



Canfor Pulp Products Inc.

Annual Information Form

**Information in this Annual Information Form
is as at February 4, 2015 unless otherwise indicated.**

TABLE OF CONTENTS

FORWARD LOOKING INFORMATION	3
CURRENCY.....	3
INCORPORATION	3
CORPORATE STRUCTURE.....	3
BUSINESS OF CPPI.....	4
FIBRE SUPPLY.....	6
PULP	7
PAPER	7
HUMAN RESOURCES.....	9
ENVIRONMENT	9
COMPETITIVE POSITION.....	10
RESEARCH AND DEVELOPMENT	10
DIRECTORS AND OFFICERS.....	10
INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS	13
CONFLICTS OF INTEREST	13
DESCRIPTION OF CAPITAL STRUCTURE	14
DIVIDENDS	14
SHAREHOLDINGS OF DIRECTORS AND EXECUTIVE OFFICERS.....	14
MARKETS FOR SECURITIES	14
TRADING PRICE AND VOLUME	15
SECURITY	15
MATERIAL CONTRACTS	15
CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES, SANCTIONS	15
LEGAL PROCEEDINGS AND REGULATORY ACTIONS	16
EXPERTS.....	16
TRANSFER AGENT AND REGISTRAR	16
AUDIT COMMITTEE INFORMATION.....	17
ADDITIONAL INFORMATION	17
APPENDIX A - AUDIT COMMITTEE TERMS OF REFERENCE.....	18
1. Purpose.....	18
2. Audit Committee Composition and Meetings.....	18
3. Primary Duties and Responsibilities	19
4. Other Duties.....	22

FORWARD LOOKING INFORMATION

This Annual Information Form contains forward looking statements, which are statements that address circumstances, events or developments that the Company expects or anticipates may occur in the future. These forward looking statements reflect management's current expectation and belief regarding such developments, circumstances or events and are based on assumptions, including assumptions with regard to economic and general business conditions in Canada as well in the United States and other factors management believes are appropriate in the circumstances. Such forward looking statements are subject to risks and uncertainties and no assurance can be given that any of the events anticipated by such statements will occur or, if they do occur, what their impact will be on the Company. Actual outcomes and results will depend on a number of factors which could cause actual results, performance or developments to differ materially from those expressed or implied by such forward looking statements in this Annual Information Form, including the "Risks and Uncertainties" described in the Company's Management Discussion and Analysis for the year ended December 31, 2014 and incorporated by reference herein. Accordingly, readers should exercise caution in relying upon forward looking statements which reflect management's estimates, projections and views only as of the date hereof. The Company undertakes no obligation to publicly revise these statements to reflect subsequent events or changes in circumstances, except as required by applicable securities laws.

CURRENCY

Unless otherwise indicated, all dollar amounts are expressed in Canadian dollars and references to "\$" are to Canadian dollars.

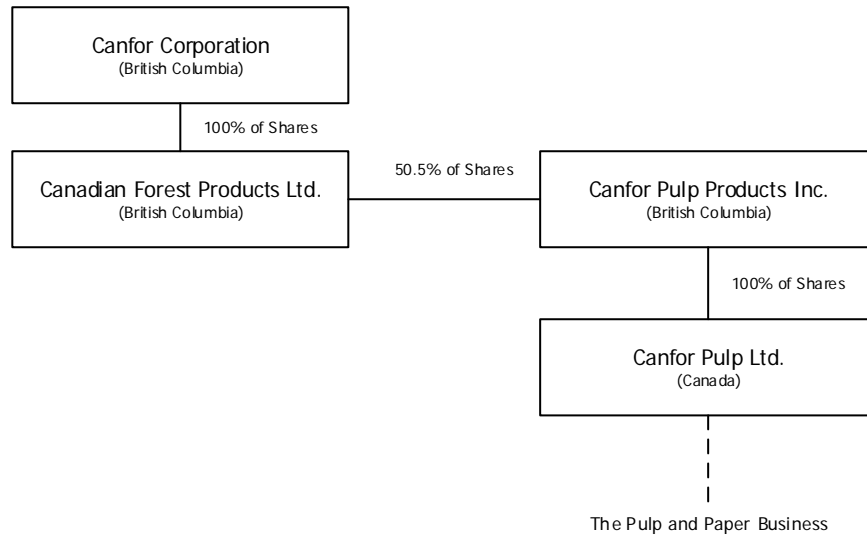
INCORPORATION

Canfor Pulp Products Inc. (the "Company" or "CPPI") was incorporated on March 12, 2010 under the British Columbia *Business Corporations Act*. The Company became a public company and the Common Shares of the Company are listed and traded on The Toronto Stock Exchange ("TSX").

The principal and head office of the Company is located at 230-1700 West 75th Avenue, British Columbia. The registered office of the Company is located at 100-1700 West 75th Avenue, Vancouver, British Columbia. In this Annual Information Form, Canfor Pulp Products Inc. is referred to as the "Company" and, unless otherwise indicated by the context, "CPPI" refers to the Company and its subsidiaries as described under "Corporate Structure" below.

CORPORATE STRUCTURE

The following chart shows, on a simplified basis, as at December 31, 2014, the inter-corporate relationships among the Company and its material subsidiaries (including jurisdiction of incorporation of the various entities).



CPPI is the successor to Canfor Pulp Income Fund (“Fund”) as a result of conversion of the Fund from an income trust structure to a corporate structure by court approved plan of arrangement under the British Columbia *Business Corporations Act* on January 1, 2011 (the “Conversion”). The Conversion involved the exchange, on a one-for-one basis, of all outstanding units of the Fund (“Fund Units”) for Common Shares of the Company (“CPPI Shares”), with the subsequent winding-up of the Fund. The unitholders of the Fund became the sole shareholders of CPPI, which became the direct holder of the 49.8% interest in the Pulp Business through Canfor Pulp Limited Partnership (the “Partnership”) and its general partner, Canfor Pulp Holding Inc. (the “General Partner”). The CPPI Shares commenced trading on The TSX on January 06, 2011 under the symbol “CFX”.

On March 2, 2012, Canfor Corporation (“Canfor”) exchanged all the remaining Class B Exchangeable LP Units of the Partnership and the Common Shares of the General Partner it held for CPPI Shares. Immediately following the exchange, Canfor held 50.2% of the CPPI shares, and the Company held a 100% interest in the Partnership and the General Partner. During 2013 and 2014, Canfor’s ownership of the Company increased to 50.4% and 50.5%, respectively, as a result of share purchases in 2013 and 2014 under normal course issuer bids – see “Business of CPPI – Other Significant Events”.

Prior to December 27, 2013, the General Partner operated the pulp and paper business on behalf of CPPI through the Partnership. On December 27, 2013, CPPI transferred all of its partnership units in the Partnership to the General Partner in exchange for new shares of the General Partner. As a result of this share exchange, the Partnership was dissolved and all of the assets formerly held by the Partnership are now held by the General Partner. The General Partner was subsequently renamed Canfor Pulp Ltd.

Subsequent to year end, on January 30, 2015, Canfor sold its 100% interest in its bleached chemi-thermo mechanical pulp (“BCTMP”) Taylor Pulp Mill to CPPI – See “Business of CPPI – Other Significant Events”.

