

Domtar Corporation

Director Independence Standards

It is the policy of the Company that the Board of Directors consist of a majority of independent Directors. A director may not be considered independent if the director does not meet the criteria for independence established by the New York Stock Exchange ("NYSE") and applicable law. In addition, the Board has established additional categorical standards of independence to assist in making independence determinations. The Board will consider all relevant facts and circumstances in making an independence determination, and not merely from the standpoint of the director, but also from that of persons or organizations with which the director has an affiliation.

Except as otherwise noted below, the "Company" includes Domtar Corporation and its consolidated subsidiaries.

NYSE Standards of Independence

To be considered "independent" for purposes of the NYSE standards, the Board must affirmatively determine that the director has no material relationship with the Company other than as a director. Under the NYSE rules, no director will qualify as independent if:

- 1) the director is, or has been within the last three years, an employee of the Company; or
- 2) an immediate family member of the director is, or has been within the last three years, an executive officer of the Company; or
- 3) the director has received, or has an immediate family member who has received, during any twelve-month period within the last three years, more than \$100,000 in direct compensation from the Company (other than director's fees and pension or other forms of deferred compensation for prior service with the Company, provided such compensation is not contingent in any way on continued service); or
- 4) the director or an immediate family member of the director who is a partner, affiliate or employee of any firm that currently is an independent auditor of the Company or any of its consolidated affiliates or of any firm that within the last three years was an independent auditor of the Company or any of its consolidated affiliates or the director or an immediate family member, within the last three years, was, but is no longer, a partner,

affiliate or employee of any such firm and personally worked on the audit of the Company or any of its consolidated affiliates; or

- 5) an executive officer of the Company serves or within the past three years has served on the compensation committee of the board of directors of another company that, at the same time, employs or employed either the director or an immediate family member of the director as an executive officer; or
- 6) the director is an executive officer or employee of or an immediate family member of the director is an executive officer of another company and the annual payments made by such other company to, or received by such other company from, the Company for property and services exceeded in any single fiscal year the greater of \$1 million or 2% of such other company's consolidated gross annual revenues.

Categorical Standards of Independence

The Board has established the following additional categorical standards of independence to assist it in making independence determinations:

Relationships in the ordinary course of business. Any payments by the Company to a business in which a director or an immediate family member of a director is a partner, officer, employee, director or greater than 10% shareholder for goods or services or other contractual arrangements must be made in the ordinary course of business and on substantially the same terms and conditions, including price, as those prevailing at the time for comparable transactions with non-affiliated persons. The following relationships are not considered material relationships that would impair a director's independence:

- 1) if a director (or an immediate family member of the director) is an officer, director or employee of another company that does business with the Company and the annual sales to, or purchases from, the Company during the preceding fiscal year are less than the greater of \$1 million or 1% of the consolidated gross annual revenues of such other company; or
- 2) if a director (or an immediate family member of the director) is an officer, director or employee of another company that is indebted to the Company, or to which the Company is indebted, and the total amount of indebtedness of either the Company or the other company is less than 1% of the total consolidated assets of the Company or such other company, as the case may be, as of the end of the previous fiscal year.

Relationships with not-for-profit entities. A director's independence will not be considered impaired solely for the reason that the director or an immediate family

member is an officer, director or trustee of a foundation, university or other not-for-profit organization that has received from the Company during any of the prior three fiscal years, contributions in an amount less than the greater of \$750,000 or 1.5% of the not-for-profit organization's annual charitable receipts during the entity's fiscal year. All contributions by the Company in excess of \$100,000 to not-for-profit entities with which the director is affiliated shall be reported to the Nominating and Corporate Governance Committee and may be considered in making independence determinations.

Additional Standards for Certain Committee Members

In addition to being independent in accordance with the NYSE rules relating to directors and the categorical standards set forth above, (a) member of the Audit Committee may not (i) receive, directly or indirectly, any compensation other than directors' fees from the Company, or (ii) be an "affiliated person" of the Company or any of its subsidiaries as such term is defined under Rule 10A-3 of the Exchange Act, and (b) members of the Human Resources Committee must qualify as "non-employee directors" as such term is defined under Rule 16b-3 of the Exchange Act and at least two members of the Human Resources Committee must qualify as "outside directors" as such term is defined under Section 162(m) of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

Board Oversight

The Board will review all commercial and charitable relationships of directors annually to determine whether directors meet the independence tests described above. The Board may determine that a director who has a relationship that exceeds the limits described (to the extent that any such relationship would not constitute a bar to independence under the New York Stock Exchange listing standards) is nonetheless independent. The Company will explain in the next proxy statement the basis for any Board determination that a relationship is immaterial despite the fact that it does not meet the categorical standards set forth above.

To help maintain the independence of the Board, all directors are required to deal at arm's length with the Company and its subsidiaries and to disclose circumstances material to the director that might be perceived as a conflict of interest.