

Domtar CORP
Form DEF 14A
March 28, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

(Amendment No. _____)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

DOMTAR CORPORATION

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

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(4) Proposed maximum aggregate value of transaction:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Domtar Corporation

395 de Maisonneuve Blvd. West

Montreal, Quebec H3A 1L6 Canada

March 28, 2013

Dear Stockholder:

You are cordially invited to attend the 2013 Annual Meeting of Stockholders of Domtar Corporation. The meeting this year will be held on May 1, 2013 at the Montreal Museum of Fine Arts, Claire and Marc Bourgie Pavilion, 1339 Sherbrooke Street West, Montreal, Quebec, H3G 1J5, starting at 9:00 a.m. (EDT).

The enclosed Notice of Annual Meeting of Stockholders and Proxy Statement provide information about all matters to be acted upon by the stockholders, including information about our 10 directors nominated for election, our corporate governance system, and compensation of our senior management. Financial and other information concerning Domtar Corporation is contained in the enclosed 2012 Annual Report on Form 10-K.

Your vote and participation are very important to us. As a holder of our common stock or of exchangeable shares of Domtar (Canada) Paper Inc., please take the time to review the proxy statement and accompanying materials and provide your vote on the business items of the meeting. If you are unable to attend the meeting in person, you can vote your shares by phone, via the internet or by signing, dating and returning the enclosed proxy card promptly. We will also webcast the meeting at www.domtar.com.

On behalf of the Board of Directors, we thank you for your continued support of Domtar Corporation.

Sincerely,

Harold H. MacKay
Chairman of the Board

John D. Williams
President and Chief Executive Officer

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS OF DOMTAR CORPORATION

Time: Wednesday, May 1, 2013, 9:00 a.m. (Eastern Daylight Time)

Place: Montreal Museum of Fine Arts, Claire and Marc Bourgie Pavilion, 1339 Sherbrooke Street West, Montreal, Quebec, H3G 1J5

Proposals: Stockholders will be asked to vote on the following matters:

1. The election of the 10 members of our Board of Directors named in the proxy statement;
2. The approval, by a non-binding advisory vote, of the compensation paid by the Corporation to its Named Executive Officers;
3. The ratification of the appointment of PricewaterhouseCoopers LLP as the Corporation's independent registered public accounting firm for the 2013 fiscal year; and
4. The transaction of any other business that may properly be brought before the annual meeting.

Who Can Vote: The record date for the annual meeting is March 8, 2013. The only securities eligible to vote at the annual meeting are the Corporation's common stock and a special share of voting stock held for the benefit of holders of exchangeable shares of Domtar (Canada) Paper Inc. issued in connection with the combination of Domtar Inc. and the fine paper business of Weyerhaeuser Company in March 2007.

Date of Mailing: This proxy statement and accompanying materials are first being mailed to stockholders on or about March 28, 2013.
NOTE: If you plan to attend the annual meeting, please note that registration and seating will begin at 8:00 a.m. Each stockholder will be asked to sign an admittance card and may be asked to present valid picture identification. Stockholders holding stock in brokerage accounts will need to bring a copy of a brokerage statement reflecting stock ownership as of the March 8, 2013 record date. Cameras and recording devices will not be permitted at the meeting. To obtain directions to attend the meeting and vote in person, please call Louise Larouche at (514) 848-5536.

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held on May 1, 2013:

The proxy statement and our 2012 Annual Report on Form 10-K are available at www.edocumentview.com/ufs.

Razvan L. Theodoru

Vice-President, Corporate Law and Secretary

Montreal, Quebec

March 28, 2013

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PROXY SUMMARY

This summary highlights information contained elsewhere in this proxy statement. This summary does not contain all of the information that you should consider and you should read the entire proxy statement before voting. For more complete information regarding the Corporation's 2012 performance, please review the Corporation's Annual Report on Form 10-K.

2013 Annual Meeting of Stockholders

Date and Time Wednesday, May 1, 2013, 9:00 a.m. (Eastern Daylight Time)

Place Montreal Museum of Fine Arts, Claire and Marc Bourgie Pavilion, 1339 Sherbrooke Street West, Montreal, Quebec, H3G 1J5

Record Date March 8, 2013

Voting Matters and Board Recommendations

	Board Recommendation
Election of 10 Directors (page 8)	FOR each Director Nominee
Advisory Vote to Approve Executive Compensation (page 53)	FOR
Ratification of Auditors (page 57)	FOR

Our Business

Domtar Corporation (NYSE: UFS) (TSX: UFS) designs, manufactures, markets and distributes a wide variety of fiber-based products including communication papers, specialty and packaging papers and adult incontinence products. The foundation of our business is a network of world class wood fiber converting assets that produce papergrade, fluff and specialty pulps. The majority of our pulp production is consumed internally to manufacture paper and consumer products. Domtar is the largest integrated marketer of uncoated freesheet paper in North America with recognized brands such as Cougar®, Lynx® Opaque Ultra, Husky® Opaque Offset, First Choice® and Domtar EarthChoice®. Domtar is also a leading marketer and producer of a complete line of incontinence care products marketed primarily under the Attends® brand name. Domtar owns and operates Ariva®, a network of strategically located paper and printing supplies distribution facilities. In 2012, Domtar had sales of US\$5.5 billion from nearly 50 countries. The Corporation employs approximately 9,300 people.

2012 Business Highlights

After two consecutive years of relatively unchanged uncoated freesheet paper demand in North America, the secular demand decline resumed in 2012 resulting in a 6% decrease in Domtar's paper shipments compared to prior year. Domtar's paper business performed well nonetheless with stable paper pricing compared to 2011 and good cost control. This performance was however overshadowed by a down cycle in pulp prices that contributed to the majority of our earnings decline compared to 2011.

Net earnings amounted to \$172 million (\$4.76 per share on a diluted basis) and cash flow provided from operating activities amounted to \$551 million for 2012. In addition, EBITDA before items¹ and free cash flow¹ amounted to \$799 million and \$315 million respectively while net debt-to-total capitalization ratio¹ stood at 16% at December 31, 2012. We believe that these latter metrics are useful to measure our operating performance and to benchmark with our peers. Our health and safety performance improved 20% when compared to 2011, and the 2012 total incident frequency rate of 1.08 was the lowest on record for Domtar. Moreover, the total incident frequency rate stood below 1.0 for six out of twelve months in 2012 which is world-class and we see this as an important indicator to measure productivity.

¹ Non-GAAP financial measure. Refer to the Reconciliation of Non-GAAP Measures on page 61 of this Proxy Statement.

Meanwhile we continued to make significant progress on our three strategic objectives:

To grow and find ways to become less vulnerable to the secular decline of uncoated freesheet paper demand;

To reduce volatility in our earnings profile by increasing the visibility and predictability of our cash flows; and

To create value over time by using our capital wisely.

Highlights of our 2012 accomplishments include:

Continued growth in our Personal Care segment:

We continued the expansion of our Personal Care segment created in 2011 with the acquisition of Attends Healthcare Limited (Attends Europe) in March 2012. This acquisition consolidates Domtar's ownership of the Attends brand on both sides of the Atlantic.

We acquired EAM Corporation in May 2012, giving us the long-term research capabilities to further differentiate our full line of adult incontinence products in the market.

Other significant achievements:

We continued to expand our presence in growing paper grades and signed a \$3 billion, 15-year supply agreement with Appleton Papers, Inc. to supply uncoated freesheet base paper for their use in the production of specialty papers. Shipments of specialty and packaging paper grades increased 13% when compared to 2011, and reached 14% of total paper shipments for 2012.

We continued strategic non-core asset disposal initiatives with the sale of the hydro assets at the former Ottawa / Gatineau mill site, and the sale of all assets at the former Lebel-sur-Quévillon, Quebec pulp mill.

We completed investments totaling CDN\$143 million under the Canadian government sponsored Pulp and Paper Green Transformation Program in our Canadian mills.

Developments on capital allocation:

We continued our work to preserve and enhance the value of our assets by making a \$32 million capital investment at our Marlboro, South Carolina mill to convert from high volume communication papers to the production of specialty and packaging paper grades.

We made a \$26 million capital investment at our Ashdown, Arkansas mill to gain flexibility in switching from hardwood to softwood pulp making capacity.

We worked on the capital structure by successfully completing a \$250 million 30-year maturity and a \$300 million 10-year maturity debt offering and redeeming \$186 million of short-term, higher cost debt. We announced an increase in our regular quarterly dividend by 29% from \$0.35 to \$0.45, which represents an 80% cumulative growth rate since its inception in 2010.

We executed on our commitment of returning the majority of free cash flow² to stockholders by returning a total of \$215 million (68% of free cash flow²) through a combination of dividends and share buybacks.

Important Dates for 2014 Annual Meeting of Stockholders

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Stockholder proposals submitted for inclusion in our 2014 proxy statement pursuant to SEC Rule 14a-8 must be received by us by November 28, 2013.

Notice of stockholder proposals to be raised from the floor of the 2014 Annual Meeting of Stockholders outside of SEC Rule 14a-8 must be received by us by January 30, 2014.

² Non-GAAP financial measure. Refer to the Reconciliation of Non-GAAP Measures on page 61 of this Proxy Statement.

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2013 PROXY STATEMENT

IMPORTANT INFORMATION ABOUT ANNUAL MEETING AND PROXY PROCEDURES

The Board of Directors is soliciting proxies to be used at the annual meeting of stockholders to be held on Wednesday, May 1, 2013, beginning at 9:00 a.m. (Eastern Daylight Time) at the Montreal Museum of Fine Arts, Claire and Marc Bourgie Pavilion, 1339 Sherbrooke Street West, Montreal, Quebec, H3G 1J5. This proxy statement and the accompanying materials are being mailed to stockholders beginning on or about March 28, 2013. We will bear the costs of the preparation, printing and distribution of the proxy statement and the accompanying materials.

Unless the context otherwise requires, in this proxy statement (i) Corporation, Domtar, we, us and our, mean Domtar Corporation, a Delaware corporation, and its subsidiaries; (ii) our Board or the Board means the Board of Directors of the Corporation; (iii) our common stock means the common stock of the Corporation; (iv) exchangeable shares means the exchangeable shares of Domtar (Canada) Paper Inc.; (v) stockholders means holders of our common stock and holders of Domtar (Canada) Paper Inc. exchangeable shares; and (vi) all references herein are to U.S. dollars, unless otherwise indicated.

Q: Who may vote at the annual meeting?

A: Our Board has established the record date for the annual meeting as March 8, 2013. The only securities eligible to vote at the annual meeting are the Corporation's common stock and a special share of voting stock held for the benefit of holders of exchangeable shares of Domtar (Canada) Paper Inc. Holders of our common stock and the trustee acting for the holders of exchangeable shares will vote together as a single class on all matters.

This proxy statement and the accompanying materials are being sent to holders of our common stock and holders of exchangeable shares at the direction of the Board. You may vote all of the shares of our common stock or provide voting instructions for all of the exchangeable shares that you owned at the close of business on the record date. Each share of our common stock and each exchangeable share not held by the Corporation or our affiliates entitles the holder to one vote on each of the 10 director nominees and one vote on all other matters presented at the meeting. On the record date, we had 34,052,584 shares of common stock outstanding and entitled to vote at the meeting and there were 602,814 exchangeable shares outstanding and entitled to give voting instructions for the meeting.

Q: How do I provide voting instructions for my exchangeable shares?

A: A trustee, Computershare Trust Company of Canada, holds the special share of voting stock under a trust agreement. The trust agreement provides that each holder of exchangeable shares issued by Domtar (Canada) Paper Inc., a Canadian subsidiary of the Corporation, is entitled to instruct the trustee how to vote at the Corporation's stockholder meeting. Voting instruction cards are enclosed for holders of exchangeable shares. As of the record date, each exchangeable share is exchangeable into one share of our common stock and therefore entitles the holder thereof to provide instructions for one vote on all matters presented at the meeting. The trustee will cast votes equal to the number of outstanding exchangeable shares as to which the trustee has timely received voting instructions from the holders. If the trustee does not receive voting instructions from a holder of exchangeable shares, such holder's votes will not be cast at the annual meeting unless the stockholder attends the meeting in person, obtains a proxy from the trustee and votes the stock at the meeting as proxy for the trustee.

Q: What proposals will be voted on at the annual meeting?

A: At the annual meeting, stockholders will act upon the following matters:

1. The election of the 10 members of our Board of Directors named in the proxy statement;

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2. The approval, by a non-binding advisory vote, of the compensation paid by the Corporation to its Named Executive Officers;
 3. The ratification of the appointment of PricewaterhouseCoopers LLP as the Corporation's independent registered public accounting firm for the 2013 fiscal year; and
 4. The transaction of any other business that may properly be brought before the annual meeting.
- The Corporation's senior management will also present information about the Corporation's financial performance during 2012 and will answer questions from stockholders.

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2013 PROXY STATEMENT

Q: How does the Board recommend I vote?

A: Our Board unanimously recommends that you vote **FOR** each proposal. Please see the information included in this proxy statement relating to each item being submitted to stockholder vote at the meeting.

Q: What happens if additional matters are presented at the annual meeting?

A: Other than the items of business described in this proxy statement, we are not aware of any other business to be acted upon at the annual meeting. If you grant a proxy with respect to shares of our common stock or provide voting instructions with respect to exchangeable shares, the persons named as proxyholders or the trustee, as the case may be, will have the discretion to vote your shares on any additional matters properly presented for a vote at the meeting in accordance with Delaware law and our by-laws.

Q: What vote is required to approve each proposal?

A: Each share of our common stock and each exchangeable share not held by the Corporation or our affiliates is entitled to one vote on each of the 10 director nominees and one vote on all other matters presented at the meeting. With respect to Item 1, director nominees must receive a majority of the votes cast (the number of votes cast for a director nominee must exceed the number of votes cast against that nominee) in order to be elected. The adoption of Item 2 proposal Advisory Vote to approve Named Executive Compensation and Item 3 Ratification of Appointment of Independent Registered Public Accounting Firm proposal require the affirmative vote of a majority of the voting power of the shares present in person or represented by proxy at the annual meeting and entitled to vote thereon.

Q: What if a director nominee does not receive a majority of the votes cast?

A: In accordance with our Corporate Governance Guidelines, the Board will nominate for re-election as a director only candidates who agree to tender an irrevocable, contingent resignation that shall only become effective upon (i) the director's failure to receive a majority of the votes cast in an uncontested election of directors at any meeting of stockholders of the Corporation duly held for such purpose, and (ii) the Board's acceptance of such resignation. If an incumbent director fails to receive the required vote for re-election, then, within 90 days following the applicable stockholders meeting, the Nominating and Corporate Governance Committee will act to determine whether to accept the director's resignation and will submit the recommendation for prompt consideration by the Board, and the Board will act on the Committee's recommendation. Thereafter, the Board will promptly disclose publicly its determination whether to accept the director's resignation offer. No director may participate in the Nominating and Corporate Governance Committee recommendation or Board action regarding whether to accept such director's resignation offer.

Q: What is the difference between a stockholder of record and a street name holder?

A: These terms describe the manner in which your shares are held. If your shares are registered directly in your name through Computershare Trust Company, N.A., our transfer agent, you are a stockholder of record. If your shares are held in the name of a brokerage firm, bank, trust or other nominee as custodian on your behalf, you are a street name holder.

Q: How do I vote my shares?

A: Subject to the limitations described below, you may vote by proxy or provide your voting instructions:

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1. by completing and signing each proxy card or voting instruction card provided to you and returning it to the address provided on the proxy card or voting instruction card;
2. over the telephone by calling a toll-free number provided on the enclosed proxy card; or
3. electronically through the internet as described on the enclosed proxy card.

Submitting a proxy card or voting instruction card. Each stockholder may grant a proxy to have his or her shares voted at the annual meeting by submitting the proxy card(s) provided to him or her. Each holder of exchangeable shares of Domtar (Canada) Paper Inc. may instruct the trustee how to cast such holder's votes at the annual meeting by submitting the voting instruction card provided to him or her. When you return a proxy card or voting instruction card that is properly signed and completed, the shares of common stock or exchangeable shares represented by that card will be voted as specified by you.

Submitting a proxy by telephone or through the internet. If you are a stockholder of record, you may also submit a proxy or provide voting instructions by telephone or through the internet. Please see the proxy card(s) provided to you for instruction on how to access the telephone and internet systems. If your shares are held in street name for your account, your broker or other nominee will advise you whether you may submit a proxy by telephone or through the internet. A number of banks and brokerage firms participate in programs that permit stockholders to submit a proxy by telephone or through the internet. If your shares are held by such a bank or brokerage firm, you may submit a proxy to have these shares voted at the annual meeting by telephone or internet by following the instructions on the voting instruction form accompanying this proxy statement.

Q: Can I vote my shares in person at the annual meeting?

A: If you are a holder of record of common stock, you may vote your shares in person at the annual meeting. If you hold your shares of common stock in street name, you must obtain a proxy or voting instruction card from your broker, banker, trustee or nominee, giving you the right to vote the shares at the annual meeting. If you are a holder of record of exchangeable shares, you must obtain a proxy from the trustee and vote your shares as proxy for the trustee to have the right to vote your shares at the annual meeting.

Q: What constitutes a quorum, and why is a quorum required?

A: A quorum is required for the Corporation's stockholders to conduct business at a meeting of stockholders. The presence of the holders of one-third of the voting power of all outstanding shares of the Corporation entitled to vote generally in the election of directors, represented in person or by proxy, will constitute a quorum at the annual meeting.

Q: What if I don't vote or abstain from voting my shares of common stock? How are broker non-votes counted? If my shares of common stock are held in street name by my broker, will my broker vote my shares for me?

A: Abstentions and broker non-votes are included in the determination of shares present for quorum purposes. Abstentions are not counted as a vote for or against the election of directors. If you abstain from voting for the proposal in Item 2 or Item 3, your abstention will have the same effect as a vote against that proposal. A broker non-vote occurs when a nominee, such as a broker, holding shares in street name for a beneficial owner, does not vote on a particular proposal because that nominee does not have discretionary voting power with respect to a proposal and has not received instructions from the beneficial owner. If you are a stockholder of shares held in street name, and you would like to instruct your broker how to vote your shares, you should follow the directions provided by your broker. Because the NYSE rules currently view the ratification of independent registered public accounting firms as a routine matter, your broker is permitted to vote on the proposal in Item 3 of this proxy statement if it does not receive instructions from you. **However, your broker does not have discretion to vote for or against the election of directors or to approve the compensation of the Named Executive Officers pursuant to the Say-on-Pay vote. In order to avoid a broker non-vote of your shares on these proposals, we encourage you to sign and return your proxy and vote your shares before the meeting so that your shares will be represented and voted at the meeting even if you cannot attend in person.**

Q: What if I don't provide voting instructions with respect to my exchangeable shares?

