

**CODE OF BUSINESS CONDUCT
FOR
MEMBERS OF THE BOARD OF DIRECTORS
OF
DOMTAR CORPORATION**

The Board of Directors of Domtar Corporation (the “Company”) hereby adopts the following Code of Business Conduct for directors of the Company. This code is intended to focus each director on areas of conflicts of interest, provide guidance relating to the recognition and handling of ethical issues, provide mechanisms to report potential conflicts or unethical conduct, and help foster a culture of openness and accountability.

Since no code or policy can anticipate every situation that may arise, this Code is intended to provide guidance for handling unforeseen situations which may arise. Directors are encouraged to bring questions about particular situations to the attention of the General Counsel of the Company.

Directors who also serve as employees of the Company should read this Code in conjunction with the Company’s Code of Business Conduct and Ethics.

The obligations of the General Counsel of the Company hereunder may be delegated by the General Counsel, with the approval of the chairperson of the Nominating and Corporate Governance Committee, to such other officers or members of the Legal Department of the Company as may be designated from time to time.

1. Conflicts of Interest.

Directors shall avoid conflicts of interest between the director and the Company. Any situation that involves, or may reasonably be expected to involve, a conflict of interest with the Company, should be disclosed promptly to the chairperson of the Nominating and Corporate Governance Committee.

A “conflict of interest” occurs when a director’s personal interest is adverse to – or may appear to be adverse to – the interests of the Company. Conflicts of interests may also arise when a director, or a member of his or her immediate family,¹ receives personal

¹ New York Stock Exchange Rule 303A(2)(b) defines “immediate family” to include a person’s spouse, parents, children, siblings, fathers and mothers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than employees) who share such person’s home.

benefits as a result of his or her position as a director of the Company beyond normal directors fees or compensation.

Some of the more common conflicts which directors should avoid are set out below:

- *Relationships with third parties.* Directors should not receive a personal benefit from any person or firm which is seeking to do business or to retain business with the Company. A director shall recuse him or herself from any Company Board decision involving another firm or company with which the director is affiliated.
- *Gifts.* Directors and members of their families should not accept gifts from persons or firms which deal with the Company where any such gift has a value beyond what is a normal and customary business courtesy.
- *Personal use of Company assets.* Directors should not use Company aircraft, assets, resources or information except in connection with Company business or as otherwise authorized by the Board.

2. Accuracy of Business Records.

Honest and accurate recording and reporting of information is extremely important. Investors depend on the Company to provide accurate information and to make responsible business decisions based on reliable records. Appropriate members of management must properly authorize all payments and transactions. All financial books, records and accounts must accurately reflect transactions and events, and conform to both generally accepted accounting principles and to the Company's system of internal controls. To further the Company's reporting accuracy, directors must properly report and record information related to their responsibilities. It is unacceptable, for example, to submit intentionally inaccurate or misleading expense reports.

3. Pre-notification of Outside Positions.

- *Acceptance of Corporate directorships.* Directors should inform the chairperson of the Nominating and Corporate Governance Committee of the Company prior to accepting a directorship or officership position with another business corporation, whether or not they are public companies. This will permit the Company to review the line(s) of business of the other company to assure that no conflict exists between the companies and to evaluate the Company's business relationship, if any, with the other Company.

- *Acceptance of Other Positions.* Directors should inform the General Counsel of the Company prior to affiliating with a professional services firm that provides services to the Company. Directors should also be aware that conflicts may arise if a member of their immediate family is employed by or affiliated with a professional services firm that provides services to the Company.

4. Corporate Opportunities.

Directors are prohibited from: (a) taking for themselves or for their companies opportunities related to the Company's business; (b) using the Company's property or information for personal gain; or (c) competing with the Company for business opportunities; however, if the Company's disinterested directors determine that the Company will not pursue an opportunity that relates to the Company's business, a director may then do so.

5. Confidentiality.

Directors shall maintain the confidentiality of information entrusted to them by the Company and any other confidential information about the Company that comes to them, from whatever source, in their capacity as a director, except when disclosure is authorized or legally mandated.

6. Compliance with laws, rules and regulations; insider trading; fair dealing.

Directors shall comply with all applicable laws, rules and regulations applicable to the Company, including insider trading laws. Transactions in Company securities are governed by the Company's policies on trading in Company securities and are required to be pre-cleared in accordance with such policies.

7. Encouraging the reporting of any illegal or unethical behavior.

Directors should promote ethical behavior as a key Company value. To that end, directors should (a) articulate integrity and ethical behavior as an essential corporate value, (b) provide oversight of employee compliance with the Code of Business Conduct and Ethics and (c) provide oversight of the Company's "whistleblower" policy within which employees may report violations of laws, rules or regulations or the Company's Code of Business Conduct and Ethics without concern for retaliation for reports under the policy made in good faith.

8. Handling News about Domtar.

Confidential information about the Company, including information that can be expected to have an impact on the market for the Company's stock such as forward-

looking information such as projections of revenue or earnings, may be released only in accordance with Company disclosure and communications policies and United States and Canadian securities laws. The Chief Executive Officer and, as appropriate, designated members of senior management speak for the Company. Individual directors may, on occasion and with the knowledge of senior management, meet or otherwise communicate with interested parties. Absent unusual circumstances or as contemplated by the Committee charters, such communications will be made only at the request of the Chief Executive Officer or the Board.

9. Compliance with the Code.

Directors should communicate any suspected violations of this Code promptly to the chairperson of the Nominating and Corporate Governance Committee. Violations will be investigated by the Board or by persons designated by the Board, and appropriate action will be taken in the event of any violations.