BUSINESS OF CPPI

CPPI is a leading global supplier of pulp and paper products with operations based in the central interior of British Columbia. The Company is Canada’s largest, and the world’s fifth largest producer of Northern Bleached Softwood Kraft (“NBSK”) pulp for sale on the open market, based on global production capacity of existing facilities. Prince George Specialty Paper is the largest producer of its types of bleached high performance kraft paper in North America.

CPPI owns and operates the Northwood Pulp Mill, Intercontinental Pulp Mill and Prince George Pulp and Paper Mill (together, the “Mills”) with annual capacity to produce over one million air-dried metric tonnes (“ADMT”) of northern softwood market kraft pulp, 90% of which is bleached to become NBSK pulp, for sale to the market and approximately 140,000 tonnes of bleached and unbleached kraft paper. The capacity and production figures set out in this Annual Information Form are presented as at December 31, 2014. As mentioned, subsequent to year end, on January 30, 2015, CPPI purchased the BCTMP Taylor Pulp Mill, located in Taylor, British Columbia with an annual production capacity of 220,000 tonnes of BCTMP.

As at December 31, 2014, the Company employed approximately 1,144 persons in its wholly owned subsidiaries and approximately 16 in jointly owned operations for a total of approximately 1,160 employees. For a detailed breakdown of employees and related collective agreements, see “Human Resources” herein.

General Development

CPPI is a leading global supplier of pulp and paper products. The Company’s overall business strategy is to be a pulp and paper industry leader with strong financial performance accomplished through:

- Preserving its low-cost operating position,
- Maintaining the premium quality of its products,
- Growing its green energy business,
- Developing an enterprise-wide culture of safety, innovation and engagement where CPPI is recognized as the preferred employer in its operating regions, and
- Capitalizing on attractive growth opportunities.

In support of these strategies, the Company, during the past three financial years, has made capital investments of over \$207 million at its pulp and paper operations.

Other Significant Events

Other significant events for CPPI over the past three fiscal years have been the following:

Normal Course Issuer Bids

On March 5, 2013, CPPI commenced a normal course issuer bid whereby it could purchase for cancellation up to 3,563,489 Common Shares or approximately 5% of its issued and outstanding Common Shares. The normal course issuer bid expired on March 4, 2014. During 2013, CPPI purchased 262,449 Common Shares for \$2.4 million. As a result of the share purchases in 2013, Canfor's interest in CPPI increased from 50.2% at December 31, 2012 to 50.4% at December 31, 2013.

On March 5, 2014, the Company renewed its normal course issuer bid. Under the current bid, CPPI can purchase for cancellation up to 3,550,367 Common Shares or approximately 5% of its issued and outstanding Common Shares as of February 28, 2014. The renewed normal course issuer bid is set to expire on March 4, 2015. During 2014, CPPI purchased 177,518 Common Shares for \$2.0 million. As a result of the share purchases in 2014, Canfor's interest in CPPI increased from 50.4% at December 31, 2013 to 50.5% at December 31, 2014.

Purchase of Taylor Pulp Mill

Subsequent to year end, on January 30, 2015, CPPI completed the purchase of the BCTMP Taylor Pulp Mill from Canfor for cash proceeds of approximately \$15.0 million including working capital. The purchase also includes a long-term fibre supply agreement under which Canfor will supply fibre to the Taylor Pulp Mill at prices that approximate fair market value. In addition to the cash proceeds, Canfor may also receive additional contingent consideration over a 3 year period starting January 31, 2015, based on the Taylor Pulp Mill's annual adjusted operating income before amortization. The Taylor Pulp Mill is located in Taylor, British Columbia and has an annual production capacity of 220,000 tonnes of BCTMP.

Union Agreements

In 2012, the Company ratified new five-year collective agreements with the CEP (Communications, Energy and Paperworkers Union) and PPWC (Pulp, Paper and Woodworkers of Canada). Both agreements expire on April 30, 2017. In 2013, the CEP merged with the Canadian Auto Workers and became UNIFOR.

Trends, Events, Risks and Uncertainties

For additional information regarding changes to CPPI's business expected in 2015, and known trends, commitments, events or uncertainties, see CPPI's "2014 Management's Discussion and Analysis" in particular the "Outlook" and "Risks and Uncertainties" sections thereof, which are incorporated by reference herein.

Business Segments

CPPI's business is in two reportable segments: "Pulp" and "Paper". The Pulp segment includes the Company's three pulp mills: the Northwood Pulp Mill; the Intercontinental Pulp Mill; and the pulp portion of the Prince George Pulp and Paper Mill. The Paper segment includes the paper produced at the Company's Prince George Pulp and Paper Mill.

The Northwood Pulp Mill is a two-line pulp mill with annual production capacity of approximately 600,000 ADMT of NBSK pulp, making it the largest NBSK pulp facility in North America. The Northwood Pulp Mill's pulp is used to make a variety of products including printing and writing paper, tissue and specialty papers and is primarily delivered to customers in North America, Europe, and Asia.

The Intercontinental Mill is a single-line pulp mill with annual production capacity of approximately 320,000 ADMT of NBSK pulp. The Intercontinental Mill's pulp is used to make substantially the same product as that from Northwood, and is delivered to the same markets.

The Prince George Pulp and Paper Mill is an integrated two line pulp and paper mill with an annual market pulp production capacity of approximately 145,000 ADMT, and kraft paper production capacity of approximately 140,000 tonnes. The Prince George Pulp and Paper Mill supplies pulp markets in North America, Europe, and Asia, and its internal paper making facilities. The paper mill supplies primarily North American and European markets, with a wide range of both bleached and unbleached kraft paper grades.

Following the purchase of the Taylor Pulp Mill on January 30, 2015, CPPI's pulp segment will include the Taylor Pulp Mill and related annual production capacity of 220,000 tonnes of BCTMP.

The following table sets out, by business segment, CPPI's total sales revenues for the last two years. Further details can be found in the Company's annual financial statements:

	<u>Year ended</u> <u>December 31</u>	
	<u>2014</u>	<u>2013</u>
	(Millions of dollars)	
Pulp	\$816.4	\$738.4
Paper	162.8	147.1
Other	<u>1.3</u>	<u>1.3</u>
Total sales	<u>\$980.5</u>	<u>\$886.8</u>

The following table indicates the percentage composition of CPPI's consolidated sales revenues by market for the last two years. Further details can be found in the Company's annual financial statements:

	<u>Year ended</u> <u>December 31</u>	
	<u>2014</u>	<u>2013</u>
Canada	5%	5%
United States	31%	27%
Europe	9%	12%
Asia	50%	52%
Other	<u>5%</u>	<u>4%</u>
Total	<u>100%</u>	<u>100%</u>

FIBRE SUPPLY

General

When running at full capacity, the Mills' ongoing annual fibre requirements are approximately 2.6 million oven-dried metric tonnes ("ODTs") of wood chips and 500,000 ODTs of hog fuel. The availability of wood chips for purchase and processing in the central interior of British Columbia is influenced significantly by the timber supply in the Prince George timber supply area and by the operating rates of sawmills within the geographic area of fibre supply for the Mills.

Fibre Supply Agreement

The Company has a fibre supply agreement (the "Fibre Supply Agreement") with Canfor's principal subsidiary, Canadian Forest Products Ltd., under which Canfor has agreed to supply the Company with annual quantities of residual wood chips and hog fuel produced at specified sawmills. Prices paid by the Company for residual wood chips are based on a pricing formula that results in the Company paying market prices for wood chips, subject to adjustment to the formula to reflect market conditions and other factors such as wood chip quality. The Company is also entitled, upon giving three months' notice to Canfor, to request Canfor to supply it with pulp logs or other pulpwood harvested from its woodlands operations, at market prices. The Fibre Supply Agreement and pricing mechanisms are renewed from time to time and amended to reflect new circumstances.

