or within a year of ceasing to act in such capacity, became bankrupt, made a proposal under legislation relating to bankruptcy or insolvency or was subject to any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, other than Mr. Bentley, who was a Director and/or executive officer of HSPP General Partner Ltd. ("HSPP"), general partner of Howe Sound Pulp and Paper Limited Partnership ("HSLP"), during the period of January 29, 2008 to February 1, 2008 when HSLP completed a restructuring under the *Companies' Creditors Arrangement Act* (Canada). On January 27, 2011, HSLP then renamed "6382 Pulp and Paper Limited Partnership" voluntarily filed for bankruptcy under the *Bankruptcy and Insolvency Act* (Canada) (the "BIA") after the sale of substantially all of its assets to a third party effective October 1, 2010. HSLP filed a proposal under the BIA which was subsequently approved by its creditors and finally by the British Columbia Supreme Court on July 18, 2011. Mr. Stinson was a director of Grant Forest Products Inc. ("Grant"). On June 25, 2009, Grant obtained creditor protection from the Ontario Superior Court under the *Companies' Creditors Arrangement Act* (Canada). Mr. Stinson ceased to be a director on June 30, 2010.

To the knowledge of the Company, no nominee for election as a Director of the Company has, within the last 10 years prior to the date of this Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver or receiver manager or trustee appointed to hold his assets.



## **EXECUTIVE COMPENSATION**

### **COMPOSITION OF THE MANAGEMENT RESOURCES AND COMPENSATION COMMITTEE**

The Board of Directors has final authority to approve the recommendations of its Management Resources and Compensation Committee (the "Compensation Committee") regarding the compensation of the executives of the Company. The following independent Directors were members of the Compensation Committee as at December 31, 2013: Messrs. Bentley, Pattison, Pinette, Smith and Stinson. Mr. Charles Jago, a Director of Canfor Pulp, is also a member of the Compensation Committee. For further information on the role and responsibility of the Compensation Committee see "Board Committees – Management Resources and Compensation Committee" herein.

All members of the Compensation Committee have experience in compensation matters either as members of compensation committees of other public companies and/or from having served as senior executives with significant responsibility for or involvement in compensation matters, including as follows: Mr. Bentley was formerly on the compensation committees of the Bank of Montreal and Shell Canada Ltd. and serves on the compensation committee of Canfor Pulp; Mr. Smith currently serves on the compensation committee for K-Bro Linen Inc. and was formerly on the compensation committee for the Board of Governors of University of British Columbia and on the National Management Committee with KPMG, which included the responsibility for compensation and benefit plans for the partners of KPMG; Mr. Stinson was formerly the CEO of Canadian Pacific Ltd. and as such had responsibility for compensation policies and programs for that company and also serves on the compensation committee of Canfor Pulp; Mr. Pinette, was a former executive in the forestry industry, with considerable experience in industry related compensation issues; Mr. Pattison, the Chair of the Compensation Committee is the CEO of The Jim Pattison Group which runs a diversified group of companies with extensive experience in compensation matters as a senior executive and director and has extensive experience with compensation issues for numerous companies; Dr. Jago was formerly the President of the University of Northern British Columbia and had oversight of the University compensation programs and policies; Mr. Smith also sits on the Audit Committee of the Company; Mr. Stinson and Pinette on the Joint Capital Committee; and Mr. Pattison and Mr. Bentley sit on the Joint Corporate Governance Committee. The cross memberships between committees supports the oversight of compensation policies and standards and ensures alignment with the Company's risk management principles.

### **COMPENSATION DISCUSSION AND ANALYSIS**

#### **Overview of Compensation Policies, Programs and Objectives and Consulting Fees**

##### *Overview*

The Company's executive compensation policies relating to the main elements of compensation awarded to, earned by or paid to the Named Executive Officers (as defined under the section entitled "Summary Compensation Table" below) are designed to enable it to attract and retain high calibre executives who will successfully lead the organization so as to ensure a satisfactory return to its shareholders, financial soundness and competitiveness within its business sectors. The compensation package for executives includes base salary and incentive bonus programs. The incentive programs are designed to provide the potential for top quartile compensation when compared to similar positions in the Canadian forest products sector and to a broader industry comparison, when performance warrants. No Director of the Company or Named Executive Officer as defined below, is permitted to purchase financial instruments for hedging purposes related to compensation.

The Compensation Committee periodically engages the services of an independent consulting firm, Hay Group ("Hay"), to provide advice and counsel on executive compensation matters, such as base salary, incentive and bonus programs, all as described further below. Hay is an independent resource for advice to the Compensation Committee and has assisted the Committee in reviewing compensation trends including market competitive information, designing compensation programs, and assisting the Compensation Committee in assessing the compensation of the CEO.

Compensation oversight and risk management are closely aligned. Mr. Smith, who is the Chair of the Audit Committee, also is a member of the Compensation Committee. These Committees review the Company's compensation policies and practices to ensure that they do not encourage any Named Executive Officer or other members of senior management to take inappropriate or excessive risks or otherwise give rise to risks that would reasonably be likely to have a material adverse effect on the Company.

##### *Executive Compensation – Related Fees*

The consulting fees paid to Hay for compensation related services in 2012 and 2013 were \$4,816 and \$4,515 respectively. Hay was first engaged to provide these services to the Company in September 2002.

#### **Elements of Compensation**

##### *Pay for Performance Review*

In 2011, the Compensation Committee reviewed all of the Company's bonus programs, particularly the Canfor Salary Incentive Program (the "CSIP") and the former Long Term Incentive Program (the "LTIP"). The purpose of the review was to test for the effectiveness of such programs and, where necessary, consider adjustments to them and the possible creation of a new plan that would better align bonuses with performance combining financial risk and strategic and operational objectives. The intent of the

Compensation Committee's review was to determine if the Company's existing plans adequately established a clear relationship between pay and performance by providing, in particular, higher compensation for outstanding performance and less compensation when performance expectations are not met. The Compensation Committee determined that changes were required to the Company's compensation policies and programs to achieve these objectives. Accordingly, effective January 1, 2012, the Compensation Committee created the Senior Executive Performance Bonus Plan (or PBP) as described below. This plan replaced the LTIP in 2012 and is designed to directly link the Company's financial performance to executive bonuses. In addition, certain revisions were made to CSIP effective in 2012 to ensure that awards are better aligned with the interests of shareholders. The CSIP described below is the plan in place for 2013.

The Board, through the Compensation Committee, retains the discretion to award compensation to senior executives, including the Named Executive Officers, even when performance goals or targets are not achieved. In making such awards, the Compensation Committee will consider a number of factors, including the recommendation of the CEO, the financial condition of the Company, the performance of the individual being considered for the award, the state of the markets generally and any other factor the Compensation Committee considers relevant. However, discretionary awards will only be granted by the Compensation Committee to individuals who have shown exemplary or outstanding performance beyond normal job performance.

The Compensation Committee does not anticipate making significant further changes to its compensation policies and practices in the next year, but has reserved the right to do so if the Compensation Committee is of the view that it would be necessary to achieve the Company's compensation objectives.

