

Board of Directors– Terms of Reference

Role of Board of Directors of Richards Packaging Holdings Inc., Richards Packaging Inc. and Richards Packaging, Inc. (collectively “Richards Packaging”)

The Boards of Directors (the “Boards”) are responsible for the stewardship of Richards Packaging. “Richards Packaging” as used herein refers to all subsidiaries of Richards Packaging Income Fund (the “Fund”) which include Richards Packaging Holdings Inc., Richards Packaging Inc. and Richards Packaging, Inc. The Boards establish the overall policies for each company and evaluates the strategic direction of Richards Packaging. Accordingly, the mandate of the Boards is to supervise the management of the business and affairs of each company to enhance shareholder value.

Authority and Responsibilities

The Boards meet regularly to review reports by management on the performance of Richards Packaging. In addition to the general supervision of management, the Boards perform the following functions:

- **Strategic planning** – overseeing the strategic planning process within Richards Packaging and reviewing, approving and monitoring the strategic plan for the companies including fundamental financial and business strategies and objectives;
- **Risk assessment** – assessing the major risks facing the companies and reviewing, approving and monitoring the manner of managing those risks;
- **CEO** – developing a position description for the CEO including the corporate objectives that the CEO is responsible for meeting and selecting, evaluating and compensating the CEO;
- **Senior management** – overseeing the selection, evaluation and compensation of senior management and monitoring succession planning; and
- **Maintaining integrity** – reviewing and monitoring the controls and procedures within the entity to maintain its integrity including its internal controls and procedures for financial reporting and compliance with its code of ethics.

In addition to those matters that must, by law, be approved by the Board, specific Board approval must be obtained for:

- Any capital disposition or expenditure in excess of \$250,000 and any cost overrun on any project in excess of \$50,000, whichever is less;
- Any new loan agreement or guarantee or any equity financings;
- Any new acquisition or divestiture; and
- Any other material agreement or arrangement that is not in the ordinary course of business.

Composition and Procedures

Size of Board and Selection Process

The Compensation and Corporate Governance Committee proposes to the Boards the number and nominees for election to each Board. The directors of Richards Packaging Holdings Inc. are elected each year by the unitholders of the Fund at the annual meeting of unitholders. Between annual meetings, the Boards may appoint directors to serve until the next annual meeting.

Qualifications

Directors should have the highest personal and professional ethics and values and be committed to advancing the best interests of Richards Packaging. They should possess skills and competencies in areas that are relevant to Richards Packaging's activities. A majority of the directors will be "independent directors" under the Canadian Securities Administrators guidelines.

Change in Personal Circumstances

The Boards require any director to offer his resignation if there has been a relevant change in his personal circumstances, or if he has not attended at least 75% of the regularly scheduled Board and relevant committee meetings in the most recent twelve month period. The Boards will evaluate the impact of the change on the composition of the Board and accept or reject the resignation as appropriate.

Director Orientation

The Boards are responsible for providing an orientation and education program for new directors. Each new director must, within three months of becoming a director, spend one day at the head office of Richards Packaging Inc. for personal briefings by senior management on strategic plan, major risks and other key business matters.

Meetings

The Boards have at least four scheduled meetings a year. The Boards are responsible for the agenda. Prior to each Board meeting, the CFO will discuss agenda items for the meeting with the Chair of the Board. Materials for each meeting will be distributed to the directors in advance.

At the conclusion of meetings, the independent directors shall meet with only independent directors present.

Committees

The Board of Richards Packaging Holdings Inc has established the Compensation and Corporate Governance committee to assist the Board in discharging its responsibilities. Special committees are established from time to time to assist the Board in connection with specific matters. The chair of each committee reports to the Board following meetings of the committee. The terms of reference of each permanent committee is reviewed annually by the Board.

Evaluation

The Compensation and Corporate Governance Committee performs an evaluation regularly on the effectiveness of the Board as a whole, the committees of the Board and the contributions of individual directors.

Compensation

The Compensation and Corporate Governance Committee recommends to the Board the compensation and benefits for non-management directors. In reviewing the adequacy and form of compensation and benefits, the committee seeks to ensure that the compensation and benefits reflect the responsibilities and risks involved in being a director.

Access to Independent Advisors

The Board and any committee may at any time retain outside financial, legal or other advisors at the expense of Richards Packaging. Any director may, subject to the approval of the Chair of the Board, retain an outside advisor at the expense of the Richards Packaging.

Role of the Chair

The Chair is appointed by the Board of Directors. The role of the Chair is as follow:

- Manage the business of the Board and ensure that the functions identified in the Terms of Reference of the Board are being effectively carried out by the Board and its committees;

- Ensure that all directors receive the information required for the proper performance of their duties;
- Ensure that the appropriate committee structure is in place and recommend appointments to such committees;
- Lead in the annual review of director and Board performance and make recommendations for changes when appropriate;
- Provide overall leadership to the Board without limiting the principle of collective responsibility and the ability of the Board to function as a unit;
- Fulfilling his or her Board leadership responsibilities in a manner that will ensure that the Board is able to function independently of management. This should include ensuring that the appropriate procedures are in place for the Board to meet regularly without management present.
- Work with the CEO and senior management to monitor progress on strategic planning, policy implementation and succession planning.

The Chair of the Board will be an independent director.