A: Exchangeable shares for which no voting instructions have been provided will not be voted by the trustee at the annual meeting. A holder of exchangeable shares may obtain a proxy from the trustee to cast the number of votes equal to the number of shares of common stock into which such holder's exchangeable shares are exchangeable and attend the annual meeting in person to cast such votes as proxy for the trustee.

Q: Can I change my vote after I have delivered my proxy or voting instruction card?

A: Yes. If you are a stockholder of record, you may revoke your proxy or voting instructions at any time before your voting rights are exercised at the annual meeting by delivering a signed revocation letter to the Vice-President, Corporate Law and Secretary of the Corporation or the Trustee, as the case may be, or by submitting a new proxy or voting instruction card, dated later than your first proxy or voting instruction card, in one of the ways described in this proxy statement. If you are attending in person and have previously mailed your proxy card, you may revoke your proxy and vote in person at the meeting. Your attendance at the annual meeting will not by itself revoke your proxy. If you are a stockholder of shares held in street name by your broker and you have directed your broker to vote your shares, you should instruct your broker to change your vote or obtain a proxy to vote your shares if you wish to cast your vote in person at the meeting.

Q: Will proxies be solicited in connection with the annual meeting?

A: Yes. Proxies may be solicited on behalf of our Board by mail, telephone, other electronic means or in person and the Corporation will pay the solicitation costs. Copies of proxy materials and of our annual report to stockholders for 2012 will be supplied to brokers, dealers, banks and voting trustees, or their nominees for purposes of soliciting proxies from beneficial owners and the Corporation will reimburse those record holders for their reasonable expenses on behalf of the Corporation. Georgeson Inc. has been retained by the Corporation to facilitate the distribution of proxy materials at a fee of approximately \$30,000.00.

Q: Where can I find voting results of the annual meeting?

A: We will announce preliminary voting results at the meeting and publish final results in a Current Report on Form 8-K filed with the Securities and Exchange Commission (the SEC) within four (4) business days following the meeting.

Q: How can I submit a proposal to the Corporation for inclusion in the 2014 proxy statement?

A: The Corporation will review for inclusion in next year's proxy statement stockholder proposals received by November 28, 2013. Proposals should be sent to Razvan L. Theodoru, Vice-President, Corporate Law and Secretary of the Corporation, at 395 de Maisonneuve Blvd. West, Montreal, Quebec, Canada, H3A 1L6.

Stockholder proposals not included in next year's proxy statement may be brought before the 2014 annual meeting of stockholders by a stockholder of the Corporation who is entitled to vote at the meeting, has given a written notice to the Secretary of the Corporation containing certain information specified in the by-laws and was a stockholder of record at the time such notice was given. Such notice must be delivered to or mailed and received at the address in the preceding paragraph no earlier than December 31, 2013 and no later than January 30, 2014, except that if the 2014 annual meeting of the stockholders is held before March 31, 2014 or after June 29, 2014, such notice must be delivered at the address in the preceding paragraph no earlier than 120 days prior to the new date of such annual meeting and not later than the 90th day prior to the new date of such annual meeting. In the event that less than 100 calendar days' notice or prior public disclosure by the Corporation of the date of the meeting is given or made to stockholders, notice by the stockholder to be timely must be so received not later than the close of business on the 10th day following the day on which such notice of the date of the annual meeting was mailed or such public announcement was made by the Corporation, whichever occurs first.

Q: How can I obtain additional information about the Corporation?

A: General information about the Corporation is available on our website at www.domtar.com. You may view the investor relations section of our website at <http://www.domtar.com/en/investors/index.asp> for additional copies of this proxy statement and filings we have made with the SEC, which are also available in print, without charge, to any stockholder who requests them. In addition, the corporate section of our website at <http://www.domtar.com/en/corporate/index.asp> contains the Corporation's corporate governance documents, as adopted by our Board, including committee charters, the Corporate Governance Guidelines, the Code of Business Conduct for Members of the Board of Directors and Director Independence Standards.

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Requests for print copies of any of the above-listed documents should be addressed to Domtar Corporation, 395 de Maisonneuve Blvd. West, Montreal, Quebec, Canada, H3A 1L6, Attention: Vice-President, Corporate Law and Secretary.

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2013 PROXY STATEMENT

For further information, you may also contact the Corporation's Investor Relations Department at the following address: Domtar Corporation, 395 de Maisonneuve Blvd. West, Montreal, Quebec, Canada, H3A 1L6.

This proxy statement may contain forward-looking statements relating to expectations concerning matters that are not historical facts including but not limited to performance goals. These forward-looking statements are generally denoted by the use of words such as anticipate, believe, expect, intend, aim, target, plan, continue, estimate, project, may, will, should and similar expressions. These forward-looking statements are subject to certain risks and uncertainties, including but not limited to the factors described in our 2012 Annual Report on Form 10-K under the heading Item 1 Business Forward-Looking Statements, which could cause actual results to differ materially from the expected results, performance or achievements expressed or implied by the forward-looking statements. We undertake no obligation to revise or update any forward-looking statements for any reason.

PROXY STATEMENT

ITEM 1 ELECTION OF DIRECTORS

Election

Pursuant to our by-laws, our Board of Directors has set the size of our Board at 10 members and has approved the nomination of the persons named in this proxy statement for election at this year's annual meeting, by unanimous vote.

The 10 nominees for election as directors are listed below. If elected, the nominees for election as directors will serve for a term of one year that will expire at our 2014 annual meeting or until their successors are elected and qualify.

Unless you instruct us via proxy to vote differently, we will vote valid proxies FOR the election of such nominees. *If for any reason any nominee cannot or will not serve as a director, we may vote such proxies for the election of a substitute nominee designated by the Board of Directors.*

Please note that if you hold your shares in street name, your broker is not able to vote on your behalf with respect to the election of directors without specific voting instructions from you. As a result, it is important if you are a stockholder in street name that you provide instructions to your broker or vote your shares as provided in this proxy statement.

Selection of Nominees for Election to the Board

The Board believes that in fulfilling its overall stewardship responsibility to the Corporation and its stockholders, it is of utmost importance that the Board functions effectively as a team and that this requires the experience, qualifications and skills of each Board member to complement those of the others. The Nominating and Corporate Governance Committee reviews and updates the skills matrix on an ongoing basis in light of current business conditions and the changing face of both the industry and the Corporation. The comments which follow reflect the process and factors taken into account by the Nominating and Corporate Governance Committee in recommending to the Board the Board nominees described in this proxy statement, bearing in mind both the Corporation's Corporate Governance Guidelines and the skills matrix.

The Nominating and Corporate Governance Committee considers potential nominees for Board membership suggested by its members and other Board members, by members of management and stockholders, as well as by recruitment consultants who may be retained by the Committee to source potential candidates meeting the nomination criteria. As noted above, the Nominating and Corporate Governance Committee evaluates prospective nominees against the skills matrix and the personal and other qualifications set out in the Corporation's Corporate Governance Guidelines. In that evaluation the Committee considers the need for the Board, as a whole, to be diverse in the broadest sense and to consist of individuals (a) with relevant career experience and technical skills, industry knowledge and experience, financial and capital markets expertise, international business experience, and senior executive management experience, together with (b) valuable individual personal qualifications, including strength of character, mature judgment, independence of thought and an ability to work collegially. The Nominating and Corporate Governance Committee makes a recommendation to the full Board as to the persons who should be nominated by the Board, and the Board determines the nominees after considering the recommendations and report of the Nominating and Corporate Governance Committee.

The Nominating and Corporate Governance Committee will consider director candidates recommended by stockholders in accordance with the procedures set forth in the Corporation's by-laws. A stockholder who wishes to recommend a prospective nominee for the Board should provide notice to the Vice-President, Corporate Law and Secretary of the Corporation, in the time and manner as specified in the Corporation's by-laws, which sets forth: the nominating stockholder's name and address; the name and address of the proposed nominee; a representation that the nominating stockholder is a holder of record of stock of the Corporation entitled to vote at the next annual meeting of stockholders and intends to appear in person or by proxy at the next annual meeting of stockholders to nominate the nominee; a description of any arrangements or understandings between the nominating stockholder and the nominee and any other person involved in the nomination process; such other information regarding the nominee as would have been required to be included in a proxy statement filed pursuant to the rules of the SEC had such nominee been nominated by the Board; the consent of the nominee to serve as a director of the Corporation if so elected; and a representation as to whether the nominating stockholder intends to solicit proxies in support of the nominee. The Corporation may require any proposed nominee to furnish such other information as it may reasonably require determining the eligibility of such proposed nominee to serve as a director.

Nominees

A nominee must receive a majority of the votes cast with respect to the nominee at the annual meeting to be elected. The majority vote standard means that the number of shares voted for a director nominee must exceed the number of votes cast against that nominee. There are no other nominees competing for these seats on the Board of Directors, which means that we have uncontested elections. Following is certain information about each director nominee, including information regarding each nominee's specific experience, qualifications, attributes and skills that led our Board to the conclusion that he or she should serve as a director.

Nominee	Business experience
Giannella Alvarez	Ms. Alvarez has served since 2011 as Group President for Americas of Barilla America, Inc., where she is responsible for the North, Central and South America operations of Barilla S.p.A., a global food and beverages company headquartered in Parma, Italy. From 2006 to 2010, she held senior global management positions with The Coca-Cola Company. Prior to that, she held a number of increasingly senior positions in the personal and home care, and business-to-business categories of Kimberly-Clark Corporation and Procter & Gamble in the United States and Latin America.
Group President, Barilla America, Inc. Chicago, Illinois	

Age: 53

We believe that Ms. Alvarez's extensive managerial and executive experience in international consumer product markets, including her knowledge of the personal care and paper products businesses, her consumer and branding experience gained through executive positions with global brand leaders, as well as her strategic abilities, brings a unique contribution to our Board.

Director Since: 2012

2012 Meeting Attendance: 100%

Committee

Memberships: Audit

Independent: Yes

Robert E. Apple

Chief Operating Officer, MasTec, Inc.

Miami, Florida

Mr. Apple was elected to our Board in October 2012, and stands for election by the stockholders for the first time. Mr. Apple is the Chief Operating Officer of MasTec, Inc., a national infrastructure construction company active in the engineering, building, installation, maintenance and upgrade of energy, communication and utility infrastructure. He has been in that position since 2006. During 2005 and 2006, he also served as President of the MasTec Energy Group. Prior to that, he was the Senior Vice President of Operations for the DIRECTV Group, Inc. Mr. Apple also served in various senior executive capacities from 1989 to 2001 within the Hughes Electronics and Telefonica S.A. organizations in Europe, including as Chief Executive Officer of Hughes Electronics-Spain.

Age: 63

We believe that Mr. Apple's significant senior executive experience and managerial know-how, as well as his knowledge of European issues, qualify him as a member of our Board and the committee on which he serves.

Director Since: 2012

2012 Meeting Attendance: 100%

Committee

Memberships: Human Resources

Independent: Yes

Louis P. Gignac

President, G Mining Services Inc.

Montreal, Quebec

Mr. Gignac has been a director of the Corporation and/or Domtar Inc. since 1995. From 1986 to 2006, he served as president and CEO of Cambior Inc., an international mining and exploration company with operations, development projects and exploration activities in the Americas that was acquired by IAMGOLD Corporation in 2006. In addition to leading Cambior, Mr. Gignac has held senior management positions with Falconbridge Copper Corp, and Exxon Minerals Company. He is currently the president of G Mining Services Inc., a private mining consulting firm with international activities.

Age: 62

We believe that Mr. Gignac's extensive experience as chief executive officer of a natural resources company, together with his financial and risk management experience, and his knowledge of international issues qualify him as a member of our Board and the committees on which he serves.

Director Since: 2007

Other Board Service:

2012 Meeting Attendance: 86%

St. Andrew Goldfields Ltd. (Chairman of the Board)

Marengo Mining Ltd. (Chairman of the Board)

Franco-Nevada Corporation

Gaz Metro Inc. (until 2011)

Andean Resources Ltd. (until 2010)

Norsemont Mining (until 2011)

Revet Minerals Ltd. (until 2009)

Cambior Inc. (until 2006)

Committee

Memberships: Human Resources

Environmental, Health, Safety
and Sustainability

Independent: Yes

Nominee	Business experience
<p>Brian M. Levitt</p> <p>Non-executive co-chair, Osler, Hoskin & Harcourt LLP</p> <p>Montreal, Quebec</p>	<p>Mr. Levitt has been a director of the Corporation and/or Domtar Inc. since 1997. Prior to the formation of the Corporation in March 2007, he was the Chairman of the Board of Domtar Inc. from 2004. From 1991 to 2000, Mr. Levitt was president and then chief executive officer of Imasco Limited, a public consumer products and services company. Mr. Levitt is the non-executive co-chair of Osler, Hoskin & Harcourt LLP, a major Canadian law firm. From 2001 to 2010, he was co-chair of the firm, and, prior to his time at Imasco, he was a partner in the firm. Mr. Levitt has served on boards of directors of public companies since 1987.</p>
<p>Age: 65</p>	<p>We believe that Mr. Levitt's extensive experience as chief executive officer of a large public company, as a board member and chair, and as a legal advisor to boards of directors of various public companies, in addition to his experience with, and understanding of the workings of, financial markets, corporate governance practices and regulatory matters make him a valuable member to our Board of Directors and the committees on which he serves.</p>
<p>Director Since: 2007</p>	
<p>2012 Meeting Attendance: 100%</p>	<p>Other Board Service:</p> <p>The Toronto-Dominion Bank (Chairman of the Board; chair, corporate governance committee; human resources committee)</p>
<p>Committee</p>	<p>BCE Inc. (until 2011)</p>
<p>Memberships: Finance (Chair)</p> <p>Nominating and Corporate Governance</p>	
<p>Independent: Yes</p> <p>Harold H. MacKay</p> <p>Counsel, MacPherson Leslie & Tyerman LLP</p> <p>Regina, Saskatchewan</p>	<p>Mr. MacKay has served as counsel to the law firm MacPherson Leslie & Tyerman LLP in Regina, Saskatchewan since 2005 and, prior to that, he was a partner in MacPherson from 1969 to 2004. In his legal practice, Mr. MacKay represented natural resources and manufacturing companies in their commercial transactions and provided advice in relation to corporate structure and governance issues. Mr. MacKay chaired the Task Force on the Future of the Canadian Financial Services Sector in 1997 and 1998 and subsequently served as the Clifford Clark policy advisor to the Department of Finance Canada. Mr. MacKay has been a director of several manufacturing, natural resources and financial services companies, including as chair of board governance committees. He has specific experience in the forest products industry, having served as a director of Weyerhaeuser Canada Ltd. and as an advisor to the International Committee of the Weyerhaeuser Company board. Mr. MacKay is also an Officer of the Order of Canada.</p>
<p>Chairman of the Board</p>	
<p>Age: 72</p>	<p>We believe that Mr. MacKay's legal expertise and knowledge of governmental and regulatory affairs, his work in respect of corporate governance, and his prior extensive board participation in a wide range of businesses have equipped him to play a leadership role on our Board.</p>
<p>Director Since: 2007</p>	
<p>2012 Meeting Attendance: 100%</p>	<p>Other Board Service:</p> <p>The Toronto-Dominion Bank (chair, risk committee; audit committee; corporate governance committee)</p>

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The Mosaic Company (corporate governance and nominating committee)

Committee

Memberships: Nominating and

Corporate Governance (Chair)

Independent: Yes

David G. Maffucci

Corporate Director

Charlotte, North Carolina

Age: 62

From 2005 to 2006, Mr. Maffucci served as executive vice president of Bowater Incorporated and president of its newsprint division. He served as chief financial officer of Bowater Incorporated from 1995 to 2005 and held a variety of positions in its finance organization throughout much of his career. Mr. Maffucci served on the board of directors of Xerium Technologies, Inc., a manufacturer and supplier of consumable products used in paper production, from November 2008 to August 2010. From June 2009 to August 2010, he also served as executive vice president and chief financial officer of Xerium and helped guide Xerium through a pre-packaged Chapter 11 bankruptcy. Xerium filed a voluntary petition for relief under Chapter 11 of the federal bankruptcy law as part of a pre-arranged restructuring plan with the support of its lenders on March 30, 2010 and emerged from Chapter 11 protection on May 25, 2010. Mr. Maffucci previously worked at KPMG.

Director Since: 2011

We believe that Mr. Maffucci's extensive financial and operating experience in our industry, his knowledge and understanding of corporate finance, strategic planning and risk management processes as well as his experience with a large public accounting firm make him a valuable contributor to our Board.

2012 Meeting Attendance: 100%

Other Board Service:

Committee

Martin Marietta Materials Inc. (chair, audit committee)

Memberships: Audit

Xerium Technologies, Inc. (until 2010)

Environmental, Health, Safety

and Sustainability

Finance

Independent: Yes

<p>Nominee Robert J. Steacy Corporate Director Toronto, Ontario</p>	<p>Business experience Mr. Steacy has been a director of the Corporation and/or Domtar Inc. since 2005. In addition to having worked for Ernst & Young from 1973 to 1978 in its audit practice, Mr. Steacy has over 20 years of senior financial officer experience, including as vice-president, finance and as executive vice-president and chief financial officer of Torstar Corporation, an international publisher and a major Canadian media company, from 1989 until his retirement in 2005.</p>
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Age: 63

We believe that Mr. Steacy's extensive financial expertise, as well as his risk assessment and risk management experience, uniquely qualify him as a member of our Board and the committees on which he serves, notably as the Chair of our Audit Committee.

Director Since: 2007

Other Board Service:

Postmedia Network Canada Corporation (chair, audit committee)

2012 Meeting Attendance: 96%

Cineplex Inc. (chair, audit committee)

Canadian Imperial Bank of Commerce (until 2012)

Committee

Alliance Atlantis Communications Inc. (until 2007)

Memberships: Audit (Chair)

Somerset Entertainment Income Fund (until 2007)

Nominating and Corporate

Governance

Finance

Independent: Yes
Pamela B. Strobel

Corporate Director

Chicago, Illinois

In 2005, Ms. Strobel retired as an executive vice president and chief administrative officer of Exelon Corporation, one of the largest U.S. electric utilities. During her tenure with Exelon and its predecessor companies, starting in 1993, Ms. Strobel served as an executive vice president and chief administrative officer and as chief executive officer of Commonwealth Edison Company, as an executive vice president and general counsel of Unicom Corporation and Commonwealth Edison Company, as president of Exelon's Business Services Company, and as chairman and chief executive officer of Exelon Energy Delivery, the holding company for Exelon's energy delivery business. Prior to her career at Exelon, she was a partner with Sidley, Austin, LLP. Ms. Strobel was named as one of Fortune Magazine's Top 50 Women in Business in 2002.