#### *Base Salaries*

Base salaries and salary ranges for all of the Company's executive officers are established using market-competitive information provided by Hay, the independent consulting firm retained by the Compensation Committee for this purpose. The Compensation Committee periodically retains Hay to provide advice on market base salary and bonus information for its senior executives, including the CEO and the other Named Executive Officers. Market information is updated when necessary and salaries are reviewed annually. The mid-point for salary ranges is set at the median of the marketplace. The primary source for market information is the Hay Forest Industry Survey (FIS) which contains companies engaged in the forest products business similar to the Company. The companies included in the peer group market data are AV Nackawic Inc., Ainsworth Engineered Canada L.P., Alberta-Pacific Forest Industries Inc., Daishowa-Marubeni International Ltd., International Forest Products Limited, Minas Basin Pulp & Power Co. Ltd., Northern Pulp Nova Scotia Corp., Tembec Inc., TimberWest Forest Corp., Tolko Industries Ltd., Twin Rivers Paper Company, West Fraser Timber Co. Ltd. and Zellstoff Celgar Partnership Limited. The FIS data has been "point adjusted" and takes into account, and arithmetically adjusts for, size/complexity differences between the companies. The Compensation Committee has sole responsibility for recommending for approval by the Board the compensation of the CEO.

#### *Canfor Salaried Incentive Plan*

The CSIP is a short-term incentive program that provides for salaried employee participation in the success of the Company, recognizes employee contribution to the Company's business improvement objectives and supports a "one team" approach. The CSIP is designed to meet the following objectives:

- to focus on the Company's key strategic financial measure, Return on Invested Capital ("ROIC");
- to reinforce the Company's goal of achieving a minimum ROIC threshold;
- to help align corporate, team and individual performance objectives; and
- to provide market-competitive incentive opportunities.

Target incentive levels for participating employees under the CSIP are determined by job or position and may change if the employee's position within the Company changes. The table below outlines the structure of the CSIP's target incentive levels, representing the percentage of annual base salary payable to senior management, on achieving the target payout requirements of the plan, as discussed below. All salaried employees other than the CEO and Senior Vice Presidents of the Company participate in the CSIP at incentive target levels ranging from 10% to 40%. Payments under the incentive program are based on annual base salary as of December 31 of the year for which the incentive is payable.

<b>Employee Group</b>	<b>Target Incentive Level (as a % of salary)</b>
Senior Management <sup>(1)</sup>	40%
Management	30%

(1) Excludes the CEO and all of the Company's Senior Vice Presidents. None of the Named Executive Officers participate in the CSIP, only the PBP referred to below.

The CSIP is based on two components: rolling 5 year average ROIC; and controllable performance gains, as measured against goals and objectives established at the beginning of each year. ROIC is defined as the sum of operating income / (loss), realized gains / (losses) on derivative financial instruments and other income/(expense), all net of any minority interest, divided by the average invested capital during the year, and accounts for 50% of the CSIP program. Controllable performance gains also account for 50% of the CSIP program, and are measured by four factors: safety, quality, cost and delivery as well as the degree of individual contributions during that year. Individual performance is rated by scoring individuals on a rating scale ranging from outstanding

performance to performance standards not met. Payments are subject to threshold, target and maximum levels established under the CSIP. Threshold is defined as the minimum level of performance required to qualify for a 50% payout under a component of the CSIP. Target is defined as the level of performance required to receive a 100% payout under a component of the CSIP. Maximum is defined as the level of performance required to receive a payout of 150% under a component of the CSIP.

The ROIC payout factors are as follows:

<b>Performance Level</b>	<b>Payout factor of ROIC Target Incentive</b>	<b>5 year Rolling Average ROIC Rate</b>
Threshold	0.5	10%
Target	1.0	15%
Maximum	1.5	20%

When the rolling 5 year average ROIC level is below the threshold performance level, no payment under this component will be made.

For 2013, the amount of \$7,809,057 was paid pursuant to the CSIP. The Named Executive Officers (as defined below) are participants in PBP only (as defined below) and do not participate in CSIP.

#### *Senior Executive Performance Bonus Plan*

Effective January 1, 2012, the Company implemented a Senior Executive Performance Bonus Plan (the "PBP") that applies to all senior executives of the Company, including the Named Executive Officers, and other senior management selected by the CEO. Pursuant to the PBP, bonuses are awarded based on a 5 year rolling average of the annual ROIC percentage. PBP bonus payment factors for the senior executives including the Named Executive Officers are:

<b>Average ROIC</b>	<b>Payout as a Percent of Annual Salary</b>
<b>10% - 14%</b>	<b>50%</b>
<b>15% - 19%</b>	<b>75%</b>
<b>20% and above</b>	<b>100%</b>

Bonuses are capped at 100% of salary and payments are made on the basis of 50% at the time of the award and the balance paid in equal installments in each of the following two years. If the rolling 5 year average ROIC is below 10%, no payment will be made under the PBP. However if the threshold ROIC of 10% is not met, the Compensation Committee has the discretion to award bonuses, on the recommendation of the CEO, to individuals who have exemplified superior or exceptional performance during the year.

For 2013, the total amount of \$4,234,992 was paid to the senior management including the Named Executive Officers, of which \$2,117,496 was paid in 2014 and the balance to paid equally in 2015 and 2016 in accordance with the terms of the PBP. Reference is made to the Summary Compensation Table below for amounts paid to Named Executive Officers.

#### **Compensation of Chief Executive Officer**

The Compensation Committee monitors and assesses the performance of the CEO and other senior executives and determines their pay levels. For the fiscal year ending December 31, 2013, the compensation of Mr. Don Kayne, the CEO of the Company, consisted of base salary and eligibility for bonus under the PBP. In setting the base salary of the CEO, the Compensation Committee considered market competitive information and compared similar positions in the Canadian and British Columbia forest products industry and a broader industry group provided by Hay, an independent consulting firm engaged for this purpose (see "Compensation Discussion and Analysis - Elements of Compensation" herein).

#### **Stock Options**

In 1998, the Company established a Performance Stock Option Plan (the "PSO Plan"), subject to approval by ordinary resolution of the Common Shareholders which was granted at the annual general meeting held on April 20, 1999. The PSO Plan was subsequently broadened and, with shareholder approval, the number of Common Shares which may be issued upon exercise of options under the PSO Plan was increased to 5,800,000, which represents 4.15% of the Company's currently outstanding Common Shares.

Under the PSO Plan, the Company may grant to employees of the Company or its subsidiaries or affiliates, options to purchase a specified number of Common Shares of the Company. The exercise price for options granted under the PSO Plan will be not less than the closing price of the Common Shares on the Toronto Stock Exchange ("TSX") on the day prior to the day on which the option is granted.