Canfor also supplies the Company with agreed annual quantities of hog fuel produced from specified Canfor sawmills. The price paid by the Company to Canfor for hog fuel supplied under the Fibre Supply Agreement are based on market prices. The pricing under the Fibre Supply Agreement was renewed in 2013.

Historically, CPPI has also competed successfully for residual chips which cannot be supplied by Canfor's sawmills and timber tenures.

Other Fibre Supply Arrangements

The Mills currently have short and long-term chip supply agreements with 20 different suppliers, other than Canfor. Other supplying sources account for approximately 1.0 million ODTs on an annual basis. These agreements are for periods ranging between one and eighteen years, and each agreement permits the Mills to purchase wood chips available at a specified sawmill, subject to certain maximums. These agreements do not provide for minimum volumes, which protects the Mills from being required to purchase wood chips in excess of their requirements.

Pricing for wood chips purchased under these agreements is based on similar formulas as used in the Fibre Supply Agreement.

PULP

Approximately 90% of the market pulp production of the Mills is focused on fully bleached NBSK pulp in order to meet the demands of the Company's customers. The Prince George Pulp and Paper Mill also produces speciality varieties of unbleached and semi-bleached pulp.

The following table shows pulp sales for pulp produced by the Mills, excluding remarketed product, for the last two years, classified by sales region:

Market Pulp Sales by Geographic Region

	<u>Year ended</u> <u>December 31</u>	
	<u>2014</u>	<u>2013</u>
	(ADMT)	
Americas	303,565	259,006
Europe	82,209	110,936
Asia	<u>582,364</u>	<u>628,173</u>
Total sales	<u>968,138</u>	<u>998,115</u>

For an arm's-length fee, with Canfor, CPPI also markets and sells BCTMP produced by Canfor's Taylor Pulp Mill.

The following table shows the pulp production of the Mills for the last two years, classified according to the variety of pulp produced:

Market Pulp Production

	<u>Year ended</u> <u>December 31</u>	
<u>Product</u>	<u>2014</u>	<u>2013</u>
	(ADMT)	
Bleached – Northwood Mill	555,767	535,292
Bleached – Intercontinental Mill	281,816	294,168
Bleached – Prince George Mill	-	3,529
Semi-Bleached – Prince George Mill	9,927	9,163
Unbleached – Prince George Mill	<u>138,107</u>	<u>139,089</u>
Total production	<u>985,617</u>	<u>981,241</u>

PAPER

The paper mill supplies primarily North American and European markets with a wide range of both bleached and unbleached kraft paper grades.

The following table shows sales of kraft paper produced by the Prince George Pulp and Paper Mill for the last two years, classified by sales region:

Kraft Paper Sales by Geographic Region

	<u>Year ended</u> <u>December 31</u>	
	<u>2014</u>	<u>2013</u>
	(tonnes)	
Americas	101,724	92,587
Europe / Middle East	21,553	28,758
Asia	<u>19,216</u>	<u>17,439</u>
Total sales	<u>142,493</u>	<u>138,784</u>

The following table shows the kraft paper production of Prince George Pulp and Paper Mill for each of the last two years, classified according to the variety of kraft paper produced:

Kraft Paper Production

<u>Product</u>	<u>Year ended</u> <u>December 31</u>	
	<u>2014</u>	<u>2013</u>
	(tonnes)	
Bleached	118,118	107,201
Unbleached	<u>25,889</u>	<u>27,538</u>
Total production	<u>144,007</u>	<u>134,739</u>

CPPI Markets and Distribution

The Company has a sales and marketing department staffed by full time marketing professionals who are responsible for global sales of all of the pulp produced by its mills. CPPI also sells the pulp produced by Canfor's Taylor Pulp Mill. Customers in the Americas are serviced through the Vancouver office. European and Asian customers (excluding Japanese customers) are mostly serviced through long-term sales agents. These sales agents generally realize a commission based either on a percentage of the net selling price of the pulp, or on a rate per tonne of pulp sold, with the fee varying depending on the selling price, services provided and the tonnage sold.

A wholly-owned subsidiary of CPPI, Canfor Pulp Japan Corporation, markets pulp in Japan.

Premium 1 Papers, a sales and marketing partnership owned equally by CPPI and Tolko Marketing and Sales Ltd. ("Tolko"), is responsible for marketing all bleached and unbleached kraft paper products produced by the Prince George Pulp and Paper operation in Prince George, British Columbia and Tolko's unbleached kraft paper mill in The Pas, Manitoba. Premium 1 Papers has approximately 16 full time marketing professionals.

The Company uses various modes of surface transportation to distribute its pulp and kraft paper products. In the case of pulp, product is shipped from the mills by rail and truck, and each of the mills is serviced by at least one dedicated rail spur. In the case of kraft paper, due to the smaller average order size, a much higher percentage is shipped by truck, with the balance being shipped by rail. Products destined for overseas customers are loaded and generally transported by breakbulk cargo vessel for European customers, and by either breakbulk or container cargo vessels for Asian customers.

In November 2013, the Company entered into a strategic sales and marketing cooperation agreement with UPM-Kymmene Corporation ("UPM"). Beginning January 1, 2014, the Company's sales network represented and co-marketed UPM pulp products in North America and Japan whereas UPM's pulp sales network represented and co-marketed CPPI's products in Europe and China.

For a detailed discussion of the markets for the Company's pulp and paper products, see the Company's "2014 Management's Discussion and Analysis", in particular, the "Pulp – Markets" and "Paper – Markets" and "Outlook – Pulp Markets" and "Outlook – Paper Markets" sections thereof, which are incorporated by reference herein.

HUMAN RESOURCES

As at December 31, 2014, the Company employed approximately 1,144 people throughout the organization. Approximately 74% of these employees are hourly employees covered by collective agreements with the UNIFOR and the PPWC. Labour agreements with the UNIFOR and the PPWC covering the pulp and paper operations were successfully concluded and ratified in 2012 for terms of five years expiring on April 30, 2017.

ENVIRONMENT

CPPI is committed to the responsible stewardship of the environment throughout its operations. The Company meets this commitment by: ensuring that the suppliers of fibre to the Company practice forest management that recognizes ecological processes and diversity and supports integrated use of the forest; designing and operating its facilities to comply with or surpass legal requirements; setting environmental objectives and targets to reduce the risk of pollution and continuing to achieve improvements in environmental performance; and promoting environmental awareness throughout the Company's operations.

CPPI has a long-standing program of regular audits of its Environmental Management System ("EMS") at all operations and also audits compliance with regulatory requirements, principles of due diligence and good industry practices at all manufacturing facilities. The Company's management believes it has sound environmental management programs established in all operations. These programs are continually being improved to help ensure that Canfor is exercising due diligence and is fulfilling its environmental commitments and responsibilities.

During 2014, CPPI obtained 78% of its fibre supply from forest districts that had been certified to either the Canadian Standards Association Sustainable Forest Management Standard (CAN/CSA-Z809) or the Sustainable Forestry Initiative (SFI®). All of the pulp the Company produced in 2014 was eligible for sale as Controlled Wood under the Forest Stewardship Council (FSC) certification standard.