Age: 60

We believe that Ms. Strobel's extensive experience in senior executive positions and her in-depth knowledge and understanding of the energy sector provide a unique contribution to our Board and the committees on which she serves.

Director Since: 2007

2012 Meeting Attendance: 100%

Other Board Service:

State Farm Mutual Automobile Insurance Company

Committee

Illinois Tool Works, Inc. (chair, audit committee; executive committee)

Memberships: Human Resources (Chair)

Nominating and Corporate

Governance

Independent: Yes

Denis Turcotte

President and CEO, North Channel Management

Sault Ste. Marie, Ontario

Mr. Turcotte is currently president and CEO of North Channel Management, a private business consulting and investing firm. From 1992 to 2002, he held a number of senior executive positions with companies in the pulp and paper industry, including president of the paper group and executive vice president of corporate development and strategy of Tembec Inc., a leading integrated forest products company with operations in North America and France. From 2002 to 2008, Mr. Turcotte was the president and CEO and a director of Algoma Steel Inc. He is a member of the advisory board of the Brookfield Special Situations Funds.

Age: 51

We believe that Mr. Turcotte brings to the Board and the committees on which he serves his extensive experience as a senior executive of capital intensive and commodity-based industries.

Director Since: 2007

Other Board Service:

2012 Meeting Attendance: 100%

Coalspur Mines, Ltd. (chair, remuneration and nomination committee; audit committee)

Norbord Inc. (audit committee; human resources committee; health, safety and environment committee)

Committee

Memberships: Environmental, Health,

Safety and Sustainability (Chair)

Human Resources

Finance

Independent: Yes

Nominee	Business experience
<p>John D. Williams</p> <p>President and CEO, Domtar Corporation</p> <p>Montreal, Quebec</p>	<p>Mr. Williams has been the President and Chief Executive Officer and a director of the Corporation since joining Domtar on January 1, 2009. Mr. Williams served in senior executive positions for over eight years with SCA Packaging Ltd. and SCA Packaging Europe, Europe's second largest producer of containerboard paper used for the manufacturing of corrugated box products. He served as president of SCA Packaging Europe, from 2005 to December 2008, where he assumed leadership over sales, marketing, finance, operations, manufacturing, distribution, supply chain and human resources. Prior to joining SCA Packaging, Mr. Williams held a number of increasingly senior positions in sales, marketing, management and operational roles, with Rexam PLC, Packaging Resources, Inc., Huhtamaki, Alberto Culver UK Ltd., and MARS Group.</p>

Age: 58

Director Since: 2009

We believe that Mr. Williams' extensive international experience in key leadership roles in our industry, combined with his knowledge and understanding of global risks, challenges and opportunities facing the pulp and paper industry, in addition to his outstanding leadership skills, are invaluable assets to our Board and our Corporation.

2012 Meeting Attendance: 100%

Other Board Service:

Owens Corning (audit committee; finance committee)

Independent: No

The Board of Directors unanimously recommends a vote FOR the election of each of the 10 director nominees.

Director Not Standing for Re-election

Director	Business experience
<p>Jack C. Bingleman</p> <p>President, JCB Consulting, LLC</p> <p>Vero Beach, Florida</p>	<p>Mr. Bingleman has been a director of the Corporation and/or Domtar Inc. since 2005. In 1991, Mr. Bingleman founded and served as CEO of The Business Depot Ltd. until the company was acquired by Staples in 1994, following which he held a number of senior executive positions with Staples Inc., the world's largest office products company, culminating with his service as president of Staples International from 1997 to 2000. From 2001 to 2007, Mr. Bingleman was president of Indian River Asset Management Inc., a private investing firm, and he currently is president of JCB Consulting, LLC, a private investing and consulting firm.</p>

Age: 70

Mr. Bingleman brought his extensive entrepreneurial, executive, financial and industry experience to our Board and the committees on which he served.

Director Since: 2007

Other Board Service:

Tractor Supply Co. (audit committee)

2012 Meeting Attendance: 100%

Committee

Memberships: Audit

Environmental, Health,

Independent: Yes

Director Compensation

Process and Objectives

The Board of Directors, on the recommendation of the Nominating and Corporate Governance Committee, is responsible for setting director compensation. Management is not involved in the process, and directors who are Domtar Corporation employees do not receive compensation for their service as directors.

The objectives of the Nominating and Corporate Governance Committee and the Board in setting director compensation are to:

attract highly qualified candidates to serve on the Board by remaining competitive with compensation paid to outside directors of comparable companies;

align the interests of directors with the interests of stockholders by fostering a long-term commitment to Corporation stock ownership; and

establish total compensation on a simple, easy to understand flat fee basis with appropriate differentiation between levels of responsibility (such as serving as a committee chair).

Components of Director Compensation

Our non-employee directors receive an annual cash retainer fee of \$85,000 and annual equity-based compensation of equal value. The Chairman receives an annual cash retainer of \$150,000 and an annual equity-based compensation of equal value. Members of the Audit Committee are paid an additional cash retainer of \$10,000. The Chairs of the Audit and Human Resources committees receive additional cash retainers of \$30,000 and \$20,000, respectively. Each other committee Chair receives an additional cash retainer of \$10,000.

The Chairman is not eligible for any of the committee retainers described above. There will generally be no Board or committee meeting fees; however, if more than 10 Board meetings are held in a calendar year, directors may be paid Board meeting fees of \$1,500 per additional meeting attended. In addition, each non-executive director traveling over three or more time zones from his or her residence in connection with his or her duties as a Board member is entitled to an annual travel fee of \$10,000 to compensate him or her for substantial additional travel time.

The equity portion of the directors' fees is paid in deferred share units granted under the Corporation's Omnibus Incentive Plan. A non-employee director may also elect to defer receipt of the cash portion of his or her annual retainer fee into deferred share units, subject to compliance with applicable tax requirements and rules established by the Human Resources Committee. Deferred share units are paid quarterly in arrears, with the number of deferred share units to be paid to be determined by dividing the dollar amount of the portion of that quarter's retainer fees to be paid in deferred share units by the closing market price of a share of Domtar common stock on the last day of the quarter. Dividends, when declared, on Domtar's common stock are notionally invested in additional deferred share units based on the closing share price on the dividend payment date. Deferred share units are generally settled in cash or shares of our common stock, as determined by the director, upon termination of his or her Board service as an eligible Director.

The Nominating and Corporate Governance Committee (the "NCGC") assessed the independence of its compensation adviser, Hugessen Consulting Inc., including the potential for conflicts of interest in light of recent changes to the NYSE listing standards. Based on its assessment, the NCGC concluded that its adviser was appropriately independent and free from potential conflicts of interests.

Effective in 2013, the Board, upon recommendation of the NCGC after consultation with its independent compensation adviser, Hugessen Consulting Inc., approved the introduction of a new category of deferred share units that may be granted to those directors who have achieved 100% of their stock ownership requirements. Such directors may elect to receive the equity component of their annual retainer in deferred share units that may be settled in either cash or stock one year after the grant date. The grants of this new category of deferred share units will be made at the same time as the other deferred share units, and generally subject to the same terms and conditions pursuant to the Corporation's Omnibus Incentive Plan.

Director Stock Ownership Requirements

In order to align the long-term financial interest of our directors with those of our stockholders, directors are required to own a significant equity stake in the Corporation having a value of at least \$425,000 which is equivalent to five times the annual cash retainer, valued at the greater of cost or market value. Directors must meet this requirement within five years of becoming a director. All shares owned outright, as well as all deferred share units, are taken into consideration in determining compliance with these ownership guidelines. As of the date of this proxy statement, all current directors have reached the stock ownership requirements, except for Mr. Maffucci who joined the Board in May 2011, Ms. Alvarez who joined the Board in May 2012 and Mr. Apple who joined the Board in October 2012.

Director Compensation Table

Name	Fees Earned or			Total
	Paid in Cash ⁽¹⁾	Stock Awards ⁽²⁾	All Other Compensation ⁽³⁾	
	(\$)	(\$)	(\$)	(\$)
Harold H. MacKay	150,000	150,000	22,644	322,644
Giannella Alvarez	71,250	63,750	125	135,125
Robert E. Apple	21,250	21,250		42,500
Jack C. Bingleman	95,000	85,000	30,510	210,510
Louis P. Gignac	85,000	85,000	17,159	187,159
Brian M. Levitt	95,000	85,000	25,033	205,033
David G. Maffucci	95,000	85,000	1,525	181,525
Robert J. Steacy	115,000	85,000	17,346	217,346
Pamela B. Strobel	105,000	85,000	15,501	205,501
Denis Turcotte	95,000	85,000	22,125	202,125

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- (1) The amounts in this column reflect director compensation earned or paid in cash, including amounts voluntarily deferred under the director compensation program into deferred share units pursuant to the Omnibus Incentive Plan. Of the amounts of compensation earned, two directors have elected to defer fees into deferred share units pursuant to the Omnibus Incentive Plan and were credited with the deferred share units as follows:

Name	Fees Deferred (\$)	Deferred Share Units Credited (#)
Jack C. Bingleman	95,000	1,148
Pamela B. Strobel	105,000	1,268

- (2) The amounts in this column represent the grant date fair value of the deferred share units granted under the Omnibus Incentive Plan in fiscal 2012. The fair value of the awards was determined using the valuation methodology and assumptions set forth in Note 5 to the Corporation's financial statements included in the Corporation's annual report on Form 10-K for the fiscal year ended December 31, 2012, which are incorporated by reference herein. The amounts in the table do not reflect the value, if any, that ultimately may be realized by the directors. As described above, the number of deferred share units to be paid under the Omnibus Incentive Plan is determined by dividing the dollar amount of the portion of that quarter's retainer fees to be paid in deferred share units by the closing market price of a share of Domtar common stock on the last day of the quarter.
- (3) The amounts in this column represent the grant date fair value of additional deferred share units granted as dividend equivalents for fiscal 2012 on the directors deferred share units, in accordance with the Omnibus Incentive Plan. Mr. Apple, having been elected to the Board of Directors in October 2012, did not receive any dividend equivalent in 2012. The fair value of the awards was determined using the valuation methodology and assumptions set forth in Note 5 to the Corporation's financial statements included in the Corporation's annual report on Form 10-K for the fiscal year ended December 31, 2012, which are incorporated by reference herein. These dividend equivalents were credited at the same time as dividends were paid to stockholders, i.e. on January 17, 2012, April 16, 2012, July 16, 2012 and October 15, 2012. Amounts differ for each director as a) a number of directors accumulated deferred shares units under the predecessor company Domtar Inc. deferred share unit plan and b) certain directors elected to defer fees into deferred share units pursuant to the Omnibus Incentive Plan.

The following table sets forth, by grant date, the number of deferred share units credited to each director and the grant date fair value of each award with respect to service as a director in 2012. All deferred share units were vested upon grant.

Equity Awards for Service as a Director of Domtar Corporation

Name	March 31, 2012 Grant Date		June 30, 2012 Grant Date		September 30, 2012 Grant Date		December 31, 2012 Grant Date	
	Units	Fair Value	Units	Fair Value	Units	Fair Value	Units	Fair Value
	(#)	(\$)	(#)	(\$)	(#)	(\$)	(#)	(\$)
Harold H. MacKay	393	37,500	489	37,500	479	37,500	449	37,500
Giannella Alvarez*			277	21,250	271	21,250	254	21,250
Robert E. Apple**							254	21,250
Jack C. Bingleman (a)	223	21,250	277	21,250	271	21,250	254	21,250
Louis P. Gignac	223	21,250	277	21,250	271	21,250	254	21,250
Brian M. Levitt	223	21,250	277	21,250	271	21,250	254	21,250
David G. Maffucci	223	21,250	277	21,250	271	21,250	254	21,250
Robert J. Steacy	223	21,250	277	21,250	271	21,250	254	21,250
Pamela B. Strobel (a)	223	21,250	277	21,250	271	21,250	254	21,250
Denis Turcotte	223	21,250	277	21,250	271	21,250	254	21,250

* Elected to the Board in May 2012

** Elected to the Board in October 2012

- (a) Does not include units granted in respect of fees voluntarily deferred under the director deferred compensation program as described in footnote (1), above.

GOVERNANCE OF THE CORPORATION

Board Governance

Our Board has adopted written Corporate Governance Guidelines that comply with the listing standards of the NYSE (the Guidelines). The Guidelines set forth requirements relating to director responsibilities, director qualification standards, including director independence, director compensation, our director resignation policy with respect to majority voting in uncontested elections, director retirement age, director orientation and continuing education, CEO succession planning, and assessment of the Board's performance, among other matters. In February 2013, the Board, upon recommendation of the Nominating and Corporate Governance Committee, amended the Guidelines to raise the mandatory retirement age for directors from 72 to 75. The Board determined the change was appropriate in recognition of the significant contribution that experienced directors, with knowledge of the Corporation, bring to effective board functioning and oversight.

Copies of our Corporate Governance Guidelines are available without charge on the corporate governance portion of our website at http://www.domtar.com/files/corporate/CORPORATE_GOVERNANCE_GUIDELINES_February_20_2013_FINAL.pdf or upon request in writing to Domtar Corporation, 395 de Maisonneuve Blvd. West, Montreal (Quebec) Canada, H3A 1L6, Attention: Vice-President, Corporate Law and Secretary. The Corporation also complies with the listing standards of the TSX.

Current Members of Our Board of Directors

The members of the Board on the date of this proxy statement, and the committees of the Board on which they serve, are identified below.

Director	Audit Committee	Nominating and Corporate Governance Committee	Human Resources Committee	Environmental, Health, Safety and Sustainability Committee	Finance Committee
Giannella Alvarez	*				
Robert E. Apple			*		
Jack C. Bingleman	*			*	
Louis P. Gignac			*	*	
Brian M. Levitt		*			Chair
Harold H. MacKay		Chair			
David G. Maffucci	*			*	*
Robert J. Steacy	Chair	*			*
Pamela B. Strobel		*	Chair		
Denis Turcotte			*	Chair	*
John D. Williams					

Board and Committee Meetings

From January 1 through December 31, 2012, our Board held nine meetings and the committees of the Board held 30 meetings. Each of our directors attended more than 85% of the aggregate of the total number of meetings of the Board and the total number of meetings held by all Board committees on which the director served.

Board Committees

The Board has standing Audit, Human Resources, Nominating and Corporate Governance, Environmental, Health, Safety and Sustainability, and Finance committees.

Audit Committee

Four members

Robert J. Steacy, Chair
Giannella Alvarez
Jack C. Bingleman
David G. Maffucci

The Audit Committee is composed solely of directors who meet the independence requirements of the NYSE and the Securities Exchange Act of 1934, as amended (the Exchange Act) and are financially literate, as required by the NYSE. In addition, the Board has determined that Mr. Steacy and Mr. Maffucci each qualifies as an audit committee financial expert and has accounting and related financial management expertise within the meaning of the listing standards of the NYSE.

Meetings During 2012: Eight

Key Responsibilities:

Provide assistance to the Board of Directors with respect to its oversight of:

- The quality and integrity of the Corporation's financial statements;
- The Corporation's compliance with legal and regulatory requirements;
- The independent auditor's qualifications and independence;
- The Corporation's Enterprise Risk Management (ERM) process;
- The performance of the Corporation's internal audit function and independent auditors; and
- The risks associated with matters within the Committee's responsibilities and duties.

Appointment, retention, compensation and oversight of the Corporation's independent auditors;

Review, at least annually, the qualifications, performance and independence of the independent auditors;

Review and discuss with management and the independent auditors, and approve the Corporation's quarterly earnings press releases, as well as the quarterly financial statements, including the disclosures under Management's Discussion and Analysis, and their filing of Form 10-Q;

Review and discuss with management and the independent auditors the Corporation's annual audited financial statements, including the disclosures under Management's Discussion and Analysis and recommend to the Board their approval and whether they should be included in the Corporation's Form 10-K; In consultation with the independent auditors, management and the Corporation's internal auditors, review the integrity of the Corporation's financial reporting processes, both internal and external;

Discuss with the independent auditor and the Corporation's internal auditors the scope and plans for their respective audits;

Review the assessment by the Corporation's officers of the effectiveness of the Corporation's disclosure controls and procedures and internal controls for financial reporting and the evaluations thereof by the independent auditors;

Discuss with management and the independent auditors the Corporation's guidelines and policies with respect to risk assessment and risk management, including the Corporation's major financial risk exposures, and risks associated with the financial reporting system, financial information and financial statements, and the steps management has taken to monitor and control such exposure and to preserve the integrity of the system;

Oversee the application of the whistleblower policy;

Review periodically the Code of Ethics of the Corporation and the adherence thereto by management;

Review periodically with the Board, the external and internal auditors and management, the Corporation's anti-fraud program and practices.

Charter:

The Audit Committee is governed by the Audit Committee Charter, which is available on the Corporation's website at

http://www.domtar.com/files/corporate/Audit_Committee_Charter_adopted_November_2_2011.pdf. A copy of the charter will be provided without charge to any stockholder who requests it in writing.

Human Resources Committee

Four members

Pamela B. Strobel, Chair
Robert E. Apple
Louis P. Gignac
Denis Turcotte

The Human Resources Committee is composed solely of directors who meet the independence requirements of the NYSE, the requirements for a non-employee director under the Exchange Act, and the requirements for an outside director under the Internal Revenue Code of 1986, as amended (the Code).

Meetings During 2012: Six

Key Responsibilities:

Provide oversight in respect of the risks associated with matters within the Committee's responsibilities and duties;
Review and approve the philosophy and design of the Corporation's compensation and benefits systems in light of the Corporation's objectives;
Review and make recommendations to the Board with respect to incentive compensation and equity-based plans;
Monitor the financial effect of the Corporation's compensation programs and their success in achieving the Corporation's objectives;
Manage the processes used by the Board to evaluate the Corporation's chief executive officer;
Review and approve the compensation of the Corporation's chief executive officer and other executive officers;
Administer the Corporation's equity-based and cash incentive compensation plans;
Jointly with the Finance Committee, oversee the work of the Pension Administration Committee of the Corporation;
Provide oversight in respect of the Corporation's compliance with legal and regulatory requirements in the areas of the Committee's responsibilities and duties;
In coordination with the Nominating and Corporate Governance Committee, make recommendations to the Board with respect to the selection of a CEO of the Corporation.

