

FORDING CANADIAN COAL TRUST

CORPORATE GOVERNANCE GUIDELINES

The term “Trust” shall refer to Fording Canadian Coal Trust and the term “Board” shall refer to the board of trustees of the Trust.

A. INTRODUCTION

The Trust’s Board is committed to maintaining a high standard of corporate governance. The Board has responsibility for the overall stewardship of the affairs of the Trust and discharges such responsibility by reviewing and discussing the Trust’s investments, and in particular, the Trust’s interest in Fording Inc. and monitoring the stewardship of Fording Inc. by Fording Inc.’s board of directors.

The Board has adopted the following guidelines to assist it in its corporate governance responsibilities.

B. BOARD RESPONSIBILITIES

1. Board Mandate

The Board has responsibility for the stewardship of the Trust and has adopted a formal mandate setting out the Board’s stewardship responsibilities, including the Board’s responsibilities with respect to oversight as an investor in the Trust’s investments, management of the Board, monitoring of financial performance, financial reporting, financial risk management and oversight of policies and procedures, communications and reporting and compliance.

2. Strategy

The officers of the Trust are responsible for the development and implementation of long term strategy for the Trust, while the role of the Board is to review and monitor the implementation and results of such strategies.

3. Board Communication with Stakeholders

The Board has reviewed and approved a Joint Disclosure Policy for the Trust and Fording Inc. and its subsidiaries other than Elk Valley Coal Partnership (the “Partnership”) and its subsidiaries. Under the Partnership Agreement, the Partnership must maintain a disclosure policy acceptable to the independent directors of Fording Inc. with respect to officers and employees of the Partnership and directors, officers and employees of the Partnership’s subsidiaries.

The Board believes it is the function of the Chief Executive Officer to oversee the Trust’s disclosure practices. The official spokespersons for the Trust in its communications with the investment community, the media, customers, suppliers,

employees, governments and the general public are the Chief Executive Officer and the President. It is understood that individual trustees may from time to time be requested by the Chief Executive Officer or other Trust officers to assist with such communications. If communications from stakeholders are made to individual trustees, the Chief Executive Officer will be informed and consulted to determine any appropriate response.

4. Corporate Governance

The Governance Committee is responsible for developing and recommending improvements to these corporate governance guidelines for implementation by the Board.

C. BOARD ORGANIZATION AND MEMBERSHIP

1. Selection of Chair of the Board

The Chair shall be appointed by the Board after consideration of the recommendation of the Governance Committee. The Board has approved and periodically will review a position description for the Chair. The Governance Committee shall also recommend policies regarding succession in the event of an emergency or the retirement of the Chair/CEO.

The Chair of the Board will be the Chief Executive Officer. Although the Chief Executive Officer will be an officer and employee of the Trust and may be an officer and employee of Fording Inc., the Chief Executive Officer will not be an officer or employee of a subsidiary of Fording Inc. or of the Partnership or any of its subsidiaries and the Chief Executive Officer will not be responsible for day-to-day management of the business of Fording Inc. Accordingly, it is not necessary that the positions of Chair of the Board and Chief Executive Officer be held by separate individuals in order to enhance the Board's independence from management of Fording Inc., its subsidiaries and the Partnership and its subsidiaries.

2. Board Size

The Declaration of Trust states that the Trust will have seven to nine trustees.

3. Mix of Trustees

At all times a majority of the trustees shall be independent trustees. For this purpose, the Chairman and Chief Executive Officer will be considered to be independent until the first annual meeting of unitholders. No employee of the Partnership or any of its subsidiaries shall be a trustee. On matters of corporate governance, decisions will be made by the independent trustees as defined below.

4. Independence of Trustees

The Board has determined that an “independent trustee” means a trustee who is not a member of management of Fording Inc., its subsidiaries and the Partnership and its subsidiaries (“Management”) and is free from any interest and any business, family or other relationship which could, or could reasonably be perceived to, materially interfere with the trustee’s ability to act with a view to the best interests of the Trust, other than interests and relationships arising from unitholdings in the Trust. In addition, in order to be independent, a trustee must:

- (a) not be an insider of Teck Cominco Limited, Westshore Terminals Income Fund, Sherritt International Corporation or Ontario Teachers’ Pension Plan (collectively the “Principals”) or their respective affiliates or principal shareholders and affiliates thereof, and with respect to Sherritt International Corporation and Ontario Teachers’ Pension Plan, is not an insider of Luscar Ltd. or its affiliates;
- (b) qualify as an “unrelated director” (as defined in the TSX guidelines) of each of the Principals, if the trustee was a nominee of each of the Principals;
- (c) qualify as an “unrelated director” (as defined in the TSX guidelines) of the Trust; and
- (d) qualify as an “independent” director (as defined in the NYSE guidelines of the Corporation).