The Company's Prince George Pulp and Paper and Intercontinental Pulp mills have an EMS that is certified under ISO 14001. They were among the first mills in North America to achieve ISO 14001 registrations in early 1998. The Northwood Pulp mill achieved ISO 14001 registration in June 2001. These mills have all been successful in retaining registration following audits by the registrar to these standards.

The Mills are actively engaged in the local airshed management program including areas of ambient monitoring and research. Staff serving on air quality committees work to ensure that future airshed plans are guided by sound science.

In November, 2009, the British Columbia Ministry of Environment released the greenhouse gas ("GHG") reporting regulations under the *Greenhouse Gas Reduction Act*, requiring any facilities emitting more than 10,000 tonnes of carbon dioxide to report 2010 emissions in 2011. In 2012, all of the pulp mills registered and reported GHG emissions under the British Columbia GHG reporting regulation. GHG emission reporting has been required federally and in Alberta for several years.

During 2014, the Mills were able to continue their program of lowering emissions of GHGs. The Company is committed to continue to reduce its dependence on fossil fuels. Projects funded under the Canadian federal government's Pulp and Paper Green Transformation Program ("GTP") are helping to reduce this dependence even further. The GTP has enabled the advancement of projects at all of the Company's facilities that yield a variety of environmental benefits. The improvements include reductions in odour and particulate emissions, reduced fossil fuel and water consumption, and incremental renewable electricity generation.

CPPI is also a participant in the carbon offset market in British Columbia, selling offset credits from several biomass heat energy system projects recently completed in British Columbia.

Currently, carbon policy in British Columbia, apart from the existing carbon tax, is uncertain. Should cap and trade be implemented for British Columbia at some time in the future, the Mills and Taylor Pulp Mill may be subject to cap and trade legislation. The economic impact on pulp and paper mills will depend on factors such as allocation allowance and cost to purchase carbon credits, which are currently undeterminable.

During 2014, the Company's operations were in substantial compliance with all material environmental requirements, except for minor incidents, which have not had, nor are they expected to have, a material effect on the Company or its operations. For additional information regarding CPPI's environmental initiatives, see the Company's "2014 Management's Discussion and Analysis", in particular, the section entitled "Environmental Laws, Regulations and Compliance", which is incorporated by reference herein.

COMPETITIVE POSITION

The pulp industry is highly competitive, with a substantial number of competitors having extensive manufacturing expertise and sales and distribution organizations, some of which are larger than CPPI's, but none of which is considered to be dominant. The principal competitive factors in the pulp market are price, quality, volume, availability, and reliability of supply, financial viability, and customer service.

The Company's main product line for its kraft paper business is high performance, bleached paper. The Company's main competitors in its sale of kraft paper products are several European producers.

RESEARCH AND DEVELOPMENT

The Company conducts and is committed to research and development in the areas of fibre analysis, manufacturing processes, quality control and new product development. The Company maintains an in-house innovations centre. Canfor Pulp Innovation ("CPI") delivers a diversified program in 4 strategic areas: cost reduction, NBSK strength and quality, tissue, and new products. CPI delivers solutions and intellectual property through active partnerships and contracts with best available global research and innovation providers and through the Canfor Pulp Grants Program.

DIRECTORS AND OFFICERS

Directors

The name and municipality, province, state and country of residence of the Directors of the Company, their principal occupations and the periods during which they have been Directors of the Company are as follows:

<u>Name and Municipality, Province and Country of Residence</u>	<u>Principal Occupation and Background</u>	<u>Director Since</u>
Peter J. G. Bentley, O.C., O.B.C., LL.D. ^{(2),(3),(4),(5)} Vancouver, BC Canada	Chairman Emeritus of the Board of Directors of Canfor Corporation Background: Mr. Peter J. G. Bentley was appointed to the Board of CPPI on April 24, 2012. Mr. Bentley served as a Director of the General Partner from April 28, 2006 to April 23, 2012. Mr. Bentley has served on the Board of Canfor since 1966. Mr. Bentley is Chairman Emeritus of the Board of Directors of Canfor. After working in various positions throughout Canfor, 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 Canfor on July 25, 1997 and relinquished the position of President and CEO of Canfor 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 from University of Northern British Columbia.	2006

<u>Name and Municipality, Province and Country of Residence</u>	<u>Principal Occupation and Background</u>	<u>Director Since</u>
Stan E. Bracken-Horrocks, F.C.A. ^{(1),(3),(5)} Kelowna, BC Canada	Former partner at PricewaterhouseCoopers LLP Background: Mr. Bracken-Horrocks has been a Director of CPPI since December 10, 2010 and served as a Trustee of the Fund from April 26, 2006 until January 1, 2011. Mr. Bracken-Horrocks served as a Director of the Board of the General Partner from April 28, 2006 to April 23, 2012. Mr. Bracken-Horrocks is a retired partner of PricewaterhouseCoopers LLP and held various leadership positions during his career with PricewaterhouseCoopers LLP, including Global Leader of its Forest and Paper Industry practice. As a member of the Canadian Institute of Chartered Accountants, Mr. Bracken-Horrocks served as a member of the Board of Governors and a member of the Accounting Standards Committee and, as a member of the Institute of Chartered Accountants of British Columbia, he served as a member of council, Vice-President and President. Mr. Bracken-Horrocks is a former Director and Chairman of the Audit Committee of the Business Development Bank of Canada.	2006
Michael J. Korenberg ^{(1),(3),(5)} West Vancouver, BC Canada	Chairman of the Board of Directors of the Company and Deputy Chairman and Managing Director of The Jim Pattison Group, a diversified group of companies Background: Mr. Korenberg was appointed to the Board of CPPI on April 24, 2012, served as Co-Chairman from February 2013 until December 31, 2013, and was appointed the Chairman of the CPPI Board effective January 1, 2014. Mr. Korenberg served as a Director of the General Partner from May 3, 2011 to April 23, 2012. Mr. Korenberg is the Deputy Chairman & Managing Director of The Jim Pattison Group, a diversified group of companies. Mr. Korenberg is a Director of Westshore Terminals Investment Corporation and Westshore Terminals Ltd. Mr. Korenberg is also the Chairman of the Board of Directors of Canfor and its principal subsidiary, Canadian Forest Products Ltd. He is a member of the Dean's Advisory Committee for the Centre for Business Law and a member of the Law Societies of Upper Canada (Ontario) and British Columbia.	2011
David M. Calabrigo, QC Vancouver, BC Canada	Senior Vice President, Corporate Development, Legal Affairs and Corporate Secretary of Canfor Corporation Background: Mr. Calabrigo was appointed to the Board of CPPI on April 24, 2012 and Corporate Secretary on September 30, 2012. Mr. Calabrigo served as a Director of the General Partner from May 4, 2011 to April 23, 2012. Mr. Calabrigo is Senior Vice President, Corporate Development, Legal Affairs and Corporate Secretary of Canfor. Mr. Calabrigo was appointed General Counsel and Corporate Secretary on January 3, 2001; on July 1, 2003, he was appointed Vice President, Human Resources, General Counsel and Corporate Secretary; on April 2, 2004, he was appointed Vice President, Corporate Development, General Counsel and Corporate Secretary; and on May 5, 2011, he was appointed Senior Vice President Corporate and Legal Affairs. Mr. Calabrigo received his Bachelor of Arts degree from Simon Fraser University and his Law degree from the University of Alberta.	2011