Charter:

The Human Resources Committee is governed by the Human Resources Committee Charter, which is available on the Corporation's website at http://www.domtar.com/files/corporate/Human_Resources_Committee_Charter_FINAL_Feb_20_2013.pdf. A copy of the charter will be provided without charge to any stockholder who requests it in writing.

Additional information about our Human Resources Committee's responsibilities and its processes and procedures for consideration and determination of executive compensation is included in our Compensation Discussion and Analysis.

Nominating and Corporate Governance Committee

Four members

Harold H. MacKay, Chair
Brian M. Levitt
Robert J. Steacy

The Nominating and Corporate Governance Committee is composed solely of directors who meet the independence requirements of the NYSE.

Pamela B. Strobel

Meetings During 2012: Five

Key Responsibilities:

Review the risks associated with matters within the Committee's responsibilities and duties;
Leadership role in shaping the governance of the Corporation;
Review and recommend to the Board the compensation of the Corporation's directors;

Provide oversight and direction regarding the functioning and operation of the Board of Directors;
Review and recommend to the Board of Directors candidates for election as directors;
Oversee the relationship between the Corporation and its stockholders;
Provide oversight in respect of the Corporation's compliance with legal and regulatory requirements, and corporate governance standards in the areas of the Committee's responsibilities and duties;
Oversee the process for, and in coordination with the Human Resources Committee, make recommendations to the Board with respect to the selection of a CEO of the Corporation.

Charter:

The Nominating and Corporate Governance Committee is governed by the Nominating and Corporate Governance Committee Charter, which is available on the Corporation's website at http://www.domtar.com/files/corporate/Nominating_and_Corporate_Governance_Committee_Charter_FINAL_Feb_20_2013.pdf. A copy of the charter will be provided without charge to any stockholder who requests it in writing.

Environmental, Health, Safety and Sustainability Committee

Four members

Denis Turcotte, Chair
Jack C. Bingleman
Louis P. Gignac
David G. Maffucci

Meetings During 2012: Five

Key Responsibilities:

Generally review the effectiveness of the Corporation's policies, programs and practices at optimizing its efforts to maintain sustainable ecosystems, safe and healthy employees, and vital communities as integral elements of its commitment to create long-term shareholder value;
Provide oversight of the sustainability systems and performance of the Corporation that are integral components of the Corporation's business strategy;
Provide oversight in respect of the Corporation's response to public policy, legislative, regulatory, political and social issues and trends related to environmental, health and safety, and sustainability (EHSS) performance that may significantly affect the business operations, financial performance or public image of the Corporation or the industry;
Provide oversight of the risks and opportunities associated with matters within the Committee's responsibilities and duties;
Provide oversight in respect of the Corporation's compliance with legal and regulatory requirements in the areas of the Committee's responsibilities and duties;
Review environmental, health and safety and sustainability policies regarding significant EHSS audit and monitoring systems as well as related reports from management;
Review EHSS standards, procedures and practices against applicable regulatory requirements and oversee compliance therewith;
Review objectives and plans for implementing policies, procedures, practices, compliance measures and risk management programs regarding environmental protection and occupational health and safety;
Discuss with management the scope and plans for the conduct of audits of EHSS performance, significant results of audits, and pending or threatened material proceedings or complaints relating to EHSS.

Charter:

The Environmental, Health, Safety and Sustainability Committee is governed by the Environmental, Health, Safety and Sustainability Committee Charter, which is available on the Corporation's website at http://www.domtar.com/files/corporate/Environmental_Health_Safety_and_Sustainability_Committee_Charter_FINAL_Feb_20_2013.pdf. A copy of the charter will be provided without charge to any stockholder who requests it in writing.

Finance Committee

Four members

Brian M. Levitt, Chair
David G. Maffucci
Robert J. Steacy
Denis Turcotte

Meetings During 2012: Six

Key Responsibilities:

Review the Corporation's:
Capital structure and capital allocation;
Significant financing transactions;
Mergers, acquisitions and divestitures;
Insurance coverage and programs;
Financial matters related to pension plans;
Generally assist the Board of Directors in the oversight of financial resource strategies and policies, including oversight of the risks associated with matters within the Committee's responsibilities and duties.

Charter:

The Finance Committee is governed by the Finance Committee Charter, which is available on the Corporation's website at http://www.domtar.com/files/corporate/Finance_Committee_Charter_adopted_November_2_2011.pdf. A copy of the charter will be provided without charge to any stockholder who requests it in writing.

Board of Directors Leadership Structure

In accordance with our Corporate Governance Guidelines, the positions of Chairman of the Board and Chief Executive Officer are separate and distinct. Currently, the position of Chairman of the Board is held by Mr. Harold H. MacKay, and the position of CEO is held by Mr. John D. Williams. Separating these positions allows our CEO to focus on the management of the Corporation, while allowing our Chairman to lead the Board in its role of providing advice to, and independent oversight of, management. We believe that this structure recognizes the time and effort that our CEO is required to devote to his position, while facilitating the independent functioning of the Board, thus enhancing the fulfillment of its oversight responsibilities, and setting the tone for the Board in fostering ethical and responsible decision-making and sound corporate governance practices.

Board of Directors Role in Risk Oversight

Our Corporate Governance Guidelines explicitly recognize that it is the responsibility of the Board to assess risks facing the Corporation and to review strategies for risk mitigation. Areas of material risk to the Corporation include economic factors (such as conditions in the general economy and in capital and credit markets, the cyclical nature of the industry and the decline in demand for uncoated freesheet paper), the impact of competition, operational matters (such as raw materials costs, labor relations and the performance of the Corporation's operating facilities), regulatory matters (such as those relating to the environment and workplace safety), and governmental policies.

Our Board committees assist the Board in fulfilling its risk oversight responsibilities in certain areas of risk, including the following: the Audit Committee has primary oversight over the Corporation's enterprise risk management process, as well as primary oversight responsibility to review and approve financial statements, financial disclosures and internal controls and procedures; the Human Resources Committee has responsibilities related to succession planning risks and the business risk implications of our compensation policies and programs; the Nominating and Corporate Governance Committee is responsible for addressing questions and risks related to Board organization, membership and corporate governance and compliance; the Environmental, Health, Safety and Sustainability Committee reviews operational risk issues related to environmental protection, occupational health and safety and sustainability; and our Finance Committee reviews the Corporation's major financial risk exposures and the steps management has taken to monitor and control such exposures, the Corporation's risks related to capital structure, financing, insurance and pension. Our Board committees fulfill these duties through their regularly scheduled and special meetings with members of management (and other parties as appropriate) responsible for specific risk factors, including in the case of the Audit Committee, the internal auditors and the independent auditors, and the committees regularly report back to the Board.

Our Board and our Audit Committee work closely with management to oversee the Corporation's Enterprise Risk Management (ERM) process, and to identify and prioritize key risks faced by the Corporation. As part of its ongoing risk oversight duties, the Board adopted the Corporation's Enterprise Risk Management Governance Policy that establishes the fundamental principles of risk accountability and risk management as integral parts of our enterprise culture and day-to-day business activities. In addition, the Board performs detailed periodic reviews of key identified risks as part of its regular meeting agenda. It is the policy of the Corporation to pursue the opportunities to achieve its strategic, business and operational objectives in a manner that involves an acceptable level of risk.

Risk Assessment of Compensation Programs, Policies and Practices

The Corporation has conducted an assessment of its compensation programs, policies and practices for all employees, including the Named Executive Officers, relative to risk to determine whether they create a reasonable likelihood of a material adverse effect on the Corporation. Based on this assessment, which also considered the control environment and approval processes in place, the Corporation concluded that its compensation programs, policies and practices do not encourage excessive or unnecessary risk-taking and are not reasonably likely to have a material adverse effect on the Corporation. The Corporation's findings were reported to, and discussed by, the Human Resources Committee and the Audit Committee.

Director Independence and Other Determinations

Pursuant to the Corporation's Corporate Governance Guidelines, the Board undertook its annual review of director independence in February 2013. During annual reviews, the Board considers any transactions and relationships between each director or any member of his or her immediate family and the Corporation and its subsidiaries and affiliates. The Board also examines any transactions and relationships between directors or their affiliates and members of the Corporation's senior management or their affiliates. The purpose of this review is to determine whether any such relationships or transactions were inconsistent with a determination that a director is independent.

The Board, upon recommendation by the Nominating and Corporate Governance Committee, has affirmatively determined that each of our directors, other than Mr. John D. Williams, who is the President and Chief Executive Officer of the Corporation, has no material relationship with us, and is independent under the independence requirements of the listing standards of the NYSE and TSX, the Corporation's Corporate Governance Guidelines, and our Directors Independence Standards that are available on the Corporation's website at http://www.domtar.com/files/corporate/DirectorIndependence_2007.pdf.

In addition, the Board, upon recommendation of the Nominating and Corporate Governance Committee, considered and affirmatively determined that Ms. Alvarez and Messrs. Bingleman, Maffucci and Steacy meet the independence requirements of the SEC and the NYSE rules for Audit Committee members. The Board also considered and determined that the members of the Human Resources Committee Ms. Strobel, and Messrs. Apple, Gignac and Turcotte are non-employee directors for purposes of the Exchange Act and outside directors for purposes of the Code, and the regulations promulgated thereunder.

Code of Business Conduct and Ethics

The Corporation has adopted a Code of Business Conduct and Ethics which is applicable to all employees of the Corporation, including the principal executive officer, the principal financial officer and the principal accounting officer, and which is available on the Corporation's website at www.domtar.com. Employees are required to complete annually a mandatory on-line training program that includes a certification attesting of their adherence to the Code. In addition, the Corporation has adopted a Code of Business Conduct for members of the Board which is available on the Corporation's website at www.domtar.com. Copies of each of these codes will be provided without charge to any stockholder who requests them in writing.

Related Person Transaction Policy

Our Board has also adopted written Procedures for Review of Related Person Transactions. These procedures cover transactions in which the Corporation or any subsidiary was or is to be a participant, the amount exceeds \$120,000, and a related person, as defined in Item 404(a) of Regulation S-K, has or will have a direct or indirect material interest. Each director, director nominee and executive officer of the Corporation must notify the Vice-President, Corporate Law and Secretary in writing of any such related person transaction. The Vice-President, Corporate Law and Secretary provides a copy of the notice to the Audit Committee, which reviews such transaction and approves it if the Audit Committee determines the transaction is fair and reasonable to the Corporation and consistent with the Corporation's best interest. No such transaction took place in 2012.

Stockholder Communications with the Board

Stockholders and other interested parties who wish to contact the Chairman of the Board, our non-management directors as a group or any committee chairperson may send written correspondence, in care of the Vice-President, Corporate Law and Secretary, to Domtar Corporation, 395 de Maisonneuve Blvd. West, Montreal (Quebec) Canada, H3A 1L6. The procedures for the submission of such communications, including any complaints or concerns regarding accounting issues or other compliance matters, are contained in our Policy on Communications, which is available on the Corporation's website at www.domtar.com.

Communications addressed to directors that discuss business or other matters relevant to the activities of our Board will be preliminarily reviewed by the Office of the Secretary and then distributed either in summary form or by delivering a copy of the communication. Communications will be distributed to the director, or group of directors, to whom they are addressed. Other correspondence received by the Corporation that is addressed to one or more directors, such as subscription offers, conference invitations, media inquiries and requests for contributions, will be directed to the Office of the Secretary and treated according to our Policy on Communications.

Board Attendance at Stockholder Meetings

The Corporation expects its directors to attend the annual meeting of stockholders.

COMPENSATION DISCUSSION AND ANALYSIS (CD&A)

Introduction and Overview

The purpose of this section is to provide material information about the compensation objectives and policies for our Named Executive Officers (NEOs), and to explain how the Human Resources Committee (HRC) of our Board made its compensation decisions for 2012. Our NEOs for 2012 include:

John D. Williams	President and Chief Executive Officer (CEO)
Daniel Buron	Senior Vice President and Chief Financial Officer (CFO)
Michael Fagan	Senior Vice President, Personal Care (SVP, Personal Care)
Michael Edwards	Senior Vice President, Pulp and Paper Manufacturing (SVP, P&P Mfg)
Richard Thomas	Senior Vice President, Sales and Marketing (SVP, Sales & Mktg)

Our compensation programs are designed to retain key executives and to motivate them to foster a culture of engagement and performance. We believe that doing so will enable Domtar to meet the operational, financial and strategic objectives established by our Board of Directors. The executive summary includes the following sections:

Philosophy and goals of executive compensation program;

Summary of our executive compensation practices;

Results and role of stockholder say-on-pay advisory vote;

Key compensation decisions for 2012; and

2012 compensation results.

Following the executive summary, the remainder of this CD&A provides additional information on our program structure, including details of direct target compensation for our NEOs, the process we use to set executive pay levels (including our benchmarking approach), and detailed descriptions of the key components of our program and related policies and considerations. We also briefly describe certain program changes approved for 2013. We believe all of these areas are important to our stockholders' understanding of our programs.

The Executive Compensation section, which follows the CD&A section, provides more information on our NEOs' compensation and benefits, and should be read in conjunction with this section.

Executive Summary

Philosophy and Goals of Executive Compensation Program

Our executive compensation programs are designed to attract, retain and motivate talented key executives who are critical to Domtar's success over the long term. Our programs are built around the following principles:

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Emphasize variable pay: We place greater emphasis and focus on compensation that is linked to corporate and business unit performance, rather than on fixed compensation;

Pay for performance: Our goal is that the majority of executive compensation is earned only when we achieve our financial, operating and strategic goals; and

Align executive interests to stockholder interests: A significant portion of the total compensation opportunity for our senior executives is directly linked to the performance of our stock.

Summary of our Executive Compensation Practices

The following discussion details the key executive compensation practices that we believe drive performance and are in the interests of our stockholders. It also lists practices we have not adopted because we believe they would not support our goals and are not in our stockholders' interests.

What We Do	What We Don't Do
<ul style="list-style-type: none"> ü Retain independent compensation advisers engaged by, and reporting directly to, the HRC 	<ul style="list-style-type: none"> × Excessive perquisites or other benefits
<ul style="list-style-type: none"> ü Maintain a pay mix that is heavily variable and performance-based rather than focused on fixed pay 	<ul style="list-style-type: none"> × Excise or other tax gross-ups
<ul style="list-style-type: none"> ü Use multiple performance measures in both the annual and long-term incentive programs, to recognize that our success is based on performance across a wide spectrum of financial and operating measures 	<ul style="list-style-type: none"> × Backdating of stock options, or repricing × Dividends paid on unearned performance-based restricted stock awards
<ul style="list-style-type: none"> ü Benchmark pay based on the size-adjusted median of companies with which we compete for business and for talent, with the ability for actual pay to vary above or below target based on performance 	<ul style="list-style-type: none"> × Share recycling for stock options and/or stock appreciation rights in stockholder approved incentive plan
<ul style="list-style-type: none"> ü Fully disclose the financial performance drivers used in our incentives, in numeric terms 	<ul style="list-style-type: none"> × Short sales, public trading of puts, calls or other derivatives, hedging or significant pledging of our stock by executives or directors
<ul style="list-style-type: none"> ü Periodically assess the relationship between executive pay and company performance, both in absolute terms and relative to peers 	
<ul style="list-style-type: none"> ü Establish stock ownership guidelines for executives, and require specific holding periods for awards earned 	
<ul style="list-style-type: none"> ü Review tally sheets regularly 	
<ul style="list-style-type: none"> ü Regularly review share utilization levels 	
<ul style="list-style-type: none"> ü Maintain clawback provisions to recoup pay in select circumstances 	

Results and Role of Stockholder Say-on-Pay Advisory Vote

At the annual meeting of stockholders held on May 2, 2012, over 98% of the votes cast with respect to the say-on-pay proposal approved the compensation of our named executive officers. Our HRC viewed this favorable outcome as conveying our stockholders' support for our executive compensation philosophy and practices, as outlined above.

After considering our existing programs and our upcoming business challenges, the HRC determined that certain changes to the overall structure of the program would further enhance our program's ability to support our business and strategic objectives. These changes are discussed in the paragraphs that follow.

Key Compensation Decisions for 2012

During 2012, the HRC revised several elements of our executive pay program. Changes are noted below.

Program Element	2012 Changes
Direct Total Compensation Amounts	<p>None of our NEOs received a base salary increase in 2012.</p> <p>Target annual incentive rewards remained at 2011 levels as a percentage of base salary.</p>
Incentive Programs	<p>We increased the long-term incentive award at target for each NEO to further emphasize long-term equity incentives as a component of pay. Although these increases improved overall market competitiveness somewhat, this component of pay remained significantly below the median benchmark for each NEO.</p> <p>Annual Incentive Plan (AIP):</p> <p>To focus our executive officers on the key business challenges we faced at the outset of 2012, the HRC:</p> <ul style="list-style-type: none"> Eliminated the subjective individual objectives category and increased the weighting of our financial and quantitative operating goals. Introduced a new metric Pulp Productivity to replace Inventory Turns as a key productivity measure in the corporate AIP. Re-allocated corporate weightings to increase the emphasis on financial performance, as follows: EBITDA (60%), Health and Safety (20%), Customer Satisfaction and Quality Index (Customer SQ Index) (10%) and Pulp Productivity (10%). <p>Performance Share Units (PSUs):</p> <p>The definition of Return on Invested Capital (ROIC), one of the performance measures for the PSU component of our long-term incentive plan, was expanded from a North American only focus to encompass overall corporate results, in recognition of our business and geographic expansion.</p>

2012 Compensation Results

Incentive awards earned by our NEOs based on our business results are summarized below:

Incentive Plan/ Participants	Payout as Percent of Target	Performance Comments
AIP		
Williams, Buron, Edwards and Thomas	82.50%	Reflects strong results for the Health & Safety metric, but results for other financial and operational measures were below targeted amounts.
Fagan	80.74%	Reflects strong performance for the Attends North America (Attends) Health & Safety metric, but other operating and financial results were below our targets for the Attends business unit.
PSUs		
2011 Grant	43.67%	2011 Grant: The second tranche of this grant, based solely on 2012 performance, was earned in part. The portion based on Total Stockholder Return (TSR) for 2012 was not earned because Domtar's results placed it in the bottom three of the peer group. The portion based on 2012 ROIC results was earned at 87.34%.
2012 Grant	31.375%	2012 Grant: The first tranche of this grant, which is based on 2012 performance, also was earned on a partial basis. The portion based on TSR for 2012 relative to the peer group was not earned because Domtar's results placed it in the bottom three of the peer group. The portion based on 2012 ROIC results was earned at 62.75%.

Under either grant, amounts earned for 2012 performance are banked and will not be paid out until the end of the respective full three-year performance period.