However, the fact that a trustee is also a director of Fording Inc. or any of its subsidiaries shall not disqualify the trustee from being considered to be both an “independent trustee” of the Trust and an “independent director” of Fording Inc. if the trustee would otherwise meet the foregoing tests.

The Board will annually review the report of the Governance Committee on its review of the independence of each of the independent trustees.

5. Principal Occupation Changes by Trustees

An independent trustee who makes a major change in principal occupation shall submit his or her resignation to the Board for consideration. It is not intended that independent trustees who retire or whose professional positions change should necessarily leave the Board. Rather, the Board believes it is appropriate in such circumstances to conduct a review, with the assistance of the Governance Committee, of the continued appropriateness of Board membership under such circumstances.

6. Term Limits for Trustees

The Board has determined that fixed term limits for trustees should not be established. The Board is of the view that such a policy would have the effect of forcing trustees off the Board who have developed, over a period of service, increased insight into the Trust and who, therefore, can be expected to provide an increasing contribution to the Board. At the same time, the Board recognizes the value of some turnover in Board membership to provide on-going input of fresh ideas and views and the Governance Committee is mandated to annually consider recommending changes to the composition of the Board.

7. Retirement Age for Trustees

The policy of the Board is that no person who was not a Trustee at the time of the formation of the Trust shall be appointed or elected as a Trustee if the person exceeds 70 years of age. The policy allows for an exception where the Board determines it is in the interest of the Trust to request a Trustee to extend his term beyond the regular retirement age, provided however that such extension is requested in one-year increments.

8. Criteria for Board Membership

The Governance Committee is mandated to review annually the competencies, skills and personal qualities applicable to candidates to be considered for nomination to the Board other than trustees nominated by Teck Cominco Limited, Westshore Terminals Income Fund and Sherritt Coal Partnership II pursuant to Governance Agreements to which the Trust is a party. The objective of this review will be to maintain the composition of the Board in a way that provides, in the judgment of the Board, the best mix of skills and experience to provide for the overall stewardship of the Trust.

9. Selection of New Trustee Candidates

The Governance Committee is mandated to recruit and consider candidates for trustee and to make recommendations to the Board. Trustees are encouraged to identify potential candidates. The Chair shall be consulted and have input into the process. An invitation to stand as a nominee for election to the Board will normally be made to a candidate by the Board through the Chair or the Chair's delegate.

10. Trustee Orientation and Education

The Governance Committee is mandated to oversee an orientation and education program for new trustees and ongoing educational opportunities for all trustees.

D. BOARD COMMITTEES AND TERMS OF REFERENCE

1. Board Committees

The Board has determined that there should be two Board Committees: (i) the Audit Committee and (ii) the Governance Committee. This structure may change as the Board considers from time to time which of its responsibilities can best be fulfilled through detailed review of matters in committee. Each committee shall operate according to a Board-approved written charter outlining its duties and responsibilities.

The responsibilities of the Audit Committee include oversight of the external auditors, the internal auditors and the monitoring of audits, review of accounting principles and practices, monitoring of internal controls, communications with others respecting financial reporting matters and monitoring of the Trust's financial disclosures.

The responsibilities of the Governance Committee include oversight with respect to Board composition and trustee nominations, corporate governance, business and ethical conduct, trustee orientation and continuing education, Board evaluations, Board operations, committee composition, Board independence and trustee compensation and protection.

2. Membership of Committees

The Board has determined, consistent with the Declaration of Trust, that the Audit Committee and the Governance Committee should be composed entirely of independent trustees. In addition, all members of the Audit Committee shall be financially literate and at least one member must have accounting or related financial expertise. The Board shall periodically review and approve the meaning of "financially literate" and "financial expertise" in accordance with requirements or guidelines for audit committee service under applicable securities laws and the rules of any stock exchange on which the Trust's units are listed for trading.

After receipt of recommendations from the Governance Committee, the Board shall appoint the members of the committees annually, and as necessary to fill vacancies, and generally shall appoint the chair of each committee. Members of the committees shall hold office at the pleasure of the Board.

3. Oversight of Committee Functions

The purpose of Board committees is to assist the Board in discharging its responsibilities. Notwithstanding the delegation of responsibilities to a Board committee, the Board is ultimately responsible for matters assigned to the committees for determination. Except as may be explicitly provided in the charter of the committee or a resolution of the Board, the role of the Board committee is

to review and make recommendations to the Board with respect to the approval of matters considered by the committee.

E. BOARD MEETINGS AND MATERIALS

1. Meeting Agendas

The Chair will develop the agenda for each Board meeting.

2. Meeting Materials

Meeting materials shall be provided to trustees before each Board meeting in sufficient time to ensure adequate opportunity exists for review. It is recognized that under some circumstances, due to the confidential nature of matters to be discussed at a meeting, it would not be prudent or appropriate to distribute written materials in advance.