<u>Name and Municipality, Province and Country of Residence</u>	<u>Principal Occupation and Background</u>	<u>Director Since</u>
Conrad A. Pinette ^{(2),(4),(5)} Vancouver, BC Canada	Former owner and President, Pinette & Therrien Mills Ltd. Background: Mr. Pinette was appointed to Board of the General Partner and CPPI on April 24, 2012. 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, Chairman and a director of Gold Canyon Resources and a Director of Canfor Corporation.	2012
Charles J. Jago, PH.D., C.M., O.B.C. ^{(2),(4)} Prince George, BC Canada	Former President of the University of Northern British Columbia Background: Mr. Jago has been a Director of CPPI since December 10, 2010 and served as a Trustee of the Fund from April 26, 2006 until January 1, 2011. Dr. Jago was appointed to the Board of the General Partner on April 28, 2006. Dr. Jago was President of the University of Northern British Columbia from 1995 to 2006 and on an interim basis from 2008 to 2009. Dr. Jago's professional service has included membership on the Boards of the Association of Universities and Colleges of Canada, the Association of Commonwealth Universities, the Office of Partnerships for Advanced Skills (OPAS) and Partnerships BC. Dr. Jago has also served as Chair of the Council of Western University Presidents, The University President's Council of British Columbia, Fraser Basin Council, and the Northern BC United Way. He currently chairs the Boards of Northern Health Authority of British Columbia and the Sinclair Group Forest Products Ltd. He also serves as a member of the Board of Initiatives Prince George and the Canada West Foundation. Dr. Jago received his BA in Honours English and History from the University of Western Ontario in London, Ontario, graduating as the Honours gold medalist from Huron University College (an affiliated college of The University of Western Ontario), and received a PhD in History from Cambridge University. Dr. Jago was awarded the Queen's Diamond Jubilee Medal for community service in 2003, the Order of Canada in 2006, and the Order of British Columbia in 2013.	2006
William W. Stinson ^{(1),(2),(4),(5)} Vancouver, BC Canada	Chairman and CEO of Westshore Terminals Investment Corporation Background: Mr. Stinson was appointed to the Board of CPPI on April 24, 2012. Mr. Stinson served as a Director of the General Partner from February 17, 2009 to April 23, 2012. 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 Helicopters Corporation. He is currently the Chairman and CEO of Westshore Terminals Investment Corporation and a Director of Canfor Corporation.	2009

Notes:

- (1) Member of the Audit Committee.
- (2) Member of the Joint Management Resources and Compensation Committee.
- (3) Member of the Joint Corporate Governance Committee.
- (4) Member of the Joint Environmental, Health and Safety Committee.
- (5) Member of the Joint Capital Expenditure Committee.

The term of office of each Director expires on the date of the next Annual General Meeting of the Company to be held on April 28, 2015.

Officers

The names and municipality, province and country of residence of the executive officers of the Company and the offices held by them are as follows:

<u>Name</u>	<u>Municipality of Residence</u>	<u>Office</u>	<u>Position Held Since</u>
Michael J. Korenberg	West Vancouver, BC, Canada	Chairman	January 1, 2014
Don B. Kayne	Tsawwassen, BC, Canada	Chief Executive Officer	September 30, 2012
Brett R. Robinson	Tsawwassen, BC, Canada	President	September 30, 2012
Alan R. Nicholl	West Vancouver, BC, Canada	Chief Financial Officer	September 30, 2012
David M. Calabrigo, Q.C.	Vancouver, BC, Canada	Corporate Secretary	September 30, 2012
Sean Curran	Tsawwassen, BC, Canada	Vice President, Sales and Marketing	May 1, 2010
Martin Pudlas	Prince George, BC, Canada	Vice President, Operations	October 23, 2012

All of the above Directors and Officers have had the same or similar principal occupations with the organizations indicated for the last five years except that: prior to December 31, 2013 Mr. Korenberg was Co-Chairman of the Company from February 14, 2013 and prior to February 14, 2013, a Director of the Company and the General Partner; prior to October 23, 2012, Mr. Pudlas was General Manager, Prince George/Intercontinental Pulp Mills and Specialty Paper; prior to September 30, 2012, Mr. Kayne was only Chief Executive Office and President of Canfor, Mr. Robinson was Executive Vice President, Operations, Mr. Nicholl was only Senior Vice President and Chief Financial Officer of Canfor and Mr. Calabrigo was a Director of the Company and the General Partner; prior to May 1, 2010 Mr. Curran was Director, Global Pulp and Paper Sales for Canfor Pulp and Paper Sales Ltd.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

To the knowledge of the Company, no Director or Executive Officer of the Company, or any of their associates, has or had any material interest, directly or indirectly, in any transaction of the Company within the three most recently completed financial years of the Company that has materially affected or will materially affect the Company.

CONFLICTS OF INTEREST

To the knowledge of the Company, no Director or Executive Officer of the Company has an existing or potential conflict of interest with the Company.

DESCRIPTION OF CAPITAL STRUCTURE

The authorized capital of the Company consists of an unlimited number of Common Shares. At December 31, 2014, there were 70,829,823 CPPI Shares issued and outstanding. As of the date of this Annual Information Form, there are 70,829,823 CPPI Shares issued and outstanding.

Holders of CPPI Shares are entitled to one vote per share at meetings of shareholders of CPPI, to receive dividends if, as and when declared by the Board of directors of CPPI and to receive pro rata the remaining property and assets of CPPI upon its dissolution or winding-up, subject to the rights of shares having priority over the CPPI Shares.

DIVIDENDS

This section describes the dividend policies and amounts declared pursuant thereto, if any, of CPPI and its subsidiaries.

The declaration and payment of dividends is subject to the discretion of the Company's Board of Directors and may change from time to time. The Board reviews the issuance of dividends on a quarterly basis.

The table below sets out the dividends declared by CPPI from January 1, 2012 until December 31, 2014:

<u>Quarter</u>	<u>Declaration Date</u>	<u>Record Date</u>	<u>Amount per Share</u> \$	<u>Date Paid</u>
1 st Quarter, 2012	April 23, 2012	May 4, 2012	0.22	May 11, 2012
2 nd Quarter, 2012	July 25, 2012	August 7, 2012	0.05	August 14, 2012
4 th Quarter, 2012	February 14, 2013	February 26, 2013	0.05	March 5, 2013
1 st Quarter, 2013	May 1, 2013	May 13, 2013	0.05	May 21, 2013
2 nd Quarter, 2013	July 25, 2013	August 7, 2013	0.05	August 14, 2013
3 rd Quarter, 2013	October 30, 2013	November 12, 2013	0.05	November 19, 2013
4 th Quarter, 2013	February 5, 2014	February 18, 2014	0.05	February 25, 2014
1 st Quarter, 2014	April 29, 2014	May 12, 2014	0.0625	May 20, 2014
2 nd Quarter, 2014	July 23, 2014	August 5, 2014	0.0625	August 12, 2014
3 rd Quarter, 2014	October 29, 2014	November 11, 2014	0.0625	November 18, 2014

SHAREHOLDINGS OF DIRECTORS AND EXECUTIVE OFFICERS

At February 4, 2015, the Directors and Executive Officers of the Company, as a group, beneficially owned, directly or indirectly, or exercised control or direction over, 1,034,354 Common Shares representing approximately 1.46% of the outstanding Common Shares.

