

BOARD

Terms of Reference

The Board of Directors (Board) of Canfor Corporation (Canfor) has the oversight responsibility and specific duties described below.

Responsibility

The Board is responsible for the stewardship of Canfor, providing independent, effective leadership to supervise the management of Canfor's business and affairs to grow value responsibly, in a profitable and sustainable manner.

Specific Duties

The Board will:

1. **Leadership**
 - a) Provide leadership and vision to supervise the management of Canfor in the best interests of its shareholders.
 - b) Provide leadership in setting the vision, principles, values, strategic plan and Annual Plan of Canfor, in conjunction with the Chief Executive Officer (CEO).
2. **CEO**
 - a) Select, appoint, evaluate and, if necessary, terminate the CEO.
 - b) Receive recommendations on appropriate or required CEO competencies and skills from the Management Resources and Compensation Committee (MRCC).
 - c) Approve or develop the corporate objectives that the CEO is responsible for and assess the CEO against those objectives.
3. **Succession and Compensation**
 - a) Succession plan, including appointing, training and monitoring the performance of senior management.
 - b) With the advice of the MRCC, approve the compensation of senior management and approve appropriate compensation programs for Canfor employees.
4. **Ethics and Integrity**
 - a) Foster ethical and responsible decision making by management.
 - b) Set the ethical tone for Canfor and its management.
 - c) Take all reasonable steps to satisfy itself of the integrity of the CEO and management and satisfy itself that the CEO and management create a culture of

integrity throughout the organization and in its relationships with customers, suppliers and other stakeholders.

- d) At the recommendation of the Corporate Governance Committee (CG Committee) approve Canfor's Code of Conduct (the "Code").
- e) Monitor compliance with Canfor's Code and grant and disclose, or decline, any waivers of the Code for officers and directors.
- f) With the advice of the CG Committee and the Board Chair, respond to potential conflict of interest situations.

5. Governance

- a) With the CG Committee, develop Canfor's approach to corporate governance, including adopting a Corporate Governance Manual that sets out the principles and guidelines applicable to Canfor.
- b) At least annually, and with the advice of the CG Committee, receive for consideration that Committee's evaluation and any recommended changes, together with the evaluation and any further recommended changes of another Board Committee, if relevant, to each of the following:
 - i) Corporate Governance Manual;
 - ii) Board Terms of Reference;
 - iii) The Code
 - iv) Chair of the Board Position Description;
 - v) Committee Chair Position Description;
 - vi) Audit Committee Terms of Reference;
 - vii) MRCC Terms of Reference;
 - viii) CG Committee Terms of Reference;
 - ix) Environmental, Health and Safety Committee Terms of Reference;
 - x) Pension Committee Terms of Reference;
 - xi) Capital Expenditure Committee Terms of Reference; and
 - xii) CEO Position Description.
- c) With the assistance of the CG Committee, ensure that Canfor's governance practices and policies are appropriately disclosed.
- d) At the recommendation of the CG Committee, annually determine those individual Directors to be defined as independent under the Corporate Governance Manual definition and ensure appropriate disclosures are made.
- e) At the recommendation of the CG Committee, annually determine those individual Directors to be designated as "financial experts" under applicable law and ensure appropriate disclosures are made.
- f) At the recommendation of the CG Committee, establishing minimum shareholding requirements for Directors and senior management.

6. Communications, Disclosure and Compliance

- a) Adopt a Corporate Disclosure Policy for Canfor which addresses disclosure matters.
- b) Periodically review the Corporate Disclosure Policy and consider any recommended changes.
- c) Ensure policies and procedures are in place to ensure Canfor's compliance with applicable law, including timely disclosure of relevant corporate information and regulatory reporting.
- d) Adopt measures for receiving feedback from stakeholders and ensure appropriate disclosures of the measures are made.

7. Board Chair

- a) Annually appoint the Chair of the Board.