Additional Information on Executive Compensation Program

Compensation Decisions for 2012 CEO Details

The tables and charts below show target total compensation for the CEO for 2011 and reflect pay decisions made for 2012, as well as the competitive positioning as compared to the size-adjusted median of the proxy peer group as described on page 28.

As noted earlier, the HRC increased the long-term award opportunity for the CEO to increase the emphasis of long-term incentive pay in the total. Despite this increase, target total compensation remained below the size-adjusted comparator median.

John D. Williams: CEO Target Total Compensation

John D. Williams *			Change	
	2011	2012	Dollars	Percent
Base Salary	\$1,122,755	\$1,122,755	\$0	0%
Annual Incentive Plan				
Target % of Base Salary	130%	130%		
Target Dollars	\$1,459,582	\$1,459,582	\$0	0%
Actual Payout % of Target	159%	82.5%		
Actual Payout Dollars	\$2,320,150	\$1,204,155	\$1,115,995	48%
Long-Term Incentive (LTI) Target				
Target % of Base Salary	150%	175%		
Target Dollars	\$1,684,133	\$1,964,821	\$280,688	17%
Target Total Direct Compensation	\$4,266,470	\$4,547,158	\$280,688	7%

* All amounts are in Canadian dollars

Direct Compensation Mix at Target

The 2012 target pay mix for our CEO and other NEOs is shown below, and reflects the pay changes made for 2012 as described above.

The pay mix reflects the greater emphasis on variable performance-based compensation for our CEO than for our other NEOs due to his greater potential to impact the Corporation's overall performance.

Executive Compensation Decision-making Process

Process and Participants

Our executive compensation program is the result of continuing interaction between our HRC and management, as well as input received from independent compensation advisers. The table below lists the primary roles of the key participants in our executive compensation decision-making process:

Participant	Description of Role
Human Resources Committee	<p>Oversees our executive compensation program. For a description of our HRC and its duties, see the Human Resources Committee section of this proxy statement.</p> <p>The Board and the HRC recognize the importance of executive compensation decisions to the management and stockholders of the Corporation.</p> <p>For this reason, they have:</p> <ul style="list-style-type: none"> Carefully considered the HRC's charter, its meeting schedule, planner and agendas, and the process by which decisions are made; and Reviewed the HRC planner agendas for the year to ensure that sufficient time has been allocated to consider and review alternatives before making decisions.
Independent Compensation Adviser	<p>The HRC has retained an independent adviser, Hugessen Consulting Inc. (Hugessen), to provide ongoing advice and counsel. The HRC meets from time to time with Hugessen without any member of management present to discuss compensation matters.</p> <p>As directed by the HRC Chair, Hugessen reviews and comments on management's recommendations and related materials in advance of any HRC meetings or other communications. Hugessen also conducts independent research for the HRC, keeps the HRC Chair apprised of any areas of concern, and participates in HRC meetings as requested by the Chair.</p> <p>Specific areas on which Hugessen consulted with the HRC during 2012 include: review and comment on management's proposed programs for 2012, proxy statement disclosures, compensation peer group, benchmarking results for senior executives and resulting compensation recommendations, CEO compensation, performance measures, potential program changes for 2013, and regulatory and stockholder perspectives on pay and performance. As the decisions made by the HRC are solely its responsibility, they may reflect factors other than the recommendations and information provided by Hugessen.</p>

Participant	Description of Role
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To further ensure independence, Hugessen has been engaged by the HRC with the understanding that it will not accept any work from management without express direction or consent of the HRC Chair; to date, no such request has been made. Hugessen provides no other services to the Corporation other than independent director and executive compensation advisory services.

CEO Performance and Pay Evaluations

The HRC assessed the independence of its adviser, including the potential for conflicts of interest in light of recent changes to the NYSE listing standards. Based on its assessment, the HRC concluded that its adviser was appropriately independent and free from potential conflicts of interest.

To assess the CEO's performance and make decisions about his compensation, the HRC follows a structured process.

Management provides the HRC with relevant pay and corporate performance data that the HRC then reviews with its independent advisor Hugessen.

The Board Chair and the HRC Chair obtain input from the CEO regarding his and the Corporation's performance.

This data is reviewed with independent directors for input and evaluation as is consistent with good governance.

After considering this information and various alternatives, together with supporting market and performance rationale, the HRC approves the CEO's compensation and reports to the Board.

Management

The Board Chair and the HRC Chair communicate to the CEO the final decisions regarding performance and resulting compensation actions.

Our CEO provides input to the HRC regarding our corporate performance goals and results achieved. He also conducts an in-depth review with the HRC of the performance of the Management Committee members (the senior executives who report directly to our CEO). Based on his review and performance evaluations, the CEO makes recommendations to the HRC regarding Management Committee members' annual base salaries, short- and long-term incentive compensation, and other benefits.

Other Support

Throughout 2012, our Senior Vice President, Human Resources regularly attended HRC meetings. Among other matters, she presented our CEO's recommendations regarding any changes in the base salary, bonus, equity compensation or retirement and other benefits of other executive officers, consistent with appropriate benchmarking information and individual performance. She also presented management's recommendations for program changes as part of our ongoing comprehensive program review, and compiled other relevant data as requested by the HRC.

Management periodically retains independent compensation advisers to provide assistance and recommendations, calculations or market data, as required.

In 2012, management retained the consulting firm Meridian Compensation Partners, LLC (Meridian) to provide general advice and counsel regarding various executive compensation matters, including benchmarking data for executive positions, assistance with incentive plan design and related technical considerations, and legislative trends and updates.

The HRC also assessed the potential for conflicts of interest on the part of Meridian, in light of the new NYSE listing standards. Based on its assessment, the HRC concluded that Meridian was free from potential conflicts of interest.

Benchmarking

Use of Market Data

We use compensation market data as a reference for understanding the competitive pay positioning of each pay element and total compensation. Our HRC does not seek to manage total compensation of our executive officers within a prescribed competitive position or percentile of the comparator group or compensation market data. Instead, in exercising its judgment about compensation decisions, our HRC reviews compensation for each executive officer in relation to a range of market data (*e.g.*, median, 25th percentile, 75th percentile, etc.) that, along with internal and other external factors, provides context for executive pay decisions.

Peer Group

Our approach to executive pay benchmarking focuses on companies that reflect our industry, our size, and our ongoing business challenges. We take a North American approach to benchmarking executive pay, and used the following two groups to make pay decisions in February 2012:

Company	2010 Revenue		
	(in millions)	Proxy Group	Aon Hewitt Group
ACCO Brands	\$ 1,285		X
Avery Dennison	\$ 5,782		X
Ball Corporation	\$ 7,630	X	X
Bemis Co. Inc.	\$ 4,835	X	
Boise Cascade LLC	\$ 2,241		X
Boise Inc.	\$ 2,094	X	X
Canfor Corporation	\$ 2,430	X	X
Cascades Inc.	\$ 3,959	X	
Crown Holdings	\$ 7,941	X	
Graham Packaging	\$ 2,513	X	
Graphic Packaging Corporation	\$ 4,095	X	X
Greif Inc.	\$ 3,462	X	
International Paper	\$ 25,179	X	X
Kimberly-Clark Corporation	\$ 19,746	X	X
MeadWestvaco Corporation	\$ 5,693	X	X
New Page Corporation	\$ 3,596		X
Owens-Illinois	\$ 6,633	X	X
Packaging Corporation of America	\$ 2,436	X	X
Rayonier Inc.	\$ 1,315		X
Rock-Tenn Company	\$ 3,001	X	
Sealed Air Corporation	\$ 4,490	X	X
Silgan Holdings	\$ 3,072	X	
Solo Cup	\$ 1,583		X
Sonoco Products Company	\$ 4,124	X	X
Temple-Inland	\$ 3,799	X	X
Tupperware Corporation	\$ 2,300		X
West Fraser Timber	\$ 2,886	X	X
Weyerhaeuser Company	\$ 5,954	X	X
Median Revenue		\$ 4,095	\$ 3,799
Domtar Revenue		\$ 5,850	\$ 5,850

A proxy peer group that includes 21 companies in the paper & forest products and containers & packaging industries. Revenues generally range from 1/2x to 2x our revenues, but key larger industry competitors also are included. This peer group is used as the primary market reference for CEO and CFO pay comparisons, as well as for incentive plan design review.

The proxy peer group was minimally revised for benchmarking conducted during 2011 to be used in making 2012 pay decisions. Because Pactiv Corporation was acquired in late 2010, Boise Inc. was added to the proxy peer group.

We also use a separate peer group of companies who participate in Aon Hewitt's executive pay database due to the lack of a sufficient sample size for functional comparisons for our other executive positions. This Aon Hewitt group includes 21 companies in the paper and forest products, packaging, consumer nondurables, and other related manufacturing industries.

We believe there is appropriate consistency between the two peer groups, as two-thirds of the companies in the proxy group overlap with those in the Aon Hewitt group.

To normalize for differences in company size, market median pay levels for our executives were determined for each component of pay and for total pay on a size-adjusted basis, using regression analysis based on revenues. In the benchmarking analysis used to make pay decisions in early 2012, the median revenues of the proxy group and the Aon Hewitt group were \$4.1 billion and \$3.8 billion, respectively (as compared to Domtar revenues for that analysis of \$5.9 billion).

Our HRC, with the advice of its independent compensation adviser and recommendations of our CEO and our Senior Vice President, Human Resources, reviews and approves the composition of our comparator group annually. Our HRC believes that the use of the current comparator group and selection criteria provided useful compensation benchmark information as a result of a close fit between Domtar and the comparator group companies in terms of the industry and performance profile.

Use of Tally Sheets

Our HRC regularly reviews tally sheets for each of the NEOs and the other members of our Management Committee that provide a comprehensive view of target, actual and contingent executive compensation payouts under a variety of termination and performance scenarios. The tally sheets are intended to facilitate the HRC's understanding of the nature and amounts of total compensation under our executive compensation programs and to assist the HRC in their overall evaluation of our program.

Details of Executive Compensation Program

Components of Executive Compensation

The principal components of our ongoing compensation program for our NEOs, and their primary purposes, are detailed below:

Component	Purpose
Base salaries	Deliver a competitive level of fixed cash pay intended to reflect the primary duties of the role
Annual cash bonuses	Offer an opportunity to earn additional pay based on achieving predetermined performance goals pursuant to our Annual Incentive Plan
Long-term equity incentives	Align executives' interests with stockholders through equity-based incentive vehicles pursuant to our Omnibus Incentive Plan
Retirement and other health/welfare benefits	Provide assistance with executive retirement needs, and security in case of possible illness, disability, or loss of life
Perquisites	Limited business-related benefits are provided to ensure flexibility and efficiency
Severance and Change-in-Control provisions	Provide protection against termination of employment for reasons beyond the executives' control

The following paragraphs describe our approach to each component in greater detail.

Base Salaries

Every year, the HRC considers whether to grant merit increases and/or market-based adjustments to our executives. Such increases are not always made annually, but rather are made periodically after the HRC considers several factors:

Competitive market pay levels derived from our benchmarking analyses;

The executive's performance throughout the year, and whether his or her duties changed during the year; and

The overall economic climate, and the Corporation's performance.

Despite strong performance in 2011 for the Corporation and by our NEOs, we anticipated a challenging economic climate in 2012. For this reason, our NEOs did not receive salary increases in 2012, and their salaries were as follows:

Name	Position	2012
John D. Williams	CEO *	\$ 1,122,755
Daniel Buron	CFO *	\$ 515,000
Michael Fagan	SVP, Personal Care	\$ 450,000
Michael Edwards	SVP, P&P Manufacturing	\$ 427,450
Richard Thomas	SVP, Sales & Marketing	\$ 427,450

* All amounts are in Canadian dollars

Performance-Based Annual Bonuses

Annual cash incentives focus our key employees, including our executive officers, on achieving specific annual financial and operating results. Our Annual Incentive Plan plays a key role in ensuring that our total cash compensation opportunity remains competitive.

Target awards. Each NEO has a target bonus award for the plan year, expressed as a percentage of the actual base salary paid to the NEO during that year. Target awards for each of our NEOs for 2012 were the same as those set early in 2011, except for Mr. Fagan. Because Mr. Fagan joined Domtar in the middle of 2011, his target award was set in accordance with his employment agreement at the time he joined Domtar in August 2011.

Name	Position	Target as Percent of Salary
John D. Williams	CEO	130%
Daniel Buron	CFO	100%
Michael Fagan	SVP, Personal Care	100%
Michael Edwards	SVP, P&P Manufacturing	100%
Richard Thomas	SVP, Sales & Marketing	100%

Based on performance, actual awards earned can vary as a percent of target from a threshold of 0% (if performance is below threshold for all measures) to a maximum of 200%. Achieving results at the performance threshold for any measure will result in a payout equal to 30% of the target award allocated to that measure. Between performance levels, award payouts will be interpolated on a straight-line basis. No bonuses are payable to our NEOs under the AIP unless we achieve a minimum EBITDA performance level. If that level is achieved, we then allocate up to 200% of the target bonus amount based on achievement of our fixed and floating measures.

Corporate performance measures. The corporate AIP measures results for Key Performance Indicators (KPIs) that we view as critical to positioning our business for the future. Corporate AIP performance measures are categorized as Fixed or Floating. The Fixed measure categories of EBITDA and Health and Safety remain constant from year to year. The Floating or variable measures change periodically based on the more immediate business challenges we expect for a particular year. These metrics applied to all of our NEOs except Mr. Fagan, whose program is described below (see Attends performance measures).

Corporate measures and weightings were revised from 2011 to reflect our ongoing business needs, and to reinforce the importance of achieving our financial and operating goals. The measures and weightings for 2012 are indicated below.

Fixed Measures

EBITDA. We view EBITDA as a leading indicator of our ability to successfully manage our business. This measure is defined as earnings before interest, taxes, depreciation and amortization, and excluding certain one-time or nonrecurring costs as further described in our AIP.

Health and Safety. Providing a safe working environment for our employees is critical to our business and directly correlated with efficient operations and manufacturing excellence. This measure focuses on the degree to which we reduce the number of occurrences that must be reported to OSHA.

Floating Measures

Customer SQ Index. We developed this measure to focus on the quality and service experience of distinct segments of our customer base. It includes four metrics that measure the number and cost of claims per ton of paper sold, on-time order completion, and in-stock status of online orders.

Pulp Productivity. Increasing our productivity levels is an indicator of the efficiency with which we deploy our assets. This item measures productivity at our pulp and integrated mills relative to the prior year's performance.

Attends performance measures. The measures for Mr. Fagan's annual incentive are based on a combination of corporate and business unit performance, and are weighted as shown below.

Corporate AIP Score. Based on same measures used for the Corporate AIP, to link rewards for Attends participants to overall Domtar results.

Attends EBITDA. EBITDA is a leading indicator of our ability to successfully manage our business at the business unit level as well as at the Corporate level. EBITDA is defined as earnings before interest, taxes, depreciation and amortization, and excluding certain one-time or nonrecurring costs.

Attends Health and Safety. Providing a safe working environment for our employees is critical to our business and directly correlated with efficient operations and manufacturing excellence. This measure focuses on the degree to which we reduce the number of occurrences that must be reported to OSHA.

Attends Inventory Turns. Measuring the speed at which we convert our inventory to revenues is a critical element of our efficiency. This category measures how many times during a year we sell, or turn over, our inventory.

Performance goals and results achieved. The following charts present each KPI, its weighting, the performance goals established at the beginning of 2012, results achieved for each measure, and the related payout earned as a percent of the target award. Separate charts are included with details for the Domtar Corporate AIP and also for the Attends AIP. Our HRC, in exercising its judgment regarding the appropriate level of threshold, target and maximum goals for the 2012 performance measures, considered a number of factors that included the following (without any specific weighting):

Historical results for the performance measure;

Internally forecasted results for the performance measure as determined through annual budgeting process;

External expectations for the performance measure; and

Expected degree of difficulty and likelihood of achieving the minimum, target and maximum goals.

Corporate AIP Participants: Messrs. Williams, Buron, Edwards and Thomas

Corporate AIP Component	Weight	Actual	Threshold	Target	Maximum	Payout as % of Target
EBITDA	60%	\$ 799M	\$767M	\$901M	\$1,119M	27.70%
Health and Safety	20%	1.08	1.36	1.30	1.24	40.00%
Customer SQ Index						
Cost of quality per ton	2.5%	\$1.18	\$0.84	\$0.78	\$0.72	0.00%
Number of claims per 1,000 tons	2.5%	0.45	0.42	0.40	0.38	0.00%
Percentage of orders completed on time	2.5%	96.66%	94%	94.5%	95%	5.00%
Percentage of online orders in stock	2.5%	96.3%	96%	96.5%	97%	1.80%
Pulp Productivity						
Market pulp mill productivity	5.0%	Note 1	4,411	4,499	4,536	0.00%
Integrated mill productivity	5.0%	Note 2	5,349	5,394	5,413	8.00%
Total	100%					
Percentage of Target Award Payable			30%	100%	200%	82.50%

Note 1: A monthly average Adjusted Metric Tons Per Day (AMTD) is measured relative to the goals and a corresponding payout is banked on a monthly basis. The final payout at the end of the year is based on an average of all the monthly bankings. If the average of the monthly bankings is below the 2012 threshold, then there is no payout. For Market pulp mill productivity, the average of the monthly bankings was below the threshold level, resulting in a zero payout for this component.

Note 2: For Integrated mill productivity, the same calculation methodology as Market pulp mill productivity applies. The average of the monthly bankings was between the target and maximum levels, resulting in an 8% payout for this component.

Business Unit AIP Participant: Mr. Fagan

Attends Component	Weight	Actual	Threshold	Target	Maximum	Payout as % of Target
Corporate results	10%	See above				8.25%
Attends EBITDA	60%	\$40.0M	\$ 38.5M	\$ 41.8M	\$ 44.8M	37.15%
Attends Inventory Turns	15%	10.04	10.0	10.5	11.0	5.34%
Attends Health and Safety	15%		1.52	1.21	0.91	30.00%
Total	100%					
Percentage of Target Award Payable			30%	100%	200%	80.74%

The following chart details the target and actual incentive awards earned by our NEOs for 2012, which were paid out solely in cash. All awards are based on actual salary earnings during the year, rather than on the end of year salary rate.