MARKETS FOR SECURITIES

The CPPI Shares are listed and traded on The TSX under the symbol CFX. The Fund Units (trading symbol CFX.UN) were delisted from The TSX on January 6, 2011 upon the listing of the CPPI Shares in substitution thereof, following the completion of the Conversion.

TRADING PRICE AND VOLUME

The following table presents the high and low prices for CPPI's Shares and the average daily trading volume of those shares, on a monthly basis, on The TSX for 2014:

Month of 2014	High	Low	Average Daily Trading Volume
	\$	\$	(Shares)
January	12.49	9.89	93,180
February	13.10	11.55	83,409
March	12.85	11.16	52,457
April	12.52	10.30	36,237
May	13.19	12.00	68,780
June	12.89	12.02	41,142
July	12.89	11.65	25,546
August	12.17	11.02	30,671
September	11.63	10.30	52,474
October	12.70	10.20	23,884
November	13.71	12.64	45,082
December	14.70	13.36	54,853

SECURITY

The Company's operating lines of credit and term indebtedness are unsecured.

MATERIAL CONTRACTS

The following is a list of the Company's Material Contracts:

1. On July 1, 2006, Canfor and the Partnership (now CPPI) entered into a Partnership Services Agreement (the "Partnership Services Agreement") pursuant to which Canfor provides CPPI with certain specified services. The services provided by Canfor include corporate secretarial, financial, internal audit, maintenance, inventory, and purchasing systems, hourly payroll and time entry systems, production tracking systems and software and technology support. Canfor does not receive a fee for the provision of these services but receives a reimbursement for its direct and indirect costs and expenses. The Partnership Services Agreement is terminable, in whole or in part, at the election of CPPI or Canfor, upon 12 months' written notice.
2. The Company has a Fibre Supply Agreement with Canfor as described under "Fibre Supply – Fibre Supply Agreement".
3. The Company has a \$110 million unsecured operating line of credit (the "Operating Loan Facility") [with HSBC Bank Canada as lead agent](#). The Operating Loan Facility bears interest and fees at rates that vary depending on the ratio of net debt to total capitalization and is based on the lenders' Canadian prime rate, bankers acceptances, US dollar base rate or US dollar LIBOR rate, plus a margin. The facility has certain financial covenants that stipulate maximum net debt to total capitalization ratios and minimum net worth amounts based on shareholders' equity. In 2013, the Company extended the Operating Loan Facility maturity date from November 13, 2016 to January 31, 2018.

On November 5, 2013, the Company completed a \$50.0 million unsecured non-revolving term debt financing with HSBC Bank Canada as lead agent, repayable on November 5, 2018. The interest rate on the new term debt is floating based on the lender's Canadian prime rate or bankers acceptance rate in the year of payment.

CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES, SANCTIONS

To the knowledge of the Company, no Director or Executive Officer of the Company is at the date hereof or was within the 10 years of the date of this Annual Information Form, a Director, CEO or Chief Financial Officer of a company that, (i) while acting in that capacity, was subject to a cease trade or similar order or an order that denied the company access to any exemption under securities legislation for a period of 30 consecutive days; (ii) was subject to an to an event that resulted, after ceasing

to act in such capacity, in a cease trade or similar order or an order that denied the company access to any exemption under securities legislation for a period of 30 consecutive days. To the knowledge of the Company, no Director or Executive Officer of the Company or a shareholder holding a sufficient number of securities of the Company to materially affect the control of the Company is at the date hereof, or has been within the 10 years before the date of this Annual Information Form, a Director or Executive Officer of a 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 or instituted any proceedings, arrangement or compromise with creditors or had a receiver or trustee appointed to hold its assets, other than Mr. Stinson was previously 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 of Grant on June 30, 2010. Messrs. Bentley and Calabrigo were directors or officers of HSPP General Partner Ltd., general partner of Howe Sound Pulp and Paper Limited Partnership ("HSLP"), during the period from January 29 to February 1, 2008 when HSLP completed a restructuring under the *Companies' Creditors Arrangement Act* (Canada), and on January 27, 2011, when 6382 Pulp and Paper Limited Partnership (formerly HSLP) ("6382 LP") 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. 6382 LP filed a proposal under the BIA in February 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 Director or Executive Officer of the Company or a shareholder holding a sufficient number of securities of the Company to materially affect the control of the Company has, within the ten years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceeding, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold his assets.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

There are no legal or regulatory proceedings to which the Company is or was a party, or to which any of the property of any them is or was the subject of, during the Company's financial year ended December 31, 2014, where such claims exceed 10% of the current assets of the Company. In addition, there are no penalties or sanctions imposed against the Company by a court relating to Canadian securities legislation or by a securities regulatory authority during the Company's financial year ended December 31, 2014 or any other penalties or sanctions imposed by a court or regulatory body against any of them which would likely be considered important to a reasonable investor in making an investment decision, and none of them have entered into any settlement agreements with a court relating to Canadian securities legislation or by a securities regulatory authority during the Company's financial year ended December 31, 2014.

EXPERTS

As of December 31, 2014, PricewaterhouseCoopers LLP, Chartered Accountants, of Vancouver are the auditors of the Company. PricewaterhouseCoopers LLP, Chartered Accountants, have reported that they are independent of the Company in accordance with the auditor's rules of professional conduct in British Columbia, Canada.

On December 10, 2014, the Company gave notice of a change of auditors of the Corporation. The Company will not propose PricewaterhouseCoopers LLP (the "Predecessor Auditor") for reappointment as the auditors of the Corporation on the expiry of its term of office at the Annual Meeting of Shareholders of the Corporation on April 28, 2015. The Company will propose that the shareholders of the Corporation appoint KPMG LLP (the "Successor Auditor") as the successor auditor of the Corporation. The termination of the Predecessor Auditor and proposed appointment of the Successor Auditor were approved by the Board of Directors of the Corporation on December 10, 2014. No auditor's report prepared by the Predecessor Auditor in respect of the Corporation's financial statements relating to the relevant period (beginning on January 1, 2012) contained any modified opinion and there have been no reportable events involving the Corporation and the Predecessor Auditor. For further information, see the Company's Change of Auditor Notice and related letters from the Predecessor and Successor auditors, filed on System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com and included in the Information Circular of the Company for the Annual General Meeting of the Company to be held April 28, 2015.

TRANSFER AGENT AND REGISTRAR

CST Trust Company Inc. is the Company's transfer agent and registrar with registers of transfer in Vancouver and Toronto.

AUDIT COMMITTEE INFORMATION

Audit Committee Terms of Reference – See APPENDIX A

Composition of Audit Committee

The Audit Committee is composed entirely of independent Directors, all of whom are financially literate as defined in Multilateral Instrument form 52-110F1. Mr. Bracken-Horrocks, the Chairman of the Committee, is a Chartered Accountant and was a partner in a national accounting firm for over 20 years. Mr. Korenberg is the Vice Chairman of the Jim Pattison Group and an adjunct professor of the Faculty of Law, University of British Columbia. Mr. Stinson was Chairman and CEO of Canadian Pacific Ltd. before retiring and has served on a wide variety of boards.

The Audit Committee has adopted a policy for the engagement of non-audit services whereby the external auditor of the Company is not entitled to provide any non-audit services to the Company exceeding \$50,000 in value without the Audit Committee Chairman's prior approval and any such services exceeding \$100,000 are to be approved by the Audit Committee. All such engagements are reported to the Audit Committee.