The maximum number of Common Shares issuable to all insiders under the PSO Plan is 10% of the Company's outstanding Common Shares, and to any one insider is a maximum of 5% of outstanding Common Shares. Entitlements under the PSO Plan cease on termination of an employee's employment as a result of the employee's death, disability or retirement (after three years), termination

for cause (immediately) and for any other reason other than cause, normal retirement, death or disability (30 days). The rights of the employees under the PSO Plan are not assignable except to certain family members and personal representatives upon death.

During the year-ended December 31, 2013, no Common Shares were issued pursuant to the exercise of options.

No stock options were granted in 2013. The Company does not plan to grant further stock options and has not granted options since 2002. Accordingly, option grants are not currently considered as part of the determination of compensation for Named Executive Officers.

As at December 31, 2013, all options granted under the PSO Plan had either been exercised or expired and there are currently no outstanding options under the PSO Plan.

### Employee Share Purchase Plan

The Company has established an employee share purchase plan (the "Employee Purchase Plan") for employees of the Company's wholly owned subsidiary, CFP. CFP is the direct employer of virtually all of the Company's employees, including all of the Named Executive Officers. The Employee Purchase Plan was approved by the shareholders of the Company by special resolution on April 20, 1999.

The Employee Purchase Plan is an employee profit sharing plan in accordance with section 144 of the Income Tax Act (Canada).

The purpose of the Employee Purchase Plan is to develop an interest by the employees of CFP in the growth and development of the Company by providing them with the opportunity to participate in the ownership of the Company through the purchase of its outstanding Common Shares. All regular employees of CFP are eligible to participate in the Employee Purchase Plan upon completion of one year of employment with CFP.

Enrolment in the Employee Purchase Plan is voluntary. Each participating employee is entitled to contribute as a basic contribution a minimum of 1% and a maximum of 5% of his or her basic wages or salary to the Employee Purchase Plan and may make a supplementary contribution of up to an additional 5% of such wages or salary. Until June 2007, CFP made a basic contribution each month in an amount equal to 30% of each participant's basic contribution and also paid the cost of brokerage and commissions. In June 2007, CFP discontinued its contributions to the Employee Purchase Plan and the brokerage and commission payments.

All Common Shares purchased under the Employee Purchase Plan are outstanding shares purchased in the market or by private purchase by the trustee appointed from time to time for the Employee Purchase Plan (the "Trustee"). No Common Shares will be issued from treasury under the Employee Purchase Plan. All cash dividends received by the Trustee in respect of Common Shares held in the Employee Purchase Plan will be reinvested by the Trustee in additional Common Shares.

### Change of Control Agreements

In 2000, the Company entered into change of control agreements with certain senior executives, including one of the Named Executive Officers, as described below. Other than the Named Executive Officer referred to below, all other change of control agreements have been terminated as a result of these senior executives ceasing employment with the Company.

The agreement with Mr. Kayne provides that if, during a period commencing on a change in control of the Company and ending eighteen (18) months later, the senior executive's employment is terminated or he is constructively dismissed, the senior executive may elect to accept either a salary continuation or a lump sum payment. In either case, the senior executive will be entitled to a severance payment equal to twenty-four (24) months salary, a percentage of annual base salary equal to the target bonus for that period and a pro-rated bonus for the year in which his or her employment ceased (including target bonuses under the PBP), and in the case of the salary continuation, certain continued benefits.

For the purposes of the agreement, a "change in control" is defined as an acquisition by a person or group of persons of more than twenty (20%) percent of the Company's outstanding Common Shares, a change in a majority of the Board of Directors (other than through solicitation by management of the Company), a business combination involving the Company or any of its subsidiaries where, as a consequence, the book value of the assets of the resulting entity is more than one hundred and fifty (150%) per cent of the book value of the Company's assets on a consolidated basis before the business combination or any disposition of assets comprising more than fifty (50%) per cent in book value of the Company's assets on a consolidated basis.

Assuming a change in control and termination of employment for the one Named Executive Officer having a change of control agreement with the Company referred to above occurred on December 31, 2013, the following table represents the amounts that would be payable to him.

Name	Position	Base Salary \$	Bonus <sup>1</sup> \$	Benefits <sup>2</sup> \$	Total \$	Present Value of Additional Pension \$
D. B. Kayne	President and CEO	1,300,000	1,300,000	70,000	2,670,000	1,100,000

1. Estimated at PBP maximum payout based on 24 months.

2. Represents two years maximum perq plan amounts and other benefits.

## Summary Compensation Table

The following Summary Compensation Table sets forth, for each of the Company's three most recently completed financial years, the compensation of each person who served as the CEO or the CFO during the fiscal year ended December 31, 2013 and the three most highly compensated executive officers of the Company, other than the CEO and CFO, who were serving as executive officers at December 31, 2013 (such CEO, CFO and executive officers are referred to collectively as the "Named Executive Officers"). For the year-ended December 31, 2013, the Company paid aggregate direct remuneration to its Directors and senior officers in the total amount of \$5,499,742.

### SUMMARY COMPENSATION TABLE

Name and principal position <sup>1</sup>	Year	Salary (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation <sup>2,3</sup> (\$)	Total compensation (\$)
					Annual incentive plans <sup>4</sup>	Long-term incentive plans <sup>5</sup>			
Don B. Kayne President and Chief Executive Officer	2013	650,000	-	-	792,000	-	754,000	40,682	2,236,682
	2012	550,000	-	-	550,000	-	(354,000) <sup>7</sup>	37,907	783,907
	2011	465,384	-	-	-	165,000	125,000 <sup>6</sup>	37,490	788,132
Alan Nicholl Senior Vice President, Finance and Chief Financial Officer	2013	435,000	-	-	537,000	-	47,793	45,678	1,065,471
	2012	300,000	-	-	240,000	-	43,885	39,241	623,126
	2011	238,019	-	-	56,660	36,000	32,208	25,566	388,453
Alistair L.W. Cook Senior Vice President, Operations Canada	2013	435,000	-	-	537,000	-	609,000	42,352	1,623,352
	2012	300,000	-	-	240,000	-	(90,000) <sup>7</sup>	50,559	500,559
	2011	269,192	-	-	74,160	135,000	68,000	20,492	566,845
Mark A. Feldinger Senior Vice President, Energy, Environment, Transportation and Sourcing	2013	400,000	-	-	506,000	-	651,000	62,807	1,619,807
	2012	300,000	-	-	240,000	-	(153,000) <sup>7</sup>	26,679	413,679
	2011	300,000	-	-	74,160	165,000	56,000	11,015	606,175
Wayne Guthrie <sup>8</sup> Senior Vice President, Sales & Marketing	2013	400,000	-	-	506,000	-	494,000	39,172	1,439,172
	2012	300,000	-	-	240,000	-	(112,000) <sup>7</sup>	37,780	465,780
	2011	197,308	-	-	61,800	-	-	156,627 <sup>8</sup>	415,735

1. Messrs Kayne, Nicholl, Feldinger, Cook and Guthrie were appointed to these positions on May 5, 2011. Prior to these appointments Mr. Kayne was Vice President, Wood Products Marketing & Sales, Mr. Nicholl was Corporate Controller, Mr. Feldinger was Vice President, Wood Products Manufacturing and Mr. Cook was Vice President, Capital Projects. Mr. Guthrie commenced employment with the Company on May 6, 2011.