Position	Salary	Target Award as % of Salary	Target Award (\$)	Award Earned as % of Target	Total AIP Award Earned (\$)
CEO*	\$ 1,122,755	130%	\$ 1,459,582	82.50%	\$ 1,204,155
CFO*	\$ 515,000	100%	\$ 515,000	82.50%	\$ 424,875
SVP, Personal Care	\$ 450,000	100%	\$ 450,000	80.74%	\$ 363,330
SVP, P&P Mfg	\$ 427,450	100%	\$ 427,450	82.50%	\$ 352,646
SVP, Sales & Mktg	\$ 427,450	100%	\$ 427,450	82.50%	\$ 352,646

* All amounts are in Canadian dollars

As part of its ongoing discussion and review of the executive compensation program, the HRC concluded that no changes to the AIP program design were needed for 2013, because of their belief that the current performance metrics effectively reflect our near-term objectives, and are weighted appropriately. In 2013, Mr. Fagan will participate in the Corporate AIP rather than in a business unit program.

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Special Payments. Domtar acquired Attends in August 2011, marking the Corporation's entry into the Adult Incontinence market. To ensure the success of the acquisition and retain key top management, the HRC approved a retention strategy for Mr. Fagan, who was then president of Attends. This strategy included both cash and equity retention awards.

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2013 PROXY STATEMENT

The cash retention award of \$1 million was due to be paid out in January 2015, subject to Mr. Fagan's continued employment through December 31, 2014. In 2012, the HRC determined that it would be appropriate to pay Mr. Fagan 50% of the award (or \$500,000) in December 2012 in recognition of: (1) his promotion to Senior Vice President, Personal Care and appointment to the Management Committee of Domtar, and (2) his agreement to extend the vesting terms of his equity retention award. The equity retention award is described in detail on page 36 of this proxy statement. The December 2012 cash payment of \$500,000 is subject to clawback if Mr. Fagan is terminated for cause or resigns without good reason (as these terms are defined in his employment agreement) prior to December 31, 2014.

Long-Term Equity Incentives

Our long-term equity incentives are designed to achieve the following objectives:

- Reward the achievement of long-term business objectives that benefit our stockholders;
- Align the interests of our executives with those of stockholders; and
- Retain a successful and proven management team.

Award mix. Domtar's long-term incentive program for senior executives for 2012 pursuant to our Omnibus Incentive Plan, uses a portfolio approach as shown below.

Approximately 200 of our managers participate in our equity compensation program. Their grants for 2012 were generally made in the same format as those for our NEOs.

Overall target awards. Target long-term equity values for 2012 awards of PSUs and RSUs to our NEOs are shown in the following chart. For all, except Mr. Fagan, these awards were increased from 2011 levels based on the HRC's assessment of our overall competitiveness. However, after these increases, awards generally remained below the 25th percentile of the market as an offset to the greater emphasis we have placed on annual incentives in recent years.

		2012 Target Equity Award
	Position	as a % of Base Salary
John D. Williams	CEO	175%
Daniel Buron	CFO	90%
Michael Fagan	SVP, Personal Care	50%
Michael Edwards	SVP, P&P Manufacturing	65%
Richard Thomas	SVP, Sales & Marketing	75%

We generally grant equity awards annually to all eligible employees in February, subsequent to review and approval by the HRC. On occasion, based on market information and/or transactions that are in progress, we may be required to delay our equity grants accordingly.

Once we have determined the target value of a recipient's long-term incentive awards and the proportion to be represented by RSUs and PSUs, we establish the specific number of shares to be subject to each type of award by dividing the target value of the grant by the closing price of a share of our common stock on the date of the HRC meeting at which the grants were approved.

Additional information regarding the terms of our PSU and RSU awards is provided in the narrative accompanying the Grants of Plan-Based Awards Table. The following paragraphs provide summary descriptions of each program.

Tenure-Based Restricted Stock Units. RSUs awarded annually to our NEOs will cliff vest three years after grant, and will be settled in shares of common stock on the vesting date. Overlapping three-year RSUs with cliff vesting are expected to provide a sustained and meaningful incentive alignment with stockholders and help retain our key contributors through our sometimes volatile business cycles.

Dividend equivalents in the form of additional RSUs are credited to the participant's account each time a dividend is paid on the Corporation's common stock. Such additional RSUs vest and will be settled in the same manner as the RSUs to which they relate.

PSUs and Award Determination. PSUs, awarded annually, represent the right to earn a higher or lower number of targeted shares if specified performance goals are attained over a three-year period. PSUs link a significant portion of pay to long-term performance and are weighted more heavily for that reason. Performance is measured separately for each of the three years in the period, as well as on a cumulative basis. Awards earned are settled in shares of Domtar common stock.

Performance measures for the PSUs include relative Total Stockholder Return (TSR) and absolute Return on Invested Capital (ROIC) for our overall business, each weighted at 50%. These two measures in combination are viewed as solid indicators of the degree to which we create value for our stockholders. At the beginning of the three-year cycle, goals for each metric will be set for each single year during the three-year measurement period, as well as on a cumulative basis for the entire three-year period. Each measurement period is weighted equally, as shown below:

	2011	2012	2013
2011 PSU Grant	25%	25%	25%
		2012	2013
		25%	25%
			2014
2012 PSU Grant			25%
			25%

No awards will be earned when performance is below threshold, but above that level awards earned can range from 50% to 200% of target based on performance levels achieved. PSUs earned for the performance periods will vest in full at the end of the entire three-year period. PSUs awarded to our NEOs in 2012 for performance periods from 2012 through 2014 will mature at the end of 2014 based on performance results achieved. No dividend equivalents are paid on unearned PSUs.

Relative TSR and Peer Group. 50% of the award can be earned based on our TSR performance relative to peers. The peer group against which relative TSR will be measured was selected to ensure a close alignment with our business competitors in terms of both product mix and geographic scope. To allow for possible industry consolidation, the peer group will include the first 12 companies on the list below that remain publicly-traded as determined at the end of each of the four measurement periods:

Relative TSR List of Potential Peers

1. Boise Inc.
2. Glatfelter Corporation
3. International Paper
4. MeadWestvaco
5. Packaging Corp. of America
6. Sappi Ltd
7. UPM Kymenne
8. Wausau Paper
9. Buckeye Technologies
10. Clearwater Paper
11. Rock-Tenn
12. Kapstone Paper
13. Schweitzer-Mauduit
14. Sonoco Products

The performance levels and resulting payouts for this metric are as follows:

Performance Level	Result	Payout as Percent of Target
Threshold	Domtar TSR ranks above bottom 3 companies	50%
Target	Domtar TSR ranks at median	100%
Maximum	Domtar TSR ranks as one of the top 3 companies	200%

Linear interpolation applies to determine awards earned for results between performance levels of Threshold and Target, and between Target and Maximum.

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ROIC. The remaining 50% of the 2012 PSU awards may be earned based on the achievement of ROIC for our overall business for each of the performance periods. For this purpose, ROIC is defined as Net Operating Profit Less Adjusted Taxes / Invested Capital:

Net Operating Profit Less Adjusted Taxes: Operating income (Loss), (per audited financial statements), net of a charge (benefit) for income taxes calculated at a standardized rate of 35%, and excluding Alternative Fuel Tax Credit, write-downs, impairments, and closures;

Invested Capital: Total Assets, minus Non Interest Bearing Current Liabilities (Non Interest Bearing Current Liabilities = Trade and other payables). As noted earlier, ROIC for the 2011 PSU grant was measured on a North American basis. However, for 2012, the HRC revised this scope to be global to reflect our expanding business and geography.

The charts below show the ROIC goals for the 2012 tranche of each of the 2011 and 2012 PSU grants.

ROIC Goal: 2011 PSU 2012 Tranche		
Performance Level	Result	Payout as Percent of Target
Threshold	4.50%	50%
Target	5.29%	100%
Maximum	7.10%	200%

ROIC Goal: 2012 PSU 2012 Tranche		
Performance Level	Result	Payout as Percent of Target
Threshold	4.54%	50%
Target	6.54%	100%
Maximum	8.81%	200%

2011 and 2012 Grants Performance Results for 2011 and 2012 Measurement Periods. Awards to all NEOs for the 2012 tranche of the 2011 and 2012 grants were earned at 43.67% and 31.375% of target, respectively. The following chart summarizes these results as well as those for the 2011 tranche of the 2011 PSU grant:

2011 & 2012 Grants					
	Relative Total Stockholder Return	50%	Absolute ROIC	50%	Total
Performance Period and Weighting	Total Stockholder Return	% of	Absolute ROIC	% of	
		Target	Results Achieved	Target	

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		Attained		Attained	
2011 Grants					
25%	2011	Median of TSR peer group	100%	9.0%	200% 150%
25%	2012	Bottom 3 of TSR peer group	0%	5.09%	87.34% 43.67%
2012 Grants					
25%	2012	Bottom 3 of TSR peer group	0%	5.05%	62.75% 31.375%

Awards earned are banked until the end of each three-year performance cycle. At that time, awards earned will vest and either be paid out in shares or, if a timely election is made, be deferred into deferred share units (DSUs), which pay out in Domtar stock at a later date.

Changes for 2013. As part of its ongoing discussion and review of our executive compensation program, the HRC approved the following revisions to our long-term equity incentive program vehicle and metrics for 2013 to better support our longer-term business strategy, by adding:

A stock option component to the existing tenure-based restricted stock units and performance share units, with weightings of 25%, 25% and 50%, respectively; and

A third measure for the performance share unit awards that will emphasize the strategic importance of achieving earnings growth from new business. This measure will be weighted equally with the existing TSR and ROIC metrics, with each at 33 1/3%.

Special Retention Payment Changes

As described on page 33 of this proxy statement, in 2011 the HRC approved a retention strategy for Mr. Fagan, who was then president of Attends, consisting of both cash and equity retention awards. The equity retention award was in the form of 12,450 PSUs granted in September 2011 that were to vest based on the attainment of pre-established Attends North America EBITDA targets for 2014 as well as Mr. Fagan's continued employment through December 31, 2014.

The EBITDA targets for the PSU award were established based on our Personal Care business strategy in 2011. However, subsequent to the acquisitions of Attends Europe and EAM Corporation in 2012, the business strategy for our Personal Care segment was redefined, which impacted our financial expectations.

While Domtar strives to apply performance conditions to the majority of our incentive vehicles, we have found that applying performance conditions to retention awards may be detrimental to our ability to retain key executives, particularly during extended periods of challenging business and economic conditions. In the case of our Personal Care segment, which has a goal of deriving a significant portion of its growth through acquisitions, appropriate performance conditions are even more difficult to establish given the dynamics involved in attaining the growth and synergies of Domtar's acquired companies.

Therefore, in December 2012 the HRC amended Mr. Fagan's retention award to remove the financial performance condition and replaced it with an extended service-based provision that extended the vesting of this award by eight months to August 2015.

The HRC believes that the amended award provides an appropriate and significant retention incentive for Mr. Fagan, whose role is considered integral to the successful execution of Domtar's growth strategy.

2013 Program Changes

As discussed, in prior years Domtar had shifted target pay opportunities out of long-term incentives and into annual compensation to address the specific business, economic and retention challenges we faced at those times. In early 2013, the HRC concluded that Domtar's compensation program should be revised in a focused and selective manner to ensure that it fully supports our ongoing business strategy and objectives, and is more consistent with benchmark market compensation practices.

The 2013 revision includes several integrated elements, including incentive design changes described earlier in this proxy statement. Where considered necessary, we (1) shifted the target annual pay mix to improve our alignment with the market benchmark and (2) increased long-term incentive target awards to further emphasize the importance of achieving our longer-term business performance goals and to bridge the competitive gap that exists due to target total compensation that was significantly below the median for all NEOs (except Mr. Edwards whose pay is aligned with the median).

Accordingly, after considering our ongoing business needs, overall market competitiveness, performance and retention concerns, the following target pay and mix changes were approved for 2013:

Base salaries for our NEOs, with the exception of Messrs. Williams and Edwards, were increased by 6%. Mr. Williams' base salary was increased by 8% to \$1,213,800.

As an offset to the salary adjustments, short-term incentive targets were reduced resulting in no change to target cash compensation from 2012 levels (this also resulted in lower pay opportunities for achieving maximum performance goals). Mr. Williams' target bonus was reduced to 117% of salary. Target bonuses for the impacted NEOs were reduced by 11%.

Long-term incentive target awards also were increased where the HRC considered it necessary to better achieve our program goals and to be more market competitive. Mr. Williams' target award for 2013 of 250% of base salary remains below the market median, as do the target awards for the other NEOs impacted by this change.

After these changes, target total compensation for our NEOs (including Mr. Williams) remains aligned with or below the market median of the relevant benchmark comparison.

The impact on Mr. Williams is that his 2013 target pay mix is 79% variable and 21% fixed, as opposed to a 2012 mix that was 75% variable and 25% fixed. The impact on the other NEOs with pay adjustments is that for 2013 the target pay mix is 2% more variable than it was for 2012.

Employee Benefits and Perquisites

As part of a competitive total compensation program, we also offer our executives the ability to participate in customary employee benefit programs.

Retirement Benefits. Domtar provides retirement benefits to attract and retain the highest caliber executive talent. We believe that offering these programs ensures our overall compensation is competitive, and provides our executives with a baseline level of financial security. Domtar's executive retirement program consists of the benefits described below.

Tax-qualified plans. Messrs. Williams and Buron participate in the defined contribution option under the Domtar Pension Plan, a Canadian tax-qualified pension plan that covers all Canadian Domtar employees. Messrs. Edwards, Thomas and Fagan participate in the Domtar U.S. Salaried 401(k) plan, a tax-qualified defined contribution plan available to all U.S. employees of Domtar. Messrs. Edwards and Thomas also participate in the Domtar U.S. Salaried Pension Plan, a tax-qualified defined benefit cash balance plan that covers all U.S. Domtar employees hired on or before December 31, 2007.

Supplemental Executive Retirement Plans (SERPs) for Canadian and U.S. Executives. The Corporation provides supplemental retirement benefits to certain of its officers and key employees, under two supplemental retirement plans (DC SERP and DB SERP). The SERP plans were designed to provide a competitive yet cost-effective retirement benefit over an executive's career, and to provide consistency in employer-paid retirement plans for executives in Canada and the U.S. (to the degree possible, given differences in tax rules). Benefits under these plans and under other arrangements that are specific to Messrs. Williams and Buron are more fully described in the narrative accompanying the Pension Benefits Table that appears later in this proxy statement.

Health and Welfare Benefits. Domtar offers medical, dental, life, accidental death and dismemberment and long-term disability insurance coverage to all salaried employees through a flexible benefits program. We offer these programs for competitive reasons and because we believe that doing so enables our executives to more fully focus on the demands of running our business. Provisions applicable to our NEOs vary based on whether they are based in the U.S. or in Canada.

Executive Perquisites. The Corporation currently provides a limited number of perquisites to its NEOs and selected other executives (see footnote disclosure to the All Other Compensation column in the Summary Compensation Table that appears later in this proxy statement). These benefits provide flexibility to our executives and increase travel efficiencies (for the CEO), which in turn ensures more productive use of their time and a greater focus on Domtar-related activities. We do not provide tax gross-ups on any perquisites other than for relocation expenses that are taxable.

Employment Agreements and Other Post-Termination Protections

From time to time, the HRC believes it is in Domtar's best interests to enter into employment agreements to attract talented executives to join our management team. The highly competitive nature of the relevant market for key leadership positions means we may be at a competitive disadvantage in trying to hire executives from outside our Corporation if we cannot offer them the type of protections typically included in such agreements.

In September 2008, in connection with his hiring offer, Mr. Williams entered into an employment agreement with Domtar to become President and Chief Executive Officer of the Corporation effective January 1, 2009. The material terms of the agreement with Mr. Williams are described in the section entitled Employment Agreements and Potential Payments upon Termination or a Change in Control.

In August 2011, in connection with the acquisition of Attends, Mr. Fagan entered into an employment agreement with Domtar. In December 2012, Mr. Fagan's employment agreement was amended to reflect his promotion to Senior Vice President, Personal Care. Pursuant to this agreement, Mr. Fagan is entitled to both a cash retention payment as well as an equity retention award, which are described above on pages 33 and 36. The other material terms of Mr. Fagan's agreement are described in the section entitled Employment Agreements and Potential Payments upon Termination or a Change in Control.

Members of our Management Committee (other than Messrs. Williams and Fagan whose severance is governed by their employment agreements) are eligible to participate in a severance program intended to assure that they are treated fairly in the event their employment is terminated.

This program is intended by our HRC to:

- Help us attract and retain executive talent in a competitive marketplace;
- Enhance the prospects that our executive officers would remain with us and devote their attention to our performance in the event of a potential change in control;
- Foster their objectivity in considering a change-in-control proposal;

Facilitate their attention to our affairs without the distraction that could arise from the uncertainty inherent in change-in-control and severance situations; and
Protect our confidential information and prevent unfair competition following a separation of an executive officer's employment from us.
Our Omnibus Incentive Plan provides limited change in control protections. Generally, except in the case of deferred compensation awards granted to retirement-eligible employees, awards do not vest on a change in control unless one of the following occurs: (1) the Board exercises its discretion to accelerate vesting, (2) an executive's employment is terminated within a short period before or after the change in control; or (3) the transaction is of such a nature that no replacement awards will be granted. This "double trigger" feature prevents undue excess compensation upon a change in control, and aligns our program with current market trends. For tax reasons, RSUs for retirement-eligible employees vest under limited change in control events that result in cash payments to our stockholders.

The benefits provided under the arrangements and plans described above are detailed and quantified under the heading "Employment Agreements and Potential Payments upon Termination or a Change in Control" later in this proxy statement.

Related Policies and Considerations

Policy on Deductibility of Compensation

Under Section 162(m) of the Internal Revenue Code, certain executive compensation in excess of \$1 million paid to a public corporation's chief executive officer and the three other most highly-paid executive officers is not deductible for federal income tax purposes unless the executive compensation is awarded under a performance-based plan approved by stockholders. The Corporation's stockholders have previously approved terms under which the Corporation's annual and long-term performance incentive awards may qualify as performance-based.

The HRC intends to preserve the tax deductibility of compensation paid to our executive officers to the extent consistent with our overall program objectives and philosophy, but recognizes that doing so may not always be feasible. The Corporation expects that any foregone tax deductions from compensation not exempt from Section 162(m) provided to each of our NEOs will be modest.

Forfeiture of Awards for Misconduct ("Clawback")

If a participant in the Omnibus Incentive Plan knowingly or grossly negligently engages in financial reporting misconduct, then all awards and gains from the exercise of options or stock appreciation rights in the 12 months prior to the date the misleading financial statements were issued as well as any awards that vested based on the misleading financial statements will be disgorged to the Corporation. In addition, the Corporation may cancel or reduce, or require a participant to forfeit and disgorge to the Corporation or reimburse the Corporation for, any awards granted or vested, and bonus granted or paid, and any gains earned or accrued, due to the exercise, vesting or settlement of awards or sale of any common stock, to the extent permitted or required by, or pursuant to any Corporation policy implemented as required by, applicable law, regulation or stock exchange rule as may from time to time be in effect.