External Auditor Service Fees (By Category)

The aggregate fees billed by PricewaterhouseCoopers LLP, the auditor of the Company for the last two years, was \$1,220,437. This entire amount was for audit, tax and financial services.

External Auditor Service Fees (000s)	2014	2013
Audit Fees ⁽¹⁾	\$375	\$375
Audit-Related Fees ⁽²⁾	20	7
Tax Fees ⁽³⁾	205	213
All Other Fees ⁽⁴⁾	7	18
Total Fees	\$607	\$613

Notes:

- (1) For the audit of the Company's annual financial statements and services normally provided by the principal auditor in connection with the Company's statutory and regulatory filings.
- (2) For assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements and are not reported in (1), including accounting consultations and various agreed upon procedures.
- (3) For tax compliance and tax consulting services.
- (4) For consulting services other than the fees reported in (1) to (3).

ADDITIONAL INFORMATION

Additional financial information regarding the Company is provided in the Company's "2014 Management's Discussion and Analysis" and "Consolidated Financial Statements" for the year ended December 31, 2014, which is incorporated by reference herein. Additional information, including Directors' and Officers' remuneration and indebtedness, principal holders of the Company's securities, options to purchase securities and interests of insiders in material transactions where applicable, and securities authorized for issuance under equity compensation plans, is contained in the Information Circular for the Annual General Meeting of the Company held on April 30, 2014 and in the Information Circular for the Annual General Meeting of the Company to be held on April 28, 2015.

The Company will provide upon request to the Corporate Secretary of the Company, 230-1700 West 75th Avenue, Vancouver, British Columbia V6P 6G2, copies of the above documents. These documents and additional information about the Company is also available on SEDAR at www.sedar.com. In addition, all documents identified in this Annual Information Form as being incorporated by reference herein are available on SEDAR at www.sedar.com.

APPENDIX A - AUDIT COMMITTEE TERMS OF REFERENCE

1. Purpose

The Audit Committee is appointed by the board of directors (the "Board") of Canfor Pulp Products Inc. (the "Company") to assist the Board in fulfilling its oversight responsibilities. The Audit Committee will:

- (a) Review the financial reports and other financial information provided by the Company to its shareholders;
- (b) Monitor the integrity of the financial reporting process and the system of internal controls that management and the Board have established;
- (c) Monitor the management of the principal risks that could impact the financial performance of the Company;
- (d) Review and receive the Audit Plan, process, results and performance of the Company's independent external auditors and the internal audit department while providing an open avenue of communication between the external auditors, the internal auditors, management and the Board; and
- (e) Monitor the management of risk by the Company generally.

The Audit Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities and it has direct access to the external auditors as well as anyone in the organization. The Audit Committee has the authority to retain, at the Company's expense, special legal, accounting and other consultants or experts it deems necessary in the performance of its duties.

2. Audit Committee Composition and Meetings

All members of the Audit Committee must be Independent Directors.

All Audit Committee members must be financially literate with the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements. At least one Audit Committee member should have accounting or related financial expertise, including:

- (a) an understanding of financial statements and accounting principles used by the Company to prepare its financial statements;
- (b) the ability to assess the general application of such accounting principles in connection with accounting for estimates, accruals and reserves;
- (c) experience preparing, auditing, analyzing or evaluating financial statements, or experience supervising the preparation, audit, analysis or evaluation of financial statements, that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements;
- (d) an understanding of internal controls and procedures for financial reporting; and
- (e) an understanding of audit committee functions.

A Chair shall be appointed by the Board annually from among the members of the Audit Committee.

The Audit Committee shall schedule regular meetings and shall meet at least four times annually, or more frequently as deemed necessary by the Chair. The Chair shall prepare and/ or approve an agenda in advance of each meeting. The Audit Committee shall meet privately at least annually with management, the manager of the Internal Audit department (the "Internal Auditor") and the external auditors to discuss any matters that the Audit Committee or each of these groups believe should be discussed.

The Chief Executive Officer, the Chief Financial Officer, the Internal Auditor and the external auditors shall be given notice of, and have the right to appear before and to be heard at, every meeting of the Audit Committee, and shall appear before the Audit Committee when requested to do so by the Committee.

3. **Primary Duties and Responsibilities**

To fulfill its primary duties and responsibilities, the Audit Committee shall adhere to the following terms:

(a) **Review and Reporting Procedures**

- (i) The Audit Committee is authorized to review and/ or investigate any financial, internal control, or risk management related issue or activity of the Company. The Audit Committee shall report to the Board at its next regular meeting all such action it has taken since the previous report.
- (ii) The Audit Committee is authorized to request the presence, at any meeting, of a representative from the external auditors, senior management, internal audit, legal counsel or anyone else who could contribute to the subject of a meeting.
- (iii) The Audit Committee will review and reassess these Terms of Reference at least annually to determine whether revisions are necessary. The Audit Committee shall periodically self-assess its performance and effectiveness in fulfilling its role.
- (iv) Supporting schedules and information reviewed by the Committee will be available for examination by any director of the Audit Committee upon request to the Secretary of the Audit Committee.

(b) **Internal Controls and Risk Management Processes**

- (i) To assure itself that the Company has appropriate controls in place to achieve the following objectives:
 - Effectiveness and efficiency of operations (including safeguarding of assets);
 - Reliability of internal and external reporting;
 - Compliance with applicable laws and regulations and internal policies.
- (ii) To ensure the Company has appropriate processes in place to manage the principal risks of its businesses, the Audit Committee shall:
 - Consider and review internal processes for managing the principal risks of the Company's businesses, including a review of insurance coverage and hedging activities.
 - Obtain assurance from both management and the Internal Auditor regarding the adequacy of risk management processes.
 - Review with management, the Internal Auditor and the external auditor:
 - The adequacy of the Company's internal controls including computerized information systems, controls and security.
 - Any related significant internal control findings and recommendations of the external auditor, and/or Internal Auditor together with management's responses thereto.
 - The Company's compliance or adherence to debt covenants, terms or conditions.
 - Significant related party transactions and potential conflicts of interest.

(c) **Financial Reporting**

In order to satisfy itself that the Company's annual financial statements are fairly presented in accordance with generally accepted accounting principles ("GAAP") and in a form sufficient for the Audit Committee's recommendation for approval by the Board, and that the financial information contained in the Company's financial statements, Annual Report to Shareholders, Annual Information Form and other financial disclosure documents such as Management's Discussion and Analysis, is complete and accurate in all material respects, the Audit Committee shall:

- (i) General
 - Review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- (ii) Interim Financial Statements
 - Review the Company's interim financial statements with management prior to their release or distribution. This review will include a detailed reporting of quarterly and year-to-date results, variance against budget and prior year and a discussion with the external auditor. Upon satisfactory completion of the review, the Audit Committee shall recommend to the Board approval of the financial statement release.
 - Review any significant proposed changes to the Company's accounting principles or policies, or financial reporting practices.
 - Review the financial statement impact of any significant, unusual event or transaction.
 - Review news releases containing financial information disclosure and Management's Discussion and Analysis.
- (iii) Annual Financial Statements and Other Financial Information
 - Obtain draft annual financial statements in advance of the Committee meeting and assess, on a preliminary basis, the reasonableness of the financial statements in light of the analyses provided by management.
 - Review any material changes in accounting policies, GAAP, or financial reporting requirements that may affect the current year's financial statements.
 - Obtain and review summaries of significant or unusual transactions, and other potentially complex matters whose treatment in the annual financial statements merits advance consideration.
 - Review a summary provided by the Company's legal counsel of the status of any material pending or threatened litigation, claims and assessments.
 - Review and discuss the annual financial statements and the external auditor's report thereon in detail with management and the external auditors.
 - Through discussion with management, the Internal Auditor and the external auditors, obtain assurance that the risk of material misstatement of the financial statements is acceptably low.
 - Review the financial information included in the Management's Discussion and Analysis, and consider whether the information is adequate and consistent with the Audit Committee members' knowledge of the Company.
 - Review the tax status of the Company and understand the status of any related tax reserves, potential reassessments or other matters which could affect the annual financial statements.
 - Review and assess the quality and appropriateness of the Company's accounting and reporting principles and policies.
 - Provide to the Board a recommendation as to whether the annual financial statements should be approved.
 - Review the news release announcing the annual financial results of the Company.
 - Review the annual financial disclosure contained in the Annual Information Form.