2. The aggregate amount of compensation by way of perquisites or other personal benefits, securities or property under this column paid to the Named Executive Officers does not exceed the lesser of \$50,000 or 10% of the total annual salary for the applicable financial year. The Company's perquisite plan for senior officers consists of an automobile lease, financial counselling and club membership. The maximum annual amount available under the perquisite plan to the CEO is \$35,000 and to Senior Vice Presidents \$30,000.

3. For all Named Executive Officers these amounts may also include flexible benefit cash allocations, medical and life insurance benefits and other minor items not included in the perquisite plan.

4. These amounts include amounts paid under the Company's CSIP for 2011. Mr. Kayne declined receiving a CSIP bonus for 2011. For 2012 and 2013, this amount represents a bonus paid under the PBP. Under the PBP, 50% of this award was paid to the Named Executive Officer and the balance will be paid evenly over the next two years. For 2013 of this amount, \$152,500 was a discretionary bonus.

5. These amounts are payments made in 2011 under the Company's then applicable "Bridge Bonus Plan" which is now terminated.

6. Mr. Kayne was appointed the CEO in May, 2011. At that time, his base annual salary was increased from \$300,000 to \$550,000. Based on his 31.5 years with the Company at the time this salary increase would have resulted in a \$1,790,000 pension value as at December 31, 2011. See "Pension Plan Benefits – Defined Benefit Plan" herein. The number contained in the table above for 2011 is the normalized pension value assuming Mr. Kayne's salary remains at \$550,000 per annum with a 3.0% increase per year.

7. Starting in January 2012, the Named Executive Officers no longer participate in the Company's CSIP program and only participate in the PBP. Any awards under the PBP are not pensionable and awards from the CSIP were 50% pensionable. The figures disclosed above represent the impact of future bonuses under the PBP no longer being pensionable.

8. Mr. Guthrie's compensation amount includes a one time special bonus of \$150,000 paid in 2011. The amount for Mr. Guthrie in 2011 represents only that portion of the year he was employed by the Company.

### OUTSTANDING SHARE-BASED AWARDS AND OPTION-BASED AWARDS AND INCENTIVE PLAN AWARDS

There were no share or option based awards outstanding at December 31, 2013 or value vested or earned in respect thereof during the financial year ended December 31, 2013.

All non-equity incentive plan compensation awards for each Named Executive Officer are set out in the Summary Compensation Table Above.

**SECURITIES AUTHORIZED FOR ISSUANCE  
UNDER EQUITY COMPENSATION PLANS AS AT DECEMBER 31, 2013**

**Equity Compensation Plan Information**

The Company has no securities to be issued upon exercise of outstanding options, warrants and rights as of December 31, 2013. The Company has 3,780,270 of securities remaining available for future issuance under an equity compensation plan (see "Executive Compensation – Compensation Discussion and Analysis – Stock options" herein).

**PENSION PLAN BENEFITS**

**Defined Benefit Plan**

The Company's accrued pension liability is calculated following the method prescribed by the Canadian Institute of Chartered Accountants and is based on management's best estimate of future events that affect pension liabilities, including assumptions about future salary adjustments and bonuses. Changes in accrued pension liabilities for the Named Executive Officers are summarized in the following table.

Other than Mr. Nicholl, the Named Executive Officers are members of the Company's Canadian defined benefit pension plans, which provide retirement benefits determined primarily by: (i) highest average pensionable earnings which includes regular salary and up to 2011, 50% of CSIP bonuses and lump sum performance awards in a highest period of five consecutive years; and (ii) years of service. Mr. Nicholl, Senior Vice President, Finance and Chief Financial Officer is a member of the Company's defined contribution plan.

The estimated annual benefits payable upon retirement to the Named Executive Officers under the Company's defined benefit pension plans are in accordance with the following table.

Name	Number of years credited service (#)	Annual benefits payable <sup>1</sup> (\$)		Accrued obligation at start of year <sup>3</sup> (\$)	Compensatory Change <sup>4</sup> (\$)	Non-compensatory Change <sup>5</sup> (\$)	Accrued obligation at year end <sup>6</sup> (\$)
		At year <sup>1</sup> end	At age 65 <sup>2</sup>				
Don Kayne	33.50	354,500	438,500	4,398,000	754,000	(115,000)	5,037,000
Mark Feldinger	27.00	180,600	254,200	1,952,000	651,000	(47,000)	2,556,000
Alistair Cook	19.83	124,400	219,900	1,275,000	609,000	(75,000)	1,809,000
Wayne Guthrie	21.80	177,300	293,200	1,280,000	494,000	(67,000)	1,707,000

1. Annual lifetime benefit accrued as at December 31, 2013 based on credited service and actual pensionable earnings at December 31, 2013.
2. Annual lifetime benefit payable at age 65 based on credited service projected to age 65 and actual pensionable earnings at December 31, 2013.
3. As of plan measurement date at end of prior year – December 31, 2012, using assumptions as at December 31, 2012 selected by the Company for the 2012 year-end disclosures under international accounting standards.
4. The compensatory change includes the service cost, plus the impact of actual 2013 pensionable earnings that differ from the estimated earnings, less the impact of future bonuses no longer being pensionable.
5. The non-compensatory change includes interest on the obligation, changes in assumptions and employee contributions to the flexible pension option.
6. As of plan measurement date at end of year – December 31, 2013 using assumptions as at December 31, 2013 selected by the Company for the 2013 year-end disclosures under international accounting standards.

