

## Administrative Guidelines for the Board

1. The board of directors (the “Board”) assumes responsibility for the stewardship of Catalyst Paper Corporation (the “Corporation”). While, in law, the Board is called upon to supervise the management of the business, this is done by proxy through the President and Chief Executive Officer (“CEO”) who is charged with the day-to-day leadership and management of the Corporation.
2. The Board has the statutory authority and obligation to protect and enhance the assets of the Corporation. Although directors are elected by the shareholders to bring special expertise or a point of view to Board deliberations, the best interests of the Corporation must be paramount at all times.
3. The capital and maintenance expenditure authority levels for the President and Chief Executive Officer are outlined in Appendix A on page 5 of this Tab.
4. Terms of reference for the Board, the Chair, a director, committees and the CEO are annually reviewed by the Governance and Human Resources Committee and any changes are recommended to the Board for approval.
5. Every year the Board reviews and approves a long range strategic plan and one-year operating and capital plans for the Corporation.
6. The Board has determined that the appropriate size for the Board is between 8 and 12 members.
7. All directors stand for election every year.
8. Directors must retire by age 70 except where otherwise agreed by the Board.
9. The Board does not believe that directors who retire from or otherwise change their current executive position responsibilities should necessarily retire from the Board. There should, however, be an opportunity for the Board, through the Governance and Human Resources Committee, to review the appropriateness of continued Board membership.

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10. The Board believes there should be a majority of independent<sup>1</sup> directors on the Board and no more than two inside<sup>2</sup> directors on the Board.
11. The Board supports the concept of the separation of the role of Chair from that of the CEO. The Board is able to function independently of management when necessary and the Chair's role is to effectively manage and provide leadership to the Board and to interface with the CEO. The Chair will be an independent director.
12. The Board will evaluate the performance of the CEO at least annually. The evaluation will be based on criteria which include the performance of the business, the accomplishment of long-term strategic objectives and other non-quantitative objectives established at the beginning of each year.
13. The CEO has the special responsibility to manage and oversee the required interfaces between the Corporation and the public and to act as the principal spokesperson for the Corporation. This includes the responsibility for managing the equity and other financial market interfaces on behalf of the Corporation.
14. The Chair of the Board, with the assistance of the CEO and the Secretary, will establish the agenda for each Board Meeting. Each Board member is free to suggest the inclusion of items on the agenda.
15. The Board will meet at least five times per year and schedule regular meetings two years in advance.

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<sup>1</sup> A director is **independent** if he or she would be independent for the purposes of (i) Canadian Securities Administrators National Instrument 58-101 *Disclosure of Corporate Governance Practices*; and (ii) any other applicable legislation or policy.

<sup>2</sup> An **inside director** is defined as an officer or employee of the Corporation or any of its subsidiaries.

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16. Materials will generally be delivered at least five days in advance of meetings for items to be acted upon. Presentations on specific subjects at Board meetings will only briefly summarize the material sent to directors so that discussion can be focused on issues relevant to the material.
17. The Board encourages the CEO to bring employees into Board meetings who can provide additional insight into the items being discussed because of personal involvement in these areas, and/or employees who represent future potential who the CEO believes should be given exposure to the Board.
18. The Board is responsible, in fact as well as in procedure, for selecting candidates for Board membership. The Board delegates the screening process involved to the Governance and Human Resources Committee with input from the Chair and the CEO.
19. The Governance and Human Resources Committee will annually assess the effectiveness and contribution of the Board, its committees and each individual director.
20. Committees established by the Board analyze in depth policies and strategies, usually developed by management, which are consistent with their terms of reference. They examine proposals and where appropriate make recommendations to the full Board. Committees do not take action or make decisions on behalf of the Board unless specifically mandated to do so.
21. The current committees of the Board include the Audit Committee, the Governance and Human Resources Committee and the Environmental, Health and Safety Committee. From time to time the Board may create ad hoc committees to examine specific issues on behalf of the Board.
22. Committee members and committee chairs are appointed by the Board and where possible, consideration is given to having directors rotate their committee assignments.
23. Committees annually review their terms of reference and changes are recommended to the Board through the Governance and Human Resources Committee for approval.

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24. Succession and management development plans will be reviewed by the Governance and Human Resources Committee and reported annually by the CEO to the Board.
25. Directors are required to own, in the aggregate, a minimum of 25,000 Deferred Share Units and/or common shares within two years of election.
26. The Board will ensure that directors receive a comprehensive orientation regarding the Corporation and its operations and that directors receive the necessary ongoing education.
27. The Board will meet regularly on an “in camera” basis without inside directors present.
29. The Board and a committee of the Board may engage separate independent counsel and/or advisors at the expense of the Corporation. An individual director may engage separate independent counsel and/or advisors at the expense of the Corporation in appropriate circumstances with the approval of the Chair.
30. The Corporation has provided, on its website, information advising shareholders and other interested parties on how to contact the Corporation. Shareholders and other individuals may communicate directly with the Board by addressing written correspondence to the Board at the corporate address set out on the website. Mail marked “Confidential – For the Catalyst Paper Board of Directors” will be forwarded by management of the Corporation, unopened, to the Chair or to the director to whom the mail is particularly addressed. A director who receives any such mail will discuss any relevant issues set forth in the correspondence with the Chair or the chair of the applicable committee. This procedure is intended to be a means by which shareholders can provide feedback or direct specific concerns to directors. It is not intended to be used as a mechanism for sending routine correspondence, such as analysts reports, to the Board.
31. These Board Guidelines are reviewed and approved annually by the Board.

## Appendix A – Administrative Guidelines for the Board

### Capital and Maintenance Expenditure Authority Levels

<b>President and Chief Executive Officer Authority Level</b>		
	Capital Expenditures	Maintenance Expenditures
Planned	\$4 million	\$10 million
Unplanned	\$ 2 million	\$5 million
Supplemental Expenditures on previously approved capital or maintenance projects	Cost overruns that are <u>less than</u> the lesser of (i) \$500,000, or (ii) 15% of the total cost of the project	
<b>Strategy Committee Authority Level</b>		
	Capital Expenditures	Maintenance Expenditures
Planned	\$4 to \$10 million	-
Unplanned	\$2 to \$5 million	-
Supplemental Expenditures on previously approved capital or maintenance projects	Cost overruns that are <u>more than</u> the lesser of (i) \$500,000, or (ii) 15% of the total cost of the project	
<b>Board of Directors Authority Level</b>		
	Capital Expenditures	Maintenance Expenditures
Planned	Above \$10 million	Above \$10 million
Unplanned	Above \$5 million	Above \$5 million