
TERMS OF REFERENCE OF THE BOARD

I. PURPOSE

These terms of reference are prepared to assist the Board and management in clarifying responsibilities between the Board and management. The fundamental responsibility of the Board of Directors is to appoint a competent senior management team and to oversee the management of the business, with a view to maximizing unitholder value and ensuring corporate conduct in an ethical and legal manner via an appropriate system of corporate governance and internal control process and procedures. The Board of Directors is responsible for the stewardship of Canadian Oil Sands Limited (the "Corporation") and Canadian Oil Sands Trust (the "Trust").

II. CONSTITUTION, COMPOSITION AND DEFINITIONS

- A. The Board shall be composed of not fewer than three directors, and not more than the maximum number of directors allowed by the articles of the Trust's subsidiaries. The specific number of directors shall be set by the Board each year. The Board shall be comprised of a majority of independent directors who are free from any direct or indirect relationship that, in the Board's view, would or could reasonably interfere with the exercise of his or her independent judgement.
- B. The Board shall meet at least four times each year. The Chairman may call additional meetings as required. In addition, a meeting may be called by the President and Chief Executive Officer, any member of any Board or committee of the Board or as otherwise provided by law.
- C. The Board shall have the right to determine who shall and who shall not be present at any time during a Board meeting. The President and Chief Executive Officer, the Chief Financial Officer and the General Counsel and Corporate Secretary of the Corporation are expected to be available to attend the Board meetings or portions thereof.
- D. The members of the Board shall be appointed following unitholders approval, by the applicable shareholder of the Trust's subsidiaries. Where a vacancy occurs at any time in the membership of the Board, the Board may fill it. In addition, in accordance with COSL's articles and by-laws, a majority of the Board may appoint one (1) additional director to the Board between unitholder meetings.

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- E. The Board shall be given access to senior management of the Trust's subsidiaries and documents as required to fulfill its responsibilities and shall be provided with the resources necessary to carry out its responsibilities.
- F. The Chairman of the Board shall not have a casting vote in addition to his or her regular vote.
- G. The secretary to the Board shall be either the Corporate Secretary or his or her delegate.
- H. Board meetings may be held in person, by video conference, by means of telephone or by a combination of the foregoing.
- I. Notice of the time and place of each meeting shall be given in writing, or by facsimile to each member of the Board at least 48 hours prior to the time fixed for such meeting. Any member may, in any manner, waive notice of the meeting. Attendance of a member at a meeting shall constitute waiver of notice of the meeting except where a member attends the meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting was not lawfully called.
- J. A majority of members, present in person or by videoconference, telephone or combination thereof, shall constitute a quorum.
- K. All members of the Board are expected to allow sufficient time to review meeting materials and be prepared for Board meetings. Members are expected to attend most, if not all, Board meetings.

III. DUTIES AND RESPONSIBILITIES

A. Managing the Affairs of the Board

The Board operates by delegating certain of its authorities, including spending authorizations, to committees of the Board and to management and by reserving certain powers to itself. The Board is responsible for managing its own affairs, including:

- i) planning its composition and size;
- ii) selecting its Chair;
- iii) nominating candidates for election to the Board;

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- iv) appointing committees and approving their respective mandates and the limits of authority delegated to each committee; and
- v) approving and directing the implementation of corporate governance practices and procedures aimed at having independent, informed oversight by Board members of management and management's conduct of the business of the Trust and its subsidiaries, including the approval of the terms of reference for the Board and its subcommittees. In conjunction with the Corporate Governance and Compensation Committee, the Board will annually assess its performance and that of its subcommittees.

B. Management and Human Resources

The Board has the responsibility for:

- i) the appointment of and succession planning relating to the President and Chief Executive Officer ("CEO"), establishing objectives of the CEO and assessing the CEO against such objectives, monitoring CEO performance generally and approving the CEO's compensation. The Board may delegate the implementation of specific objectives or the finalization of remuneration relating to the CEO to a committee of the Board;
- ii) determining the appointment and termination of senior management and reviewing the recommendations or determinations made by the Corporate Governance and Compensation Committee relating to the recruitment, training, development, assessment and compensation of senior management;
- iii) overseeing management's compliance with any code of business conduct or ethics policies that may be adopted by the Board from time to time for the Trust and its subsidiaries; and
- iv) to the extent feasible, satisfying the Board as to the integrity of the CEO and other executive officers and that the CEO and other executives create a culture of integrity throughout the organization.