Timing of Equity Grants

While the Corporation does not coordinate the timing of equity awards around the release of material non-public information, when there is material non-public information, it may delay grants until such time as the information is either public or no longer material.

Securities Trading Policy

Domtar has adopted a securities trading policy that applies to our directors, officers, employees and agents, and family and household members, among others. This policy prohibits insider trading and tipping, short sales of Domtar securities, options transactions in puts, calls or other derivative securities, and hedging. The policy also prohibits significant pledging transactions by our directors and executive officers, and no pledging of Domtar securities may occur without prior authorization by the Nominating and Corporate Governance Committee or the Human Resources Committee, as the case may be.

Stock Ownership Guidelines

The HRC approved the adoption of stock ownership guidelines to further align the interests of the Management Committee members with our stockholders. Under the guidelines, our executives have five years to achieve the following levels of ownership:

CEO: 3x base salary

Other NEOs: 2x base salary

In addition, until the required ownership levels have been reached, our executives are required to hold 50% of the net shares realized upon option exercise or vesting/earnout of either performance- or time-based awards.

Other provisions of our stock ownership guidelines are that:

Unexercised employee stock options and unearned performance units are not included towards an executive officer's required ownership level;

An executive officer must hold 50% of all net profit shares (the shares of common stock remaining after deducting the number of shares required to be sold in order to pay tax obligations, the exercise price of employee stock options and other costs) from employee stock option exercises and the vesting of performance- or time-based awards until an executive officer has met the required ownership level; and

To facilitate executives' ability to reach their ownership guidelines, the HRC also has approved allowing executives to defer all or a portion of their earned incentive awards into deferred stock units (DSUs).

Our HRC reviews each participant's compliance or progress towards compliance annually, and has determined that each participant either has achieved or is on target to achieve the required amount of stock within the allotted time.

Human Resources Committee Report

We have reviewed and discussed the foregoing Compensation Discussion and Analysis with management as required by Item 402(b) of Regulation S-K. Based on our review and discussion with management, we have recommended to the Board that the Compensation Discussion and Analysis be included in this proxy statement and in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2012.

Report submitted as of February 19, 2013 by:

THE HUMAN RESOURCES COMMITTEE:

Pamela B. Strobel, Chair

Robert E. Apple

Louis P. Gignac

Denis Turcotte

Human Resources Committee Interlocks and Insider Participation

As of the date of this proxy statement, the Human Resources Committee consists of Ms. Strobel and Messrs. Apple, Gignac and Turcotte, all of whom are independent non-management directors. None of the Human Resources Committee members has served as an officer or employee of the Corporation, and none of the Corporation's executive officers has served as a member of a compensation committee or board of directors of any other entity that has an executive officer serving as a member of the Corporation's Board.

EXECUTIVE COMPENSATION

Summary Compensation Table and Narrative Disclosure

The table and footnotes below describe the total compensation paid or awarded to or earned by the following Named Executive Officers (NEOs):

John D. Williams (Domtar's principal executive officer) for 2010, 2011 and 2012;

Daniel Buron (Domtar's principal financial officer) for 2010, 2011 and 2012; and

the next three most highly compensated individuals who were serving as executive officers of Domtar on December 31, 2012, the last day of the fiscal year. The components of the total compensation reported in the Summary Compensation Table are described below. For the description of the role of each component within the total compensation package, see the description under the heading "Compensation Discussion and Analysis" beginning on page 22 of this proxy statement.

Summary Compensation Table

Name and Principal Position	Year	Salary ⁽²⁾ (\$)	Bonus (\$)	Stock Awards ⁽³⁾ (\$)	Option Awards ⁽⁴⁾ (\$)	Non-Equity Incentive Plan Compensation ⁽⁵⁾ (\$)	Change in Pension Value and		Total (\$)
							Non-qualified Deferred Compensation Earnings ⁽⁶⁾ (\$)	All Other Compensation ⁽⁷⁾ (\$)	
John D. Williams ⁽¹⁾	2012	1,123,023		2,093,571		1,190,789	229,434	617,385	5,254,202
President and Chief Executive Officer	2011	1,137,786		2,534,854		2,328,039	234,612	528,440	6,763,731
Daniel Buron ⁽¹⁾	2010	1,000,027		1,181,869	850,273	1,778,189	122,082 ⁽⁹⁾	350,859	5,283,299
Senior Vice-President and Chief Financial Officer	2012	515,123		493,895		420,159	386,986	179,110	1,995,273
Michael Fagan	2011	521,894		654,185		821,427	309,545	138,176	2,445,227
Senior Vice-President Personal Care	2010	485,450		338,726	235,804	545,178	251,936 ⁽⁹⁾	119,448	1,976,542
Richard Thomas	2012	450,000	500,000 ⁽⁸⁾	304,324		363,330		74,468	1,692,122
Senior Vice-President	2011								
Michael Edwards	2012	427,450		340,476		352,646	129,692	140,190	1,390,454
Senior Vice-President	2011	427,210		377,667		666,651	89,634	98,178	1,659,340
Sales and Marketing	2010	414,154		221,809	140,708	375,056	49,151 ⁽⁹⁾	89,539	1,290,417
Michael Edwards	2012	427,450		295,057		352,646	55,854	147,237	1,278,244
Senior Vice-President	2011	427,210		386,976		660,239	55,412	114,972	1,644,809
Pulp and Paper Manufacturing	2010	414,308		234,169	140,708	405,061	62,928 ⁽⁹⁾	104,287	1,361,461

(1) Amounts for salary and non-equity incentive plan compensation paid in Canadian dollars and, for purposes of this table, converted to U.S. dollars at the spot exchange rate on the date paid.

(2) This column represents the base salary earned for the full year in 2012 for Michael Fagan, and the salary for the full year in 2010, 2011 and 2012 for the other NEOs.

(3) This column represents the aggregate grant date fair value of the restricted stock units (RSUs) and the performance share units (PSUs) granted in the applicable year. For RSUs, the fair value is calculated using the closing price of our stock on the date of the grant. For the PSUs granted in 2012, this column represents the grant date fair value based on the probable outcome of the performance conditions at the date of the grant. The fair value of the awards was determined using the valuation methodology and assumptions set forth in Note 5 to the Corporation's financial statements included in the Corporation's annual report on Form 10-K for the fiscal year ended December 31, 2012, which are incorporated by reference herein, except that the amounts in this column are modified to exclude any forfeiture assumptions related to service-based vesting conditions. The amounts do not reflect the value actually realized or that ultimately may be realized by the NEOs. Assuming the highest performance conditions for the 2012 PSU awards, the grant date fair value would be:

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Mr. Williams \$2,807,035; Mr. Buron \$662,174; Mr. Fagan \$320,380; Mr. Thomas \$456,480; and Mr. Edwards \$395,534. On December 11, 2012, the HRC amended the terms of PSUs granted to Mr. Fagan in 2011 to remove the performance condition and to extend the service condition to require Mr. Fagan's continued employment through August 2015 instead of December 2014. See the description under the heading *Details of Executive Compensation Program - Special Retention Payment Changes* in the CD&A for additional information about the change to Mr. Fagan's equity retention award. As computed in accordance with FASB ASC Topic 718, excluding any forfeiture assumptions related to service-based vesting conditions, as prescribed by SEC rules, the incremental increase in fair value associated with the modification was \$65,362. The increased value is reflected in the Stock Award column in the Summary Compensation Table.

- (4) This column represents the grant date fair value of the options granted in the applicable prior years. No options were granted in 2011 or 2012. Options are the right to purchase shares of Domtar common stock at a specified price, over a specified term (usually seven years) following the grant date.
- (5) This column represents the actual cash bonuses earned by Mr. Fagan in 2012 and by the other NEOs in 2010, 2011 and 2012, under Domtar's Annual Incentive Plan based on the performance level achieved. See *Performance-Based Annual Bonuses* in the CD&A for a discussion of the target performance levels.
- (6) This column represents the actuarial increase in the applicable year in the pension value of the defined benefit retirement plans in which each named executive participates. Domtar does not pay above market rates or preferential rates under its nonqualified deferred compensation plans.
- (7) Amounts shown in the *All Other Compensation* column include the following (for 2012 only):

Name	Company Contributions to Defined Contribution Plans ^(a)	Company Paid Medical Exams	Personal Use of Corporate Transportation ^(b)	Company Paid Insurance Premiums ^(c)	Financial Counseling	Professional Dues	Dividends ^(e)	Cash Payout of Banked Vacations ^(f)	Total
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
John D. Williams ^(d)	378,871		67,206	47,928	3,501	3,163	116,716		617,385
Daniel Buron ^(d)	146,760			11,452		2,046	18,852		179,110
Michael Fagan	40,706		11,250	16,753	5,000		759		74,468
Richard Thomas	98,907			22,114	3,500		12,381	3,288	140,190
Michael Edwards	101,690			19,444		375	12,576	13,152	147,237

- (a) Company contributions were made to the Domtar U.S. Salaried 401(k) plan for Messrs. Fagan (\$21,447), Thomas (\$13,750) and Edwards (\$13,750), to the Domtar Pension Plan for Non-Negotiated Employees for Messrs. Williams (\$11,915) and Buron (\$11,915) and to the DC SERP for Designated Executives of Domtar for Messrs. Williams (\$366,957), Buron (\$134,845), Fagan (\$19,259), Thomas (\$85,157) and Edwards (\$87,940).
- (b) Pursuant to his employment agreement, Mr. Williams is entitled to 24 hours per year of personal use of corporate aircraft. This includes personal use of corporate aircraft (\$53,442 and CDN \$9,108) and automobile (\$4,513 and CDN \$137) for Mr. Williams and automobile (\$11,250) for Michael Fagan. Corporate aircraft charges are based on the incremental cost to Domtar less reimbursed costs (based on the cost of a first or business class ticket).
- (c) Represents the cost of company-paid health, welfare, disability, life, and accidental death and dismemberment insurance for the NEOs.
- (d) For purposes of this table, converted to U.S. dollars at the average prevailing spot exchange rate over the period January 1 to December 31, 2012 (1.0004).
- (e) The amounts in this column represent the grant date fair value of additional share units granted as dividend equivalents for fiscal 2012 on the RSUs, RSU Bonus awards, and unvested DSUs, in accordance with the Omnibus Incentive Plan. The fair value of the awards was determined using the valuation methodology and assumptions set forth in Note 5 to the Corporation's financial statements included in the Corporation's annual report on Form 10-K for the fiscal year ended December 31, 2012, which are incorporated by reference herein. These dividend equivalents were credited at the same time as dividends were paid to stockholders, i.e. on January 17, 2012, April 16, 2012, July 16, 2012 and October 15, 2012.
- (f) These amounts represent banked vacation cash payouts for Messrs. Edwards and Thomas.
- (8) This amount represents a cash retention award payment approved by the HRC and paid to Mr. Fagan in December 2012 see the description under the heading Details of Executive Compensation Program Special Payments in the CD&A for additional information about Mr. Fagan's cash retention award.
- (9) These amounts reflect corrections to calculations for prior years.

Grants of Plan-Based Awards Table

During 2012, the NEOs received the following types of plan-based awards:

Annual Incentive Plan Domtar's AIP is an incentive plan based on achieving pre-established annual targets. For 2012, the award under the AIP was payable in cash (see Compensation Discussion and Analysis Performance Based Annual Bonuses on page 30 of this proxy statement). Performance goals may be based on a variety of metrics set forth in the plan. The HRC may determine that special one-time or extraordinary items, as determined in accordance with U.S. generally accepted accounting principles and as identified in the financial statements, notes to the financial statements or management's discussion and analysis in the annual report, should or should not be included in the calculation of such measures.

For each plan year, a specified percentage of each bonus award is based upon each of the performance objectives selected by the HRC for that plan year. For each of the performance objectives that are met, a corresponding portion of the bonus award is paid. Each performance objective has an associated threshold level that must be achieved for any of the bonus award associated with such objective to be paid. The maximum bonus award that could be paid under the plan framework to a NEO for any plan year is \$5 million. The HRC may, in its sole discretion, reduce or eliminate the amount otherwise payable to a participant under the AIP. There is no payment under the plan for performance that does not meet the threshold level.

Omnibus Incentive Plan The following equity awards were granted to NEOs in 2012 under the Omnibus Incentive Plan:

RSUs These awards were granted on February 21, 2012 under our Omnibus Incentive Plan. RSUs vest on February 21, 2015, generally subject to the executive remaining employed on the vesting date.

PSUs These awards were granted on February 21, 2012 under our Omnibus Incentive Plan. PSUs granted to the named executive officers vest, generally subject to the executive remaining employed through the end of 2014, based on the achievement of relative TSR and ROIC targets for performance periods from 2012 through 2014, each weighted at 50%. See the description under the heading Details of Executive Compensation Program Long-Term Equity Incentives in the CD&A for additional information about these awards.

Grants of Plan-Based Awards Table

Name	Grant Type	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards ⁽¹⁾			Estimated Future Payouts Under Equity Incentive Plan Awards ⁽²⁾			All Other Stock Awards: Number of Shares of Stock or Units ⁽³⁾	Grant Date Fair Value of Stock and Option Awards ⁽⁴⁾
			Threshold	Target	Maximum	Threshold	Target	Maximum		
			(\$)	(\$)	(\$)	(#)	(#)	(#)		
John D. Williams	AIP		437,979 ⁽⁵⁾	1,459,930 ⁽⁵⁾	2,919,860 ⁽⁵⁾					
	RSUs	2/21/12								
	PSUs	2/21/12				6,817	13,633	27,266	7,341	690,054
Daniel Buron	AIP		154,537 ⁽⁵⁾	515,123 ⁽⁵⁾	1,030,246 ⁽⁵⁾					
	RSUs	2/21/12								
	PSUs	2/21/12				1,608	3,216	6,432	1,732	162,808
Michael Fagan	AIP		135,000	450,000	900,000					
	RSUs	2/21/12							838	78,772
	PSUs	2/21/12				778	1,556	3,112		160,190
Richard Thomas	RSUs	8/31/11 ⁽⁴⁾								65,362
	AIP		128,235	427,450	854,900					
	RSUs	2/21/12							1,194	112,236
Michael Edwards	PSUs	2/21/12				1,109	2,217	4,434		228,240
	AIP		128,235	427,450	854,900					
	RSUs	2/21/12							1,035	97,290
	PSUs	2/21/12				961	1,921	3,842		197,767

(1) These columns consist of awards under the AIP for 2012. The **Threshold** column represents the minimum amount payable when threshold performance is met. The **Target** column represents the amount payable if the specified performance targets are reached. The **Maximum** column represents the maximum payment possible under the plan (see **Performance-Based Annual Bonuses** in the CD&A for a discussion of the target/maximum performance levels). See the **Summary Compensation Table** for actual cash amounts paid under the Annual Incentive Plan for 2012.

(2) These columns contain the PSU grant that represents the number of shares under the Omnibus Incentive Plan that will vest on December 31, 2014 if and to the extent the performance goals are achieved. The awards will be measured in four performance periods: January 1 – December 31, 2012, January 1 – December 31, 2013, January 1 – December 31, 2014 and January 1, 2012 – December 31, 2014. The **Threshold** column represents the minimum number of shares payable if threshold performance is met during all four performance periods. If performance is at or below the threshold performance, no shares will be paid. The **Target** column represents the number of shares payable if 100% of the performance targets are met during all four performance periods. The **Maximum** column represents the number of shares payable if performance meets or exceeds the maximum performance target during all four performance periods.

(3) This column contains RSU grants and represents the number of shares under the Omnibus Incentive Plan that will vest on February 21, 2015.

(4) This column represents the grant date fair value in accordance with FASB ASC Topic 718, but excludes any forfeiture assumptions related to service-based vesting conditions, as prescribed by SEC rules. See footnote 3 to the Summary Compensation Table. As noted in footnote 3 to the Summary Compensation Table, on December 11, 2012, the HRC amended the terms of PSUs granted to Mr. Fagan in 2011 to remove the performance condition and to extend the service condition to require Mr. Fagan's continued employment through August 2015 instead of December 2014. See the description under the heading **Details of Executive Compensation Program – Special Retention Payment Changes** in the CD&A for additional information about the change to Mr. Fagan's equity retention award. As computed in accordance with FASB ASC Topic 718, excluding any forfeiture assumptions related to service-based vesting conditions, as prescribed by SEC rules, the incremental increase in fair value associated with the modification was \$65,362. The increased value is reflected in the amount shown for Mr. Fagan.

(5) For purposes of this table, threshold, target and maximum bonus estimates for Messrs. Williams and Buron were calculated based on a converted U.S. salary using the spot exchange rate on February 21, 2012 (1.00024).

Outstanding Equity Awards at Fiscal Year-End Table

The following table sets forth information concerning outstanding equity awards for each NEO at the end of fiscal year 2012, which included options, RSUs and PSUs. Amounts in the table are based on the price per share of Domtar's common stock of \$83.52, the closing market price on December 31, 2012.

Number of Securities Underlying Unexercised Options (#) Exercisable This column represents Non-qualified Stock Options (NQs) and Performance Stock Options (PSOs) for which the service requirements have been fulfilled and performance targets, if any, have been achieved.

Number of Securities Underlying Unexercised Options (#) Unexercisable This column represents NQs and PSOs for which the performance targets have been achieved, but the service requirements have not been fulfilled.

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Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#) This column represents NQs and PSOs that will vest if and to the extent that service requirements and predetermined performance targets, if any, are achieved.

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Number of Shares or Units of Stock That Have Not Vested (#) This column represents RSUs that will vest if service requirements are fulfilled and PSUs for which performance goals have been achieved but which were not vested as of December 31, 2012.

Market Value of Shares Or Units of Stock That Have Not Vested (\$) This column represents the market value of RSUs that will vest if service requirements are fulfilled and PSUs for which performance goals have been achieved but which were not vested as of December 31, 2012.

Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) This column represents PSUs that will vest if and to the extent predetermined performance targets are achieved. The table below describes the performance assumptions associated with each award tranche for the purpose of calculating the number of unearned 2011 and 2012 PSUs:

PSU 2011		
Performance Period	ROIC Assumption	TSR Assumption
2013	Target	Threshold
2011-2013	Maximum	Target
PSU 2012		
Performance Period	ROIC Assumption	TSR Assumption
2013	Target	Threshold
2014	Target	Threshold
2012-2014	Target	Threshold

Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$) This column represents the market value of the unvested and unearned PSUs that will vest if and to the extent predetermined performance targets are achieved. The value (\$) has been determined according to the table above.