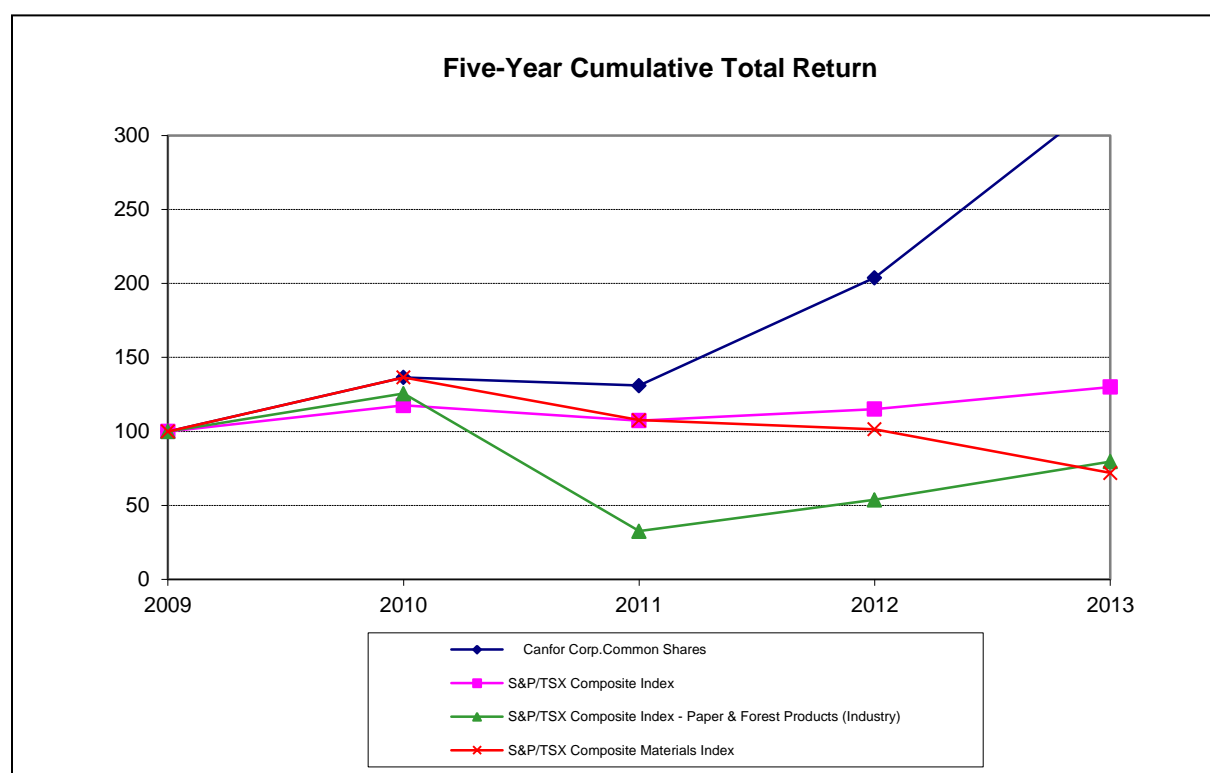
**Defined Contribution Plan**

The following table sets forth the benefits attributable to Alan Nicholl, the only Named Executive Officer that is a member under the Company's defined contribution plan.

Name	Accumulated value at start of year (\$)	Compensatory (\$)	Accumulated value at year end (\$)
Alan Nicholl	172,956	47,793	258,762

## PERFORMANCE GRAPH

The following graph compares the total cumulative shareholder return for \$100 invested in Common Shares of the Company on January 1, 2009 with the cumulative total shareholder return of the S&P/TSX Composite Index, S&P/TSX Composite Index - Paper & Forest Products (Industry) and S&P/TSX Composite Materials Index for the five most recently completed financial years.



	2009	2010	2011	2012	2013
Company Common Shares	100	137	131	204	328
S&P/TSX Composite Index	100	118	107	115	130
TSX Paper & Forest Index	100	126	33	54	80
S&P/TSX Composite Materials Index	100	137	108	101	72

*Note: Dividends declared on Common Shares of the Company are assumed to have been reinvested at the market price of the Company's shares on the payment date. The S&P/TSX Composite Index and the TSX Paper and Forest Index are similarly based on the reinvestment of dividends.*

In 2013, the Company's Common Shares outperformed the S&P/TSX Composite index, the TSX Paper and Forest Index and the S&P/TSX Composite Materials Index. Compensation of employees including the Named Executive Officers are linked to corporate performance. Corporate performance is generally measured by return on invested capital (ROIC). The Company's compensation plans have minimum ROIC thresholds in order for bonuses to be paid. As corporate performance increases as measured by ROIC, compensation for the Named Executive Officers increases in accordance with the term of the PBP (see "Executive Compensation – Elements of Compensation – Senior Executive Performance Bonus Plan" herein).

## DIRECTOR COMPENSATION

### Compensation of Directors/Attendance Fees

Effective May 1, 2011, the Board determined that the Chair of the Audit Committee is to receive a \$10,000 retainer and a \$10,000 annual fee and each Audit Committee member is to receive a \$10,000 annual fee. The Board also determined that there will be a Joint Capital Expenditure ("Joint Capex") Committee with Canfor Pulp, and the Capex Chair will receive a \$10,000 retainer and a \$10,000 annual fee and each member will receive a \$10,000 annual fee and that there will be no meeting fees. The Company and Canfor Pulp will pay fees to each of their representatives on the Joint Capex Committee except where such representative sits on both the Canfor Pulp Board and the Company Board, then the fee shall be split 50/50 between the two companies. Annual Director compensation for Board and Committee meetings is summarized in the following table.

	Fees
Annual Board Chair retainer	\$150,000
Annual Board retainer	\$75,000
Board/Committee meeting fees for scheduled meeting	\$2,000 <sup>1</sup>
Board/Committee meeting fees for non-scheduled meeting	\$2,000 <sup>1</sup>
Annual Audit & Joint Capex Committee Chair retainer	\$10,000
Annual Audit & Joint Capex Committee retainer	\$10,000
Annual Committee Chair retainer	\$5,000
Annual Committee retainer	\$5,000
Joint Capex Committee meeting fees	N/A

<sup>1</sup> excluding Joint Capex Committee

Effective January 1, 2002, the Company instituted a non-employee Director DSU plan (the "Non-Employee Director DSU Plan"). Each non-employee Director of the Company receives 2,500 DSUs annually in accordance with the Non-Employee Director DSU Plan. A DSU under this plan is a notational entry having the same value as one Common Share of the Company, but is not paid out until such time as the Director leaves the Board, thereby providing the financial equivalent of an ongoing equity stake in the Company throughout the Director's period of Board service. Payment in respect of DSUs may be made in cash or Common Shares of the Company purchased on the open market or both. The Non-Employee Director DSU Plan provides that Directors holding DSUs are credited with additional units reflecting an equivalent value to dividends paid from time to time in respect of the Company's Common Shares and also allows for the adjustment to the outstanding DSUs held by the Directors which are appropriate to reflect any significant reorganizations or other corporate changes affecting the Company's Common Shares. As at December 31, 2013, the accrual in respect of the DSUs currently outstanding to Board members was \$3,115,491.65. Effective July 27, 2011 the Board determined not to issue any further DSU's to Directors under the Non-Employee Director DSU Plan.

The Board has instituted shareholding expectations for each of its Directors. These guidelines provide that each Director is expected to own 10,000 Common Shares of the Company. The Directors have a period of two years in which to achieve the guidelines and DSUs are included in the ownership guideline.

### Directors' Compensation Summary for 2013

The following table summarizes the amount of Directors' fees paid to Directors for the fiscal year ending December 31, 2013 (as discussed under "Director Compensation - Compensation of Directors/Attendance Fees" above).