(iv) Prospectus and Information Circulars

- Review the financial information included in any prospectus or information circular prior to their release and, as appropriate, recommend to the Board whether such prospectus or information circular should be approved by the Board.

(d) **External Audit**

The external auditors are accountable to the Audit Committee and the Board as representatives of the shareholders.

In order to assure itself that the external audit function has been effectively carried out and that any matters that the external auditors consider appropriate to bring to the attention of the Board have been addressed, the Audit Committee shall:

- (i) Recommend to the Board the selection (retention or replacement) of the external auditors, considering independence and effectiveness, and approve the fees and other compensation to be paid to the external auditors. On an annual basis, the Audit Committee should review and discuss with the external auditors all significant relationships its accountants have with the Company to confirm their independence. If there is a recommendation to change auditors, review all the issues to change and the steps planned for an orderly transition.
- (ii) Review the external auditor's Audit Plan and engagement letter with management and the external auditors, including audit scope and approach.
- (iii) Meet with the external auditor and management in separate private sessions to discuss any matters that the Audit Committee or these groups believe should be discussed privately with the Audit Committee.
- (iv) Pre-approve any non-audit services to be provided by the external auditor. The Audit Committee may delegate this responsibility to the Chair, provided that any pre-approval granted pursuant to such delegation must be detailed as to the service to be provided and must be reported to the full Audit Committee at its next scheduled meeting.
- (v) Review and assess the performance of the external auditor, including consideration of demonstrated external audit judgment and application and adherence to accounting policy and standards.
- (vi) Review the external auditor's policy on partner rotation.
- (vii) Review the Company's hiring policy with respect to partners, employees and former partners and employees of the Company's present or former external auditor.

(e) **Internal Audit**

In order to assure itself that the internal audit function has been effectively carried out and that any matter that the Internal Auditor considers appropriate to bring to the attention of the Board has been addressed, the Audit Committee shall:

- (i) Be advised of and concur with the appointment, replacement, reassignment or dismissal of the Internal Auditor and consider resource requirements.
- (ii) Review and approve Internal Audit Services Terms of Reference, including scope, organization structure and mandate.
- (iii) Confirm and assure the independence of the Internal Auditor.
- (iv) Review jointly with the Internal Auditor and the external auditor the coordination of audit effort to assure completeness of coverage, reduction of redundant efforts, and the effective use of audit resources.

- (v) Review with management and the Internal Auditor the annual Audit Plan and monitor any changes required in the scope of the plan.
- (vi) Meet with the Internal Auditor and management in separate private sessions to discuss any matters that the Audit Committee or these groups believe should be discussed privately with the Audit Committee.
- (vii) Review significant internal audit reports together with management's response and follow-up actions, including any problems or issues encountered in the course of an audit.
- (viii) Review and assess the performance of the Internal Auditor; and
- (ix) Ensure that the Internal Auditor reports directly to the Chair of the Audit Committee with a dotted line reporting responsibility to either the CEO or CFO of the Company.

(f) **Finance**

The Audit Committee is authorized to review and approve for recommendation to the Board:

- (i) the Company's annual financing plan and any amendments thereto from time to time;
- (ii) any proposed financings;
- (iii) the method by which the Company measures financial results or performance.

4. Other Duties

(a) **Legal and Regulatory Compliance**

To provide assurance of Company compliance with all legal and regulatory requirements, the Audit Committee shall:

- (iv) In areas in which it has oversight responsibility, monitor the Company's compliance and obtain management's assurance of compliance with applicable laws, regulations and internal policies in all jurisdictions where the Company does business. The Audit Committee will consider the financial statement implications of applicable laws and regulations, including the laws and regulations overseen by other Committees of the Board.
- (v) Receive and review copies of legal letters provided to the external auditors by in-house and outside counsel regarding claims and possible claims against the Company.
- (vi) Make inquiries of management, the external auditors and the Internal Auditor, to ensure that all material legal matters have been brought to the attention of the Audit Committee.
- (vii) On at least an annual basis, review with the Company's counsel any legal matters that could have a significant impact on the organization's financial statements or risk profile, the Company's compliance with applicable laws and regulations, and inquiries received from regulators or governmental agencies.
- (viii) Ensure that all annual and interim financial statement filings are personally certified by the Chief Executive Officer and the Chief Financial Officer if and as required by applicable law.
- (ix) Review the Company's procedures and establish procedures for the Audit Committee for the:
 - receipt, retention and resolution of complaints regarding accounting, internal accounting controls, financial disclosure or auditing matters; and
 - confidential, anonymous submission by employees regarding questionable accounting, auditing, or financial reporting and disclosure matters.

(b) **Pension Funds**

Be responsible for oversight of the supervision of the pension plans in which the Company's employees participate by:

- (i) establishing the Management Pension Committee, which has the responsibility for assisting the Audit Committee in overseeing and managing the Company's pension plans, and will be comprised of the Company's Chief Financial Officer and will report to the Audit Committee;
- (ii) receiving, at least annually, a report from the Management Pension Committee detailing the performance of the plans' money managers and the investment policies and practices in respect of the funds contributed to the Company's pension plans and compliance with applicable legislation and regulatory guidelines;
- (iii) reviewing the funding of the Company's pension plans, including actuarial reports in respect of the Company's pension obligations so as to determine the level of unfunded liabilities, if any;
- (iv) reviewing applicable investment policies and procedures and any changes as appropriate, on the advice and recommendation of the Management Pension Committee;
- (v) reviewing and approving the audited annual financial statements and budgets for each pension plan;
- (vi) reviewing on an annual basis the unfunded liability for retiree non-pension benefits and future liability therefor;
- (vii) receiving a report from the Management Pension Committee immediately upon the identification or disclosure of any issue or circumstance that may materially impact the Company's obligations, liabilities, or responsibilities with respect to such pension plans;
- (viii) approving the appointment of or changes to pension service providers, such as actuaries, auditors and legal advisors, as appropriate; and
- (ix) establishing and reviewing on an annual basis the terms of reference of the Management Pension Committee.

(c) **Officer Expenses**

Review policies and procedures with respect to the Chairman of the Board and President and Chief Executive Officer's expense accounts and perquisites, including the use of corporate assets.

Periodically review major expenses incurred by the office of the Chairman of the Board and President and Chief Executive Officer.

(d) **Other Duties**

The Audit Committee will perform such other functions as assigned by law or regulation or as required by the Board.