Outstanding Equity Awards at Fiscal Year-End Table

Name	Option Awards					Stock Awards			Equity
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Underlying Securities Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units That Have Not Vested (#) ⁽¹⁾	Market Value of Stock That Have Not Vested (\$)	Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) ⁽²⁾	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
John D. Williams		6,588 ⁽⁵⁾		66.81	05/10/17	40,744	3,402,921	15,680	1,309,568
PSO 2010		6,588							
Total		6,588				40,744	3,402,921	15,680	1,309,568
Daniel Buron						10,697	893,435	3,769	314,766
2003	156 ⁽³⁾		466 ⁽³⁾	102.24	02/04/13				
2004	170 ⁽⁴⁾		510 ⁽⁴⁾	102.24	02/03/14				
2007			3,150 ⁽⁵⁾	127.68	02/27/14				
2008	4,491 ⁽⁵⁾			80.52	02/19/15				
PSO 2009	4,555 ⁽⁵⁾			12.60	04/08/16				
NQ 2009	4,555 ⁽⁶⁾			12.60	04/08/16				
PSO 2010	1,826 ⁽⁵⁾	1,828 ⁽⁵⁾		66.81	05/10/17				
Total	15,753	1,828	4,126			10,697	893,435	3,769	314,766
Michael Fagan						13,422	1,121,014	875	73,101
Total						13,422	1,121,014	875	73,101
Richard Thomas						6,557	547,624	2,305	192,477
2007			2,058 ⁽⁵⁾	127.68	02/27/14				
2008	2,700 ⁽⁵⁾			80.52	02/19/15				
PSO 2009	3,334 ⁽⁵⁾			12.60	04/08/16				
NQ 2009	3,334 ⁽⁶⁾			12.60	04/08/16				
PSO 2010	2,178 ⁽⁵⁾	1,092 ⁽⁵⁾		66.81	05/10/17				
Total	11,546	1,092	2,058			6,557	547,624	2,305	192,477
Michael Edwards						6,511	543,767	2,138	178,571
2007			2,066 ⁽⁵⁾	127.68	02/27/14				
PSO 2010	1,089 ⁽⁵⁾	1,089 ⁽⁵⁾		66.81	05/10/17				
Total	1,089	1,089	2,066			6,511	543,767	2,138	178,571

(1) Includes banked, but unvested PSUs granted 2/22/2011 and 2/21/2012 that will vest 12/31/2013 and 12/31/2014 respectively, subject to continued employment. Fractional units rounded to the nearest whole share.

(2) Includes unvested PSUs granted 2/22/2011 and 2/21/2012 that will vest 12/31/2013 and 12/31/2014 respectively, subject to performance and continued employment. Fractional units rounded to the nearest whole share.

(3) The options vest in approximately equal annual installments on the first four anniversaries of the grant date if performance conditions are satisfied, or such later anniversary date as the performance condition is satisfied. The options were granted on 02/04/2003. As of December 31, 2012, only twenty-five percent have vested based on performance.

(4)

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The options vest in approximately equal annual installments on the first four anniversaries of the grant date if performance conditions are satisfied, or such later anniversary date as the performance condition is satisfied. The options were granted on 02/03/2004. As of December 31, 2012, only twenty-five percent have vested based on performance.

- (5) Options vest over three years in equal annual installments on the first three anniversaries of the grant date but do not become exercisable until performance vesting criteria have been fulfilled. Under the performance vesting criteria, no portion of the option may be exercised unless and until the trading price of Domtar's common stock has reached or exceeded 120% of the exercise price for 20 consecutive days. If the performance vesting criteria has been fulfilled, the options may be exercised to the extent the options have vested under the time vesting criteria as of the date of exercise. The options that expire on 02/27/14 were granted on 06/27/2007. The options that expire on 02/19/2015 were granted on 02/20/2008. The options that expire on 04/08/2016 were granted on 04/08/2009. The options that expire on 05/10/2017 were granted on 05/10/2010.
- (6) Options vest over three years in equal annual installments, no performance condition to be satisfied prior to exercise. The options that expire on 04/08/2016 were granted on 04/08/2009.

Option Exercises and Stock Vested Table

The table below provides information on the NEOs stock awards that vested and stock options that were exercised by our NEOs in 2012. Amounts in the following table reflect RSUs granted as part of the 2009 grant that vested in 2012, one-third of the 2010 RSU Bonus grant that vested in 2012 and one-third of the 2011 RSU Bonus grant that vested in 2012 and any related dividend equivalent units associated with these awards that vested in 2012.

Name	Option Awards		Stock Awards	
	Number of Shares	Value Realized on	Number of Shares	Value Realized on
	Acquired on Exercise (#)	Exercise (\$)	Acquired on Vesting (#)	Vesting (\$)
John D. Williams	40,308	2,484,888	30,968 ⁽¹⁾	2,754,103
Daniel Buron			8,507	810,624
Michael Fagan				
Richard Thomas			6,189	589,880
Michael Edwards	10,698	529,322	6,440	615,053

(1) Settlement of Mr. Williams 2,161.67 RSUs from his 2011 RSU Bonus grant and related dividend equivalent units that vested in 2012 with a value realized on vesting of \$200,970 is deferred until the later of February 22, 2017 or the termination of his employment as described below under Nonqualified Deferred Compensation.

Pension Benefits

The following narrative and tables provide information on the defined benefit retirement plans in which the NEOs participate. The following table illustrates the actuarial present value as of December 31, 2012 of benefits accumulated by the NEOs under Domtar's defined benefit pension plans and arrangements using the methodology required by the SEC pursuant to the U.S. Accounting Standards at the earliest unreduced retirement age under the plan.

For purposes of all the pension plans described in this section, pay includes base salary and annual cash bonuses (up to the lesser of 50% of previous year salary or 100% of target bonus for the DB SERP for Management Committee Members of Domtar).

Our NEOs in Canada, Messrs. Williams and Buron, participate in the Domtar Pension Plan for Non-Negotiated Employees. The Domtar Pension Plan for Non-Negotiated Employees is registered with the Canadian federal and provincial authorities. It has two options: a defined benefit option and a defined contribution option. Participation in the Domtar Pension Plan for Non-Negotiated Employees is mandatory for all employees hired after January 1, 1998. Since that date, employees may only join the defined contribution option. Employees must join the plan no later than the first day of January following completion of two years of continuous service with the Corporation. Messrs. Williams and Buron participate in the defined contribution option under the Domtar Pension Plan for Non-Negotiated Employees.

Under the defined contribution option, the Domtar Pension Plan for Non-Negotiated Employees is funded by the Corporation and by employee contributions. The level of contributions varies from 1.0% to 6.5% of pay depending upon the employee's election and upon the sum of the employee's age and years of service. The Corporation matches employee contributions at 100%. Total employee and employer contributions are subject to the limits of the Income Tax Act. The member's account is also credited with earnings, at a rate determined in accordance with the investment election made by the employee. The employee can modify his election at any time. Upon termination of employment, the employee is entitled to transfer his account balance in a locked-in retirement vehicle. Company contributions are immediately fully vested in the employee.

Messrs. Thomas and Edwards participate in the Domtar U.S. Salaried Pension Plan. The Domtar U.S. Salaried Pension Plan is a cash balance plan entirely funded by the Corporation. Participation in the plan was frozen at December 31, 2007. Under the Domtar U.S. Salaried Pension Plan, a percentage of the employee's pay is credited to his account each year, based on his age. In addition, the employee's account is credited with an annual rate of interest based on 30-year Treasury Constant Maturities rate published by the Federal Reserve Board. Benefits are fully vested in the employee after three years of service. Upon termination of employment, the account of the employee is converted into a pension using factors specified in the plan. The employee may instead elect a lump sum payment corresponding to the present value of the pension.

Messrs. Fagan, Thomas and Edwards also participate in the Domtar U.S. Salaried 401(k) Plan. Since January 1, 2008, every new employee is automatically enrolled in the Domtar U.S. Salaried 401(k) Plan upon hire. The Corporation contributes an amount between 4% and 6% of pay depending on the member's age and matches 100% of employee contributions up to 5.5% of pay. Employees that participate in the Domtar U.S. Salaried Pension Plan only receive the Corporation match on their contribution up to 5.5% of pay. The member's account is also credited with earnings, at a rate determined in accordance with the investment election made by the employee. The employee can modify his election at any time. Upon termination of employment, the employee is entitled to his account balance in a lump sum payment. Company contributions to the Domtar U.S. Salaried 401(k) Plan are immediately and fully vested in the employee.

Effective in 2007, the Corporation implemented two supplemental pension benefit plans for designated executives. Messrs. Williams, Buron, Fagan, Thomas and Edwards all participate in these supplemental programs. The DB SERP for Management Committee Members of Domtar (DB SERP) is a defined benefit plan, while the DC SERP for Designated Executives of Domtar (DC SERP) is a defined contribution plan, described under the heading Nonqualified Deferred Compensation. Benefits under the DB SERP are granted only to members of the Management Committee and are entirely paid for by the Corporation. The annual pension payable is equal to 2% of the executive's best average earnings for each year of credited service as a member of the Management Committee less an offset based on the annual lifetime pension to which the executive is entitled under the Domtar Pension Plan for Non-Negotiated Employees (for participants employed in Canada) or the Domtar U.S. Salaried Pension Plan and the Domtar U.S. Salaried 401(k) Plan (for participants employed in the U.S.), and the participant's benefit under the DC SERP, with respect to that service. For purposes of the DB SERP, earnings includes base salary and annual cash bonuses up to the lesser of 50% of previous year salary or 100% of target bonus.

For Canadian executives, the portion of the offset attributable to the Domtar Pension Plan for Non-Negotiated Employees is determined based on the assumption that the executive has elected to contribute to the defined contribution option of the plan at the maximum allowable rate. For U.S. executives, the portion of the offset attributable to the Domtar U.S. Salaried 401(k) Plan is determined based on the assumption that the executive has elected to contribute to the Domtar U.S. Salaried 401(k) Plan at the maximum allowable rate. Normal retirement age is 65 under the DB SERP. Executives may retire as early as age 55 and are eligible for an unreduced pension at age 62 provided they have completed two years of service as a member of the Management Committee (age 60 for Mr. Buron), with a 0.5% reduction for each calendar month that retirement precedes age 62 (a 0.25% reduction for each month that retirement precedes age 60 for Mr. Buron).

For a Canadian executive, the DB SERP pension is payable for life and guaranteed for a minimum of five years. Other forms of payment are available on an actuarially equivalent basis. For a U.S. executive, the present value of the DB SERP benefits will be paid in a lump sum upon retirement instead of a pension. Member benefits are fully vested after 2 years of membership in the plan. If an executive dies before commencement of his pension payments, a single lump sum payment equal to the actuarial equivalent of the benefits to which he would have been entitled had his or her employment terminated for a reason other than death on the date of his death will be paid to his beneficiary or estate. A Canadian executive will continue to accrue credited service in the DB SERP if he or she is considered disabled under the Domtar Pension Plan for Non-Negotiated employees. Benefits under the DB SERP will only be paid upon a disabled participant's actual termination of employment. Benefits for a Canadian member of the Management Committee under the DB SERP are generally funded when a member is between ages 60 and normal retirement age (currently age 65). Such funding is maintained through retirement only if the member actually retires at age 65 or above; otherwise, amounts set aside for the member revert to the Corporation. In the event of termination within 12 months of a change of control, the member's interest in the assets set aside vest. Otherwise, members will receive their benefits out of the general funds of the Corporation.

Mr. Williams. The Corporation has entered into an agreement with Mr. Williams providing that, for purposes of his annual retirement benefit under the DB SERP for Management Committee Members of Domtar, he will earn an additional two months of credited service for each 12 months of actual service, up to a maximum of 12 months of additional credited service. This was implemented as a compensatory mechanism for pension arrangements Mr. Williams had with his previous employer.

Mr. Buron. Mr. Buron is also eligible to receive benefits under the legacy Supplementary Pension Plan for Designated Managers of Domtar Inc. with respect to his service prior to becoming a member of the Management Committee of Domtar Inc. in 2004. This plan provides for the same benefit as under the defined benefit option of the Domtar Pension Plan for Non-Negotiated Employees (described below), but without taking into account any limits under the income tax legislation, reduced by the amount of the benefit that would have been payable under the DB option of the Domtar Pension Plan for Non-Negotiated Employees for the same service. These benefits are not vested before age 55 and are fully vested after that age. Mr. Buron is eligible for benefits under the DB SERP for service since his appointment to the Management Committee in 2004, in replacement of the benefits accrued by Mr. Buron under the Supplementary Pension Plan for Senior Management Employees (SPP) which he had joined in 2004. Because benefits under the DB SERP replaced the benefit accrued by Mr. Buron under that plan, Mr. Buron's accrued pension under the DB SERP in respect of credited service prior to the time Mr. Buron began participating in the DB SERP will not be less than what he otherwise would have accrued under the SPP, based on earnings and Management Committee service up to that date.

Pension Benefits Table

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefits ⁽¹⁾ (\$)	Payments During Last Fiscal Year (\$)
John D. Williams ⁽³⁾	DB SERP for Management Committee Members of Domtar	4.67 ⁽²⁾	641,994	
Daniel Buron ⁽³⁾	Supplementary Pension Plan for Designated Managers of Domtar Inc.	3.92	557,483	
	DB SERP for Management Committee Members of Domtar	8.67 ⁽⁴⁾	537,446	
Michael Fagan	DB SERP for Management Committee Members of Domtar	0.67		
Richard Thomas	US Salaried Pension Plan	5.83	148,742	
	DB SERP for Management Committee Members of Domtar	5.83	189,749	
Michael Edwards	US Salaried Pension Plan	5.83	148,572	
	DB SERP for Management Committee Members of Domtar	5.83	171,936	

- (1) The Present Value of Accumulated Benefits has been calculated on the following basis:
- Best average earnings and credited service as of December 31, 2012 have been used.
 - Retirement is assumed to occur at age 62 (age 60 for Mr. Buron), the earliest age that qualifies for an unreduced pension under the DB SERP.
 - Assumptions used correspond to those used for the purposes of determining the accrued benefit obligations on December 31, 2012 of the defined benefit plans for the financial statements of the Corporation (namely, a discount rate of 4.20% for Canadian executives and 3.80% for U.S. executives), except that no mortality or termination of employment before retirement was assumed.
- (2) Mr. Williams has an agreement whereby two additional months per year of credited service are recognized in the DB SERP.
- (3) For purposes of this table, converted to U.S. dollars at the average prevailing spot exchange rate over the period January 1 to December 31, 2012 (1.0004).
- (4) Years of credited service are retroactive to the date in 2004 when Mr. Buron became a member of the Management Committee of Domtar Inc. Upon his appointment as a member of the Management Committee Mr. Buron became a participant in the Supplementary Pension Plan for Senior Management Employees. Benefits under the DB SERP replace the benefit accrued by Mr. Buron under the Supplementary Pension Plan for Senior Management Employees.

Nonqualified Deferred Compensation

The following narrative and table provide information on the nonqualified deferred compensation plans in which our NEOs participate. The following table shows the 2012 account activity for each NEO and includes each executive's contributions, company contributions, earnings, distributions and the aggregate balance of his total deferral account as of December 31, 2012. The aggregate balance includes the total personal contributions made (and not withdrawn) by each executive and the contributions made by the Corporation and predecessor companies over the career of each executive.

In 2007, the Corporation implemented the DC SERP for Designated Executives of Domtar, a nonqualified supplemental pension plan for certain executives, intended to provide designated executives (other than those covered under an individual supplemental retirement arrangement or a grandfathered arrangement) with retirement benefits in excess of benefits that may be payable in accordance with the Domtar Pension Plan for Non-Negotiated Employees (for participants employed in Canada), or the Domtar U.S. Salaried Pension Plan or the Domtar U.S. Salaried 401(k) Plan (for participants employed in the U.S.). Messrs. Williams, Buron, Fagan, Thomas and Edwards participate in this plan, which consists of a nonqualified notional defined contribution pension plan entirely paid for by the Corporation. Each year, Canadian executives' accounts are credited with an amount equal to 11% of pay, less the value of the benefit provided by the employer contributions under the Domtar Pension Plan for Non-Negotiated Employees, calculated based on the assumption that the executive has elected to contribute to the defined contribution option of the plan at the maximum allowable rate. For a U.S. executive, the contribution formula is the same as under the Domtar U.S. Salaried 401(k) Plan for a participant of the same age and not participating in the Domtar U.S. Salaried Pension Plan, without taking into account any tax limit applicable to tax qualified plans, less the employer contribution to the Domtar U.S. Salaried Pension Plan and the Domtar U.S. Salaried 401(k) Plan, calculated based on the assumption that the executive has elected to contribute to the Domtar U.S. Salaried 401(k) Plan at the maximum allowable rate. The member's account is credited with a notional market-based investment return. Company contributions are fully vested in the employee after 2 years of service in an eligible salary grade. A Canadian executive will continue to accrue benefits if he or she is considered disabled under the Domtar Pension Plan for Non-Negotiated Employees. Benefits under the DC SERP will only be paid upon a disabled participant's actual termination of employment. Upon death, retirement after vesting or vested termination of employment, the accumulated account balance is paid in a lump sum to the executive. A Canadian executive who retires after age 55 would also have the option to receive his benefits over a 10-year period.

For purposes of the DC SERP for Designated Executives of Domtar, pay includes base salary and annual cash bonuses.

Mr. Williams elected to defer the settlement of the portion of his 2011 RSU Bonus awards and related dividend equivalents that would have otherwise been settled on February 22, 2012. These deferred awards are vested and will be payable upon the later of February 22, 2017 or the termination of his employment. Mr. Williams also holds vested DSUs granted under the Omnibus Incentive Plan that will be payable upon his termination of employment.

Nonqualified Deferred Compensation Table

Name	Plan Name	Executive Contributions in Last FY ⁽¹⁾ (\$)	Registrant Contributions in Last FY ⁽¹⁾ (\$)	Aggregate Earnings in Last FY (\$)	Aggregate Withdrawals/ Distributions (\$)	Aggregate Balance at Last FYE ⁽³⁾ (\$)
John D. Williams ⁽²⁾	DC SERP		366,957	52,215		1,089,453
	Omnibus Incentive Plan	200,970		124,323 ⁽⁴⁾		2,507,078
Daniel Buron ⁽²⁾	DC SERP		134,845	29,711		545,956
	Omnibus Incentive Plan					
Michael Fagan	DC SERP		19,259			19,259
	Omnibus Incentive Plan					
Richard Thomas	DC SERP		85,157	19,308		270,766
	Omnibus Incentive Plan					
Michael Edwards	DC SