



KP TISSUE INC.

MANDATE OF THE BOARD OF DIRECTORS

1. DEFINITIONS

1.1 In this mandate:

“**Administration Agreement**” means the administration agreement between KPI and the Corporation setting out the services to be provided by KPI to support the business of the Corporation in relation to its investment in KPI and its operation as a public company;

“**Board**” means the board of directors of the Corporation;

“**Corporation**” means KP Tissue Inc.; and

“**KPI**” means Kruger Products Inc.

2. PURPOSE

The members of the Board have a duty to supervise the management and affairs of the Corporation, including overseeing the performance of the services provided under the Administration Agreement. The Board, directly and through its committees, and through its oversight of the performance of the Administration Agreement, shall pursue the best interests of the Corporation.

3. DUTIES AND RESPONSIBILITIES

3.1 The Board fulfills its duties by acting honestly and in good faith with a view to the best interests of the Corporation and by making decisions that set the tone, character and strategic direction for the Corporation. It also ensures that KPI carries out its responsibilities under the Administration Agreement.

3.2 Despite the role played by KPI as administrator of the Corporation under the Administration Agreement, the members of the Board will retain performance of certain responsibilities. More specifically, the Board shall, among other things, directly or through its committees:

- (a) adopt a strategic planning process and periodically approve a strategic plan;
- (b) identify and monitor the main risks faced by the Corporation and ensure appropriate measures and systems are implemented for managing such risks;
- (c) ensure the integrity of the Corporation’s internal control and management information systems;
- (d) establish measures for receiving reactions and comments from the shareholders of the Corporation;

- (e) submit to the shareholders a question or matter requiring the approval of shareholders;
- (f) on the recommendation of the Nominating Committee, fill any vacancy in a Board directorship until the next annual meeting of the shareholder;
- (g) prepare and adopt a Code of Business Conduct and Ethics for the directors of the Corporation, ensure it is updated regularly and followed, including monitoring and approval of all exemptions, where applicable;
- (h) create committees of the Board, establish their mandate and appoint their members;
- (i) prepare and approve position descriptions for the Chairman of the Board and the Chair of each Committee;
- (j) prepare and approve a position description for the Chief Executive Officer;
- (k) appoint the Chairman of the Board and the Chairs of each committee of the Board;
- (l) with the assistance of the Audit Committee, ensure compliance with accounting standards, as well as the integrity and adequacy of financial reporting;
- (m) on a recommendation of the Audit Committee, approve the financial results of the Corporation;
- (n) determine the appropriateness of declaring, and declare, where applicable, the payment of dividends to the shareholders of the Corporation;
- (o) on a recommendation from the Audit Committee, recommend the choice of the external auditors to the shareholders of the Corporation;
- (p) approve the interim and annual reports (Report to Shareholder and Management's Discussion and Analysis) and the Annual Information Forms;
- (q) approve the management proxy circular and any take-over bid circular or director's circular of the Corporation;
- (r) approve the charters and by-laws as well as any amendments to these documents;
- (s) approve important regulatory matters;
- (t) approve the purchase, redemption or any other form of acquisition of the securities of the Corporation and approve the related reporting process; and
- (u) approve the form and content of the certificates evidencing the securities of the Corporation.
- (v) annual review of pension performance

4. FUNCTIONING

- 4.1 To effectively discharge its responsibilities, the Board shall meet four times annually. To assist it in discharging its responsibilities, the Board has formed the following standing committees – Audit Committee and Nominating Committee. In addition, the Board has appointed a Chief Executive Officer. However, the vast majority of tasks and responsibilities ordinarily carried out by a chief executive officer will in fact be carried out by KPI as the administrator under the Administration Agreement.
- 4.2 Furthermore, in the performance of its mandate, the Board can retain the services of external advisors.

4.3 The Chairman of the Board shall be responsible in particular for managing the affairs of the Board and monitoring its effectiveness, setting the agenda for Board meetings and relations with the Corporate Secretary with respect to the affairs of the Board and its Committees. He/she shall also ensure that any important strategic matters or issues are communicated to the Board for approval and that the Board receives the information, reports, documents and opinions required so that the members of the Board can fulfil their role. He/she shall ensure the decisions made by the Board are implemented. The Chairman of the Board shall ensure all interested parties are informed about the Board's policies with respect to compliance with the by-laws and the Code of Business Conduct and Ethics of the Corporation.

4.4 Specific responsibilities of the Chairman of the Board shall be:

- (a) to ensure harmonious relations between the shareholders, the Board and management;
- (b) to inform the shareholders of the recommendations for new directors based on the report of the Nominating Committee;
- (c) at his/her discretion, to sit on other Board committees; and
- (d) to inform management about his/her evaluation of the information provided to the Board.

5. CORPORATE SECRETARY

5.1 The Board and the President and Chief Executive Officer have given the Corporate Secretary the responsibility for organizing all meetings of the Board and its committees. He/she shall also:

- (a) prepare information provided by management and distribute it to the Board in a form that will facilitate an understanding thereof and decision-making;
- (b) ensure a follow-up of Board and committee decisions;
- (c) ensure a corporate file is maintained;
- (d) advise the Board as to procedures and liability, in particular with respect to corporate governance;
- (e) keep corporate by-laws, policies and procedures of the Corporation up-to-date; and
- (f) provide the Board with the necessary information about the Corporation so it can discharge its responsibilities with prudence and diligence.

6. GENERAL LEGAL OBLIGATIONS OF THE BOARD OF DIRECTORS

6.1 The Board is responsible for directing management to ensure that legal requirements have been met, and that documents and records have been properly prepared, approved and maintained.

6.2 Directors are under a fiduciary duty to the Corporation to carry out the duties of their office:

- (a) honestly and in good faith;
- (b) with a view to the best interests of the Corporation; and
- (c) with the care, diligence and skill of a reasonably prudent person.