8. Committees

- a) Appoint an Audit Committee comprised of all independent Directors with the responsibility to assist the Board in fulfilling its oversight responsibilities with respect to (i) the integrity of annual and quarterly financial statement to be provided to shareholders and regulatory bodies; (ii) compliance with accounting and finance based legal and regulatory requirements; (iii) the independent auditor's qualifications and independence; (iv) the system of internal accounting and financial reporting controls that management has established; (v) performance of the internal and external audit process and of the independent auditor; and, (vi) implementation and effectiveness of the Code and the compliance programs under the Code.
- b) Appoint a MRCC comprised of all independent Directors with the responsibility to assist the Board in fulfilling its oversight responsibilities with respect to (i) key compensation and human resources policies; (ii) Chief Executive Officer and senior management compensation; and, (iii) executive management succession and development.
- c) Appoint a CG Committee comprised of all independent Directors with the responsibility to assist the Board in fulfilling its oversight responsibilities with respect to (i) the development and implementation of principles and systems for the management of corporate governance; (ii) identifying qualified candidates and recommending nominees for Director and Board Committee appointments; and, (iii) evaluations of the Board, Board Committees, and all individual Directors.
- d) Appoint a Environmental, Health and Safety Committee comprised of a majority of independent Directors with the responsibility to assist the Board in fulfilling its oversight responsibilities with respect to due diligence in the development and implementation of systems and programs for the management of health, safety, environment and social responsibility.

- e) Appoint a Capital Expenditure Committee comprised of all independent Directors with the responsibility to assist the Board in fulfilling its oversight responsibilities with respect to due diligence in the development and implementation of systems and programs for the management of capital expenditures.
- f) Appoint a Pension Committee comprised of all independent Directors with the responsibility to assist the Board in fulfilling its oversight responsibilities with respect to Canfor's pension plans.
- g) Appoint any other Board Committees that the Board decides are needed and delegate to those Board Committees any appropriate powers of the Board.
- h) In the Board's discretion, annually appoint the Chair of each Board Committee.

9. Delegations and Approval Authorities

- a) Annually delegate approval authorities to the CEO and review and revise them as appropriate.
- b) Consider and, in the Board's discretion, approve financial commitments in excess of delegated approval authorities.
- c) In the Board's discretion, delegate to the Audit Committee the authority to approve or recommend to the Board for consideration the quarterly and annual results, financial statements, MD&A and news releases prior to filing them with or furnishing them to the applicable securities regulators and prior to any public announcement of financial results for the period covered.
- d) Consider and, in the Board's discretion, approve any matters recommended by the Board Committees.
- e) Consider and, in the Board's discretion, approve any matters proposed by management.

10. Strategy

- a) Approve the development of a strategic direction.
- b) Adopt a strategic planning process and, at least annually, approve a Strategic Plan for Canfor to maximize shareholder value, that takes into account, among other things, the opportunities and risks of Canfor's business.
- c) Monitor Canfor's performance in light of the approved Strategic Plan.

11. Annual Plan

- a) Approve an Annual Plan for Canfor including business plans, operational requirements, organizational structure, staffing and budgets, that support the Strategic Plan.
- b) Monitor Canfor's performance in light of the approved Annual Plan.

12. Risk Management

- a) Ensure policies and procedures are in place to identify Canfor's principal business risks and opportunities, address what risks are acceptable to Canfor and, ensure that appropriate systems are in place to manage the risks.
- b) Ensure policies and procedures designed to maintain the integrity of Canfor's disclosure controls and procedures are in place.
- c) Ensure policies and procedures designed to maintain the integrity of Canfor's internal controls over financial reporting are in place.
- d) Ensure policies and procedures designed to maintain appropriate auditing and accounting principles and practices are in place.

13. Orientation/Education

- a) With the CG Committee, oversee the development and implementation of the Director orientation program.
- b) With the CG Committee, oversee the development and implementation of an ongoing Director education program.

14. Board Performance

- a) Oversee the process of the CG Committee's annual evaluation of the performance and effectiveness of the Board, Board Committees, and all individual Directors.
- b) Participate in an annual evaluation of Board performance by the CG Committee.
- c) Receive and consider a report and recommendations from the CG Committee on the results of the annual evaluation of the performance and effectiveness of the Board, Board Committees, and on a periodic basis all individual Directors.

15. Board Meetings

- a) Meet at least five times annually, or as the Board may otherwise determine, and as many additional times as needed to carry out its duties effectively.
- b) Meet in separate, non-management, in camera sessions at each regularly scheduled meeting.
- c) Meet in separate, non-management, closed sessions with any internal personnel or outside advisors, as needed or appropriate.

16. Advisors/Resources

- a) Retain, oversee, compensate and terminate independent advisors to assist the Board in its activities.
- b) Receive adequate funding from Canfor for independent advisors and ordinary administrative expenses that are needed or appropriate for the Board to carry out its duties.

17. Other

- a) Authority to make minor technical amendments to these Terms of Reference is delegated to the Corporate Secretary, who will report any amendments to the CG Committee at its next meeting.
- b) On an annual basis or as the CG Committee decides, these Terms of Reference will be fully evaluated and updates recommended to the Board for consideration.

Approved: April 28, 2006