Name	Retainer				Attendance Fees		Total Paid <sup>1</sup> \$
	Board \$	Board Chair \$	Committee Member \$	Committee Chair \$	Board \$	Committee Meetings \$	
Peter J.G. Bentley	75,000		12,500	2,500	16,000	8,000	114,000
Glen D. Clark	75,000		12,500		16,000	10,000	113,500
Ronald L. Cliff	75,000	121,875	12,500		16,000	16,000	241,375
Michael J. Korenberg	75,000	84,375	17,500	5,000	16,000	16,000	213,875
James A. Pattison	75,000		10,000	5,000	16,000	8,000	114,000
Conrad A. Pinette	75,000		8,750	2,500	16,000	7,000	109,250
J.M (Mack) Singleton	75,000		15,000		16,000	8,000	114,000
Ross S. Smith	75,000		17,500	12,500	16,000	20,000	141,000
William Stinson	75,000		8,750		16,000	4,000	103,750

1. Before deduction of applicable taxes.



## Summary of Board/Committee Meetings Held

For the 12-month period ended December 31, 2013

Board	5
Audit <sup>1</sup>	8
Joint Corporate Governance	2
Joint Environmental, Health and Safety	4
Joint Capital Expenditure	2
Joint Management Resources and Compensation	2
Pension <sup>2</sup>	1

1. In 2013, there were five scheduled Audit Committee meetings and three unscheduled meetings.

2. Effective May 1, 2013, the Pension Committee was wound up and its duties and responsibilities assumed by the Audit Committee.

## INDEBTEDNESS OF DIRECTORS, EXECUTIVE OFFICERS AND SENIOR OFFICERS

There are no material loans outstanding as at March 6, 2014 payable by officers, directors, employees and former directors, officers and employees of the Company or any of its subsidiaries to the Company or any of its subsidiaries.

## CORPORATE GOVERNANCE

### Introduction

National Instrument 58-101 "*Disclosure of Corporate Governance Practices*" ("N1 58-101") requires public companies to disclose annually their corporate governance practices, including the constitution and independence of their board of directors, their mandates, roles, responsibilities and membership, and various items dealing with effective corporate governance. The following disclosure describes the Company's current corporate governance practices.

### Board Responsibilities

Under a set of Governance Principles and a Code of Conduct adopted by the Board, the Board has explicitly acknowledged its responsibility for the stewardship of the Company, including the supervision of the management of its affairs and business. The basic objective of the Board is to ensure that shareholder value is preserved and maximized over the longer term and that the highest ethical standards are maintained throughout the Company's operations. In pursuing this objective, consideration is given to the interests of other stakeholders and to balancing gain against risk in order to ensure the financial viability of the business of the Company. Under the Governance Principles and the Code of Conduct, the Board (directly or through its Committees) has expressly assumed responsibility in the areas listed below, among others.

#### *Culture of Integrity*

The Board has assumed responsibility for satisfying itself, to the extent practical, as to the integrity of the CEO and the other executive officers of the Company and that those officers work to create a culture of integrity throughout the Company. The Governance Principles and Code of Conduct are designed to assist the Board in defining and maintaining appropriate standards of integrity throughout the organization (see also "Ethical Business Conduct" below).

#### *Strategic Planning*

The Board participates in the strategic planning process by reviewing, evaluating and providing input to management's strategic plan. The Board sets aside at least one meeting per year to review and comment on management's strategic plan. This allows the Directors to gain a better appreciation of management's strategic planning priorities. Updates are provided to the Board throughout the year. The Board held one strategic planning session in 2013.

#### *Risk Management*

Risk Management is a primary responsibility of the CEO and includes the identification and management of the principal risks of the Company's business. Regular reports on risk issues are made to the Audit Committee and management conducts an annual corporate risk assessment. In its deliberations, the Board considers the principal risks of the Company's business and satisfies itself that management has systems in place to manage those risks. In order to facilitate the management of the Company's business risks, the Board has adopted a risk management controls policy which sets out the responsibilities, reporting and counterparty credit requirements associated with all risk management activities as well as a specific energy risk management policy which sets out principles for managing energy price exposure risks. See "Overview of Compensation Policies, Programs and Objectives" herein for a discussion on risk as it relates to compensation issues.

### *Succession*

The Compensation Committee reviews succession planning for the CEO and other key senior executives as well as personal development plans for senior management. The Compensation Committee is provided with regular updates on the succession and development programs from the CEO and reports to the Board on succession planning matters.

### *Communication Policy and Disclosure Control*

The Company has adopted a Corporate Disclosure Policy covering timely dissemination of material information. The policy establishes guidelines relating to how material/sensitive company information is disclosed, responsibilities of officers, avoidance of selective disclosure and blackout periods. The Company also communicates through the dissemination of continuous disclosure materials such as annual and quarterly reports, news releases and its Annual Information Form. The Company maintains and regularly updates its website and conducts briefing sessions and group meetings.

### *Integrity of Internal and Financial Disclosure Controls*

The Board directly and through its Audit Committee reviews and assesses the adequacy and integrity of the Company's internal controls and management and information systems, as well as its disclosure controls and procedures to ensure that financial information for public disclosure is properly recorded, processed, summarized and reported to the Board and the Audit Committee. In addition, through the use of the Company's internal auditors, the Board monitors and assesses internal control mechanisms and functions. The Company has established a Disclosure Committee comprised of senior managers of the Company and Canfor Pulp. The Disclosure Committee reviews and assesses the financial disclosure of the Company and the internal controls and procedures for ensuring that accurate information is being processed. The Disclosure Committee reports its findings to the CEO, CFO and Audit Committee. The Audit Committee regularly meets with the internal auditor, external auditor and management to review the effectiveness of such controls.

## **THE BOARD OF DIRECTORS**

### **Independence**

The Board is currently composed of 9 Directors, 8 of whom are independent Directors as defined in NI 58-101. Mr. Singleton was the former President and CEO of New South and retired on September 30, 2009. Therefore he is not considered an independent director. Mr. Korenberg, Chairman of the Company, does not exercise any management functions and is considered to be an independent director. No current independent Director has entered into any contracts with the Company, received remuneration from the Company in excess of Director's compensation or worked for the Company in the last 5 years. The Board has provided a means whereby individual Directors may engage outside advisors at the expense of the Company in appropriate circumstances. In 2013, no advisors were engaged on behalf of individual Directors.

Of the 8 individuals proposed as nominees for election as Directors at the Meeting, 7 are considered to be independent as defined in NI 58-101.

### **Other Directorships**

The names of other reporting issuers in respect of which each Director and proposed Director presently serves as a Director are set out under the "Election of Directors" section of this Information Circular.

### **Board Meetings**

The independent Directors, as part of each Board meeting, hold *in camera* sessions without the presence of management and if necessary Mr. Singleton (as a non-independent Director) to discuss issues relating to management and governance of the Company generally. The Board held five such meetings in 2013. The Chairman of the Board meets annually with the CEO and Chairman of the Governance Committee to discuss the relationship between management and the Board and reports the results of these discussions to the Board.

### **Attendance Record**

The attendance record of each Director for Board meetings and committee meetings is disclosed under the "Summary of Attendance of Directors" section of this Information Circular.

### **Chairman**

Mr. Korenberg was appointed Co-Chairman of the Board on February 14, 2013 and Chairman of the Board on January 1, 2014. As discussed under "Independence" above, Mr. Korenberg is considered to be an independent Director as defined in NI 58-101. As Chairman, Mr. Korenberg is responsible for ensuring the effective functioning of the Board, independent of management, and in a manner consistent with the Governance Principles and Code of Conduct, as described under "Code of Conduct" below. A written position description of the Chair of the Board is available on the Company's website at [www.canfor.com](http://www.canfor.com).