3. Non-Trustees at Board Meetings

Board meetings are held jointly with meetings of the board of directors of Fording Inc. Meetings of the Trustees are held by way of *in camera* sessions and a separate meeting of Trustees annually.

The Board also believes there is value in having certain members of Management attend each Board meeting to provide information and opinion to assist the trustees in their deliberations. Attendance by Management shall be determined by the Chair. Management attendees will be excused for any agenda items that are reserved for discussion among trustees only.

4. In Camera Sessions of Trustees

The Board has determined that appropriate *in camera* sessions of the trustees will be held in conjunction with every regular meeting of the Board. The independent members of the Board shall have an opportunity to meet at least annually without any members of the Board who are not independent and without management present.

F. TRUSTEE COMPENSATION

1. Trustee Compensation

The Board has determined that the trustees should be compensated in a form and amount which is appropriate and which is customary for comparative organizations, having regard for such matters as time commitment, responsibility and trends in director and trustee compensation.

The Governance Committee is mandated to review the compensation of the trustees on this basis annually. The Committee review will include consideration of all forms of compensation which a trustee receives, directly or indirectly, including consulting contracts or charitable contributions to organizations in which a trustee is affiliated.

G. BOARD'S RELATIONSHIP WITH MANAGEMENT

1. Board Relationship with Management
2. The Board will support and encourage the officers of the Trust in the performance of their duties. The Governance Committee will review and assess the Board's relationship to Management. Limits to Management Authority

The Partnership Agreement respecting the Partnership provides that Teck Cominco Limited as managing partner is responsible for and shall manage the business and affairs of the Partnership and all decisions relating to the business and affairs of the Partnership will be made by Teck Cominco Limited, subject to special majority approval of the partners in respect of certain matters. Authority in relation to the Partnership will be exercised and supervised by those partners and their boards.

The Board has authority with respect to the activities of Management which relate to the Trust pursuant to the Administration Agreement between the Partnership and the Trust.

3. Evaluation of the Chief Executive Officer

The Governance Committee will conduct an annual review of the performance of the Chief Executive Officer against goals and objectives which have been established by the committee and will review, assess and recommend the compensation of the Chief Executive Officer to the Board for approval. The results of the review will be communicated to the Chief Executive Officer by the chair of the Governance Committee.

4. Trustee Access to Management

All trustees shall have open access to the Management for relevant information for purposes of enabling the Trust to fully comply with its legal and other regulatory obligations and to allow the Trustees to fulfill their duties. Written communications from trustees to Management will be copied to the Chief Executive Officer.

H. TRUSTEE RESPONSIBILITIES AND PERFORMANCE

1. Trustee Responsibilities

Trustees are expected to use their skill and experience to provide oversight to the affairs of the Trust. Trustees have a duty to act honestly and in good faith with a view to the best interests of the Trust and to exercise the care, diligence and skill that a reasonably prudent person would in comparable circumstances.

Trustees are expected to attend all Board and committee meetings in person. It is acceptable, on an infrequent basis, for trustees to participate in such meetings by conference call if attendance in person is not possible. A trustee will notify the Chair of the Board or committee in the event the trustee will not be able to attend or participate in a meeting.

Trustees are expected to review and be familiar with Board and committee materials which have been provided in sufficient time for review prior to a meeting. Trustees are to advise the Board or committee Chair of matters which they believe should be added to a meeting agenda.

2. Outside Advisors for Individual Trustees

The Board has determined that any trustee who wishes to engage a non-management advisor to assist on matters involving the trustee's responsibilities as a trustee at the expense of the Trust should review the request with, and obtain the authorization of the Chair of the Board, or in the case of a request by the Chair of the Board, the Chair of the Governance Committee.

3. Assessment of Board and Individual Trustee Performance

The Governance Committee is responsible for making an annual assessment of the overall performance and effectiveness of the Board and each committee, the Chair, each committee chair and each trustee and reporting on such assessments to the Board. The objective of the assessments is to ensure the continued effectiveness of the Board in the execution of its responsibilities and to contribute to a process of continuing improvement.

I. ETHICS AND CONFLICTS OF INTEREST

The Board expects trustees as well as officers and employees of the Trust to act ethically at all times and to acknowledge their adherence to the policies comprising the Joint Code of Business Conduct for the Trust and Fording Inc. and its subsidiaries (the "Code"). The Board is responsible for monitoring compliance with the Code and will not permit any waiver of the Code with respect to any trustee or officer of the Trust.

Trustees shall disclose all actual or potential conflicts of interest and refrain from voting on matters in which the trustee has a conflict of interest. In addition, the trustee shall excuse himself or herself from any discussion or decision on any matter in which the trustee is precluded from voting as a result of a conflict of

interest or which otherwise affects his or her personal, business or professional interests.