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C. Strategy and Plans

The Board has the responsibility to:

- i) adopt a strategic planning process and, at least annually, approve the Trust's strategic plan which takes into account, among other things, the opportunities and risks of the business;
- ii) approve annual capital and operating budgets;
- iii) provide oversight of the Corporation's monitoring of the management services agreement between Syncrude Canada Ltd. and Imperial Oil Resources;
- iv) oversee the performance of the Trust against the strategic and operating plans; and
- v) approve material divestitures and acquisitions, the determination of materiality to be established by the Board and revised from time to time.

D. Financial, Risk Management and Corporate Issues

The Board has the responsibility to:

- i) review and oversee management, and with input from the Audit Committee, in developing systems and processes to monitor the principal risks of the Trust's business and specifically, to direct management to identify the principal risks of the Trust's business and to implement appropriate systems to monitor and manage these risks. In particular, the Board will review policies and practices with respect to trading and hedging activities and consider the results of any reviews of these areas by the external auditors or third party consultants as well as the controls relating to the use of trading and hedging activities as they relate to the significant business risks and uncertainties for the Trust and its subsidiaries;
- ii) review insurance coverage of significant business risks and uncertainties;
- iii) with input from the Audit Committee of the Board, take reasonable steps, in conjunction with management, to direct the

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implementation and integrity of the Trust's internal control and management information systems;

- iv) declare distributions;
- v) establish limits of authority delegated to management; and
- vi) review and approve the annual financial statements and management discussion and analysis for the Trust and its subsidiaries and to either review and approve, or delegate to the Audit Committee to review and approve, the unaudited interim financial statements and management discussion and analysis for the Trust and its subsidiaries.

E. Compliance Reporting and Corporate Communications

The Board has the responsibility to direct management to:

- i) implement appropriate communication processes and measures with unitholders and other stakeholders and financial, regulatory and other recipients;
- ii) report the financial performance of the Trust to unitholders, other security holders and regulators on a timely and regular basis and in accordance with generally accepted accounting principles;
- iii) through the Reserves, Marketing Operations and Environmental, Health and Safety Committee, oversee and direct the evaluation of the oil and gas reserves of the Trust and its subsidiaries and to monitor the disclosure regarding such reserves. The Board shall approve the reports to be filed with the applicable securities commissions regarding the reserves of the Trust and its subsidiaries;
- iv) report in a timely fashion developments that have a significant and material impact on the Trust;
- v) report annually to unitholders on the Board's stewardship for the preceding year (the Annual Report or Management Information Circular);
- vi) approve the holding and date of unitholder meetings; and

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- vii) engage, where necessary, external advisors and experts in assisting the Board in determining any risks or major issues facing the Trust or its subsidiaries or the Board.

F. Non-delegable Matters

The Board may not delegate the following matters:

- i) submission of items to unitholders for approval;
- ii) the declaration of dividends by COSL or distributions by the Trust;
- iii) the approval of a management proxy circular, annual financial statements or the adoption, repeal or amendments of by-laws;
- iv) redemption of shares of COSL or of units by the Trust; and
- v) the review and approval of the Trust's statement of reserves and other oil and gas information that is required to be disclosed or whose disclosure is regulated under applicable securities legislation.

G. Use of Committees

The Board may direct any committee of the Board to provide input and recommendations on any of the foregoing matters. In addition, where permitted by law and where appropriate, the Board may delegate certain duties and responsibilities to a committee of the Board.

IV. REVIEW

The Board will review these terms of reference at least annually or, where circumstances warrant, at such shorter interval as is necessary, to determine if further additions, deletions or other amendments are required.