## **BOARD MANDATE**

The Board has adopted a written Board Mandate entitled The Board Terms of Reference, which defines the Board's roles and responsibilities. The Board Terms of Reference have been filed on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's web site at [www.canfor.com](http://www.canfor.com).

## **POSITION DESCRIPTIONS**

The Board has adopted position descriptions for the Chair of the Board, the Chair of each Board Committee and for the CEO, each of which is available on the Company's web site at [www.canfor.com](http://www.canfor.com).

## **ORIENTATION AND CONTINUING EDUCATION**

Programs for the orientation of new Directors and the ongoing education of existing Directors are the responsibility of the Governance Committee and the Chairman of the Board oversees these programs. New Directors are provided with a Directors Orientation Manual containing details of the Company's organizational structure, terms of reference for the Board and Committees, the Company's Annual Information Form and other relevant materials. Visits to various operations sites of the Company are organized for such members by the Chairman of the Board. The Board receives updates and other information from management relating to changes in law or other matters relevant to the Board.

## **ETHICAL BUSINESS CONDUCT**

### **Code of Conduct**

As noted above, the Board has adopted a set of Governance Principles and a Code of Conduct. The Governance Principles deal with issues such as the role of the Board and management, functions of the Board, qualifications of Directors, independence of Directors, ethics and conflicts of interest. The Code of Conduct defines the standards and values which the Company expects all of its employees to follow in their dealings with stakeholders and is consistent with the Company's corporate values of integrity, trust, openness and respect for people. The Board Governance Principles and Code of Conduct have been filed on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.canfor.com](http://www.canfor.com) and a copy may be obtained from the Corporate Secretary of the Company.

The CEO of the Company reports to the Governance Committee on his efforts to monitor and promote a culture of integrity consistent with the Code of Conduct which includes meetings and discussions with senior managers and other stakeholders of the Company. A further description of the roles and responsibilities of the Governance Committee is set out under the section "Board Committees" below.

On an annual basis, each Director is required to disclose and the Board reviews all of the Directors' personal or business relationships with the Company in order to allow the Board to determine whether such relationships could reasonably be expected to interfere with the Director's independent judgment. If a conflict of interest arises between the Director and the Company, that Director would not participate in the relevant decision.

## **NOMINATION OF DIRECTORS**

The responsibility for the identification of new candidates for Board nomination resides with the Company's Governance Committee (as defined below).

The Company has adopted a majority voting policy guideline which stipulates that if any nominee director receives a majority "withhold" vote at a Shareholders meeting, the Board will accept the resignation of such director unless the Governance Committee determines that there are extra ordinary circumstances that should delay the resignation.

The Corporate Governance Committee canvasses Board members for their suggestions regarding potential appointees to the Board and identifies and recommends annually to the Board, for its consideration, a short list of proposed nominees for election to the Board. In considering the candidates on the list, the Committee considers individual backgrounds, skills and expertise, geographic representation and the requirements of the Board in terms of skills and mix (see "Election of Directors" herein). The Board does not currently have a retirement policy.

The Governance Committee is composed entirely of independent Directors. A further description of the responsibility, power and operations of this Committee is set out under the Section entitled "Board Committees" below.

## **COMPENSATION**

The process for the determination of the compensation of the Company's Directors and senior officers is overseen by the Company's Compensation Committee. As described under the "Executive Compensation" section of this Information Circular, the Compensation Committee engaged the services of Hay to assist the Compensation Committee in determining the Company's compensation levels in 2013.

The Compensation Committee annually reviews Directors' and senior officers' compensation, with the assistance of its outside independent consultants, as required, to amend compensation as required to reflect adequate compensation aligned with shareholder interests.

The Compensation Committee is composed entirely of independent Directors. A description of the responsibilities, powers and operations of the Company's Compensation Committee is set out under the section of this Information Circular entitled "Board Committees" below.

## **BOARD COMMITTEES**

Set out below is a description of the written charters of the five Committees of the Board, their mandates and their activities. All Board Committees are composed of a majority of independent Directors. In order to create efficiencies in the governance and reduce cost, all Committees of the Company, other than the Audit Committee, have as members, directors of Canfor Pulp. These Committees meet jointly to deal with issues that relate to the Company and Canfor Pulp.

### **Audit Committee**

The overall purpose of the Audit Committee is to oversee the Company's financial reporting process and to review with the Company's external auditors the Company's audited financial statements that are to be submitted to its annual general meeting. The Audit Committee also reviews with management and the external auditors of the Company the impact of significant risks, potential liabilities and uncertainties which may affect the Company, any financial statements that are to be included in a prospectus or take-over bid circular of the Company as required by securities law, as well as certain interim unaudited financial statements and all public disclosure documents containing audited or unaudited earnings information before their release to the public, and reports the results of such reviews and any associated recommendations to the Company's Board. In addition, the Audit Committee makes recommendations to the Board regarding the appointment of independent auditors, reviews the nature and scope of the annual audit plan presented by the Company's external auditors, and reviews with management the risks inherent in the Company's business and the management of such risks. The Audit Committee also reviews with both external and internal auditors and with management of the Company the adequacy of the internal accounting procedures and systems established by the Company and reviews the Company's annual financing plan, any proposed financings and the method by which the Company measures financial results and performance. The Audit Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities and may retain special legal, accounting or other experts in the performance of its duties. The Audit Committee has regular sessions with the internal auditor and the external auditor (both with and without management) to discuss issues as it deems appropriate and requires management to implement and maintain appropriate internal controls and reviews these controls regularly at Committee meetings. The Audit Committee has implemented controls to preapprove non-audit work performed by the external auditor.

The Audit Committee also has the responsibility to oversee the administration, financial reporting and investment activities of the Company's defined benefit pension plans. The Audit Committee also has an oversight role with regard to the Company's defined contribution plan and is responsible for reporting to the Board in respect of the actuarial soundness of the plans, the administration of the plans, investment policy, the performance of plan investments and compliance with governing legislation. Where contemplated by the Company's pension plan documents, the Audit Committee may appoint actuaries, auditors, trustees and investment counsel for each plan and seek to ensure that actuarial valuation studies are completed and contain such calculations, recommendations and information as required by applicable legislation or by the Company. The Audit Committee reviews and approves annually a statement of investment policies and procedures for each plan and may, from time to time, recommend to the Board changes to the plans and their administration.

The Audit Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities and may retain special legal, accounting or other experts in the performance of its duties. The Audit Committee is composed of three independent Directors of the Company. For further information regarding the Company's Audit Committee, see the Section of the Company's Annual Information Form dated February 5, 2014 entitled "Audit Committee Information", which is incorporated by reference herein and which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Joint Corporate Governance Committee (the "Governance Committee")**

The principal role and function of the Governance Committee is to ensure that the Company, through its Board, sustains an effective approach to corporate governance. The Governance Committee monitors best practices for corporate governance and reviews practices and terms of reference to ensure the Company's compliance with industry standards and applicable laws and regulatory rules and policies. An additional function of the Governance Committee is to review the Board's overall relationship with management. The Governance Committee is also responsible for identifying and recommending proposed nominees for election to the Board, recommending the assignment of Directors to Committees of the Board and undertaking an annual assessment of the size and effectiveness of the Board and the Board Committees. The Governance Committee also develops and periodically reviews compliance with the Board Governance Principles and the Code of Conduct and the resolution of potential or real conflicts of interest and also functions as a forum for concerns of individual Directors about matters that are not readily or easily discussed in a full meeting of the Board. The Governance Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities and may retain special legal, accounting or other experts in the performance of its duties. The Governance Committee is composed of five independent Directors, four members who are directors of both the Company and Canfor Pulp and one member who is a director of Canfor Pulp only.

### **Joint Management Resources and Compensation Committee (the "Compensation Committee")**

The overall purpose of the Compensation Committee is to oversee compensation policies approved by the Board and to make recommendations to the Board regarding executive compensation.

The Compensation Committee is responsible for ensuring that the Company has in place programs and policies to attract and retain high calibre executives and a process to provide for the orderly succession of management. The Compensation Committee annually assesses the performance of the CEO, recommends for approval by the Board of that officer's compensation and benefits and approves the compensation for all other designated senior officers of the Company, its subsidiaries and affiliates. This is done after considering the recommendations of the CEO, all within the compensation policies, guidelines and pay and performance systems approved by the Board. The Compensation Committee also reviews from time-to-time, as and when required, the Company's broad policies and programs in relation to pension and other benefits. In addition, the Compensation Committee reviews from time-to-time with the CEO, policies on compensation for all employees. It also annually reviews the adequacy and form of the compensation of the Directors and reports and makes recommendations to the Board accordingly. The Compensation Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities and may retain special legal, accounting or other experts in the performance of its duties. The Compensation Committee is composed of six independent Directors, three members who are directors of both the Company and Canfor Pulp, two members who are directors of the Company only and one member who is a director of Canfor Pulp only.

### **Joint Environmental, Health and Safety Committee (the "EH&S Committee")**

The overall purpose of the EH&S Committee is to develop, review and make recommendations as required on matters related to the Company's environmental, health and safety policies and practices and to monitor compliance with government regulations and with the Company's commitment to excellence on these issues. The EH&S Committee is also responsible for reviewing and making recommendations to the Board concerning the Company's compliance with policy statements and implementation standards adopted from time to time by the Company on environmental, health and safety issues, the Company's environmental disaster response plan and degree of readiness for each of its operations and the Company's management programs and standards addressing the health of its employees and the public and the safety of the workplace. The EH&S Committee monitors the Company's development of policies and initiatives in the area of environment, health and safety. The EH&S Committee requires that at least one meeting per year is held at one of the Company's operations. The EH&S Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities and may retain special legal, accounting or other experts in the performance of its duties. The EH&S Committee is composed of six Directors, five of whom are independent. Three members of the Committee are directors of both the Company and Canfor Pulp, two members who are directors of the Company only and one member who is director of Canfor Pulp only.

### **Joint Capital Expenditure Committee (the "Capex Committee")**

The overall purpose of the Capex Committee is to act on behalf of the Board in reviewing and making recommendations on expenditures for capital projects that are in excess of the management limit, but within the authority of the Capex Committee, as set by the Board from time to time. The Capex Committee also has the authority to review capital projects proposed by Canfor Pulp. Subject to any change by the Board, the Capex Committee reviews and considers individual capital expenditures of \$5 million or more. The Capex Committee has the authority to approve any capital expenditure between \$5 million and \$25 million. Any project approval in excess of \$25 million is subject to the approval of the full Board. In addition, the Capex Committee reviews any lesser capital expenditures referred to it by the Board or the CEO, subject to further approval requirements as stipulated by the Board, if any. The Capex Committee is composed of seven Directors, six of which are independent. Four members of the Committee are directors of both the Company and Canfor Pulp, two members who are directors of the Company only and one member who is director of Canfor Pulp only.

### **BOARD/COMMITTEE ASSESSMENTS**

The Governance Committee undertakes assessments of the size and effectiveness of not only the Board's Committees, but also of the Board as a whole. It also reviews attendance by individual members at Committee and Board meetings. The Board evaluates its performance by either asking each Director to complete a questionnaire, the contents of which are summarized by an independent consultant, evaluated by the Governance Committee and then discussed at a meeting of the full Board or by the Chairman interviewing each Director on Board effectiveness and reporting the results to the Board. The Governance Committee consults with the Company's CEO regarding periodic assessments of the relationship between management and the Board, and after such reviews advises the Board of its findings.

At the Meeting, 8 Directors will stand for election. The Company has implemented a policy whereby if a Director changes his/her principal occupation, they will offer their resignation as a Board member. The Board may accept or not accept the resignation.

## APPOINTMENT OF AUDITOR

On the recommendation of the Audit Committee, subject to confirmation at the Meeting, the Board has re-appointed PricewaterhouseCoopers LLP, Chartered Accountants, as auditors of the Company to hold office until the next Annual General Meeting. The persons named in the enclosed proxy will, unless otherwise directed, vote for the confirmation of such reappointment.

The fees paid by the Company to its auditor in each of the last two fiscal years, by category, are as follows:

<b>Financial Year Ending</b>	<b>Audit, Tax and Financial Services Fees</b>	<b>Consulting Services</b>	<b>Total Fees</b>
December 31, 2013	\$1,092,000	\$0	\$1,092,000
December 31, 2012	\$1,067,000	\$15,000	\$1,082,000

The Audit Committee has the responsibility to approve any non-audit related services provided by the auditors of the Company exceeding \$100,000 and the Chairman of the Audit Committee has the authority to approve any such services exceeding \$50,000 but not in excess of \$100,000.

## OTHER INFORMATION

**These securityholder materials are being sent to both registered and non-registered owners of the Company's securities. If you are a non-registered owner, and the Company or its agent has sent these materials directly to you, your name and address and information about your holdings of securities have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding on your behalf.**

**By choosing to send these materials to you directly, the Company (and not the intermediary holding on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions.**

**The Company's Annual Report which contains the audited Financial Statements for the year ended December 31, 2013 and Management's Discussion and Analysis of Financial Condition and Results of Operations, which contain financial information relating to the Company, accompany this Information Circular. An additional copy of those documents, this Information Circular and any interim financial statements filed subsequent to the annual audited Financial Statements, and additional information regarding the Company may be obtained from the Corporate Secretary of the Company and may be accessed on the Company's website [www.canfor.com](http://www.canfor.com). Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).**

**The contents and the sending of this Information Circular have been approved by the Board of Directors of the Company.**

**By Order of the Board of Directors**

**David M. Calabrigo, Q.C.  
Corporate Secretary**

Vancouver, BC  
March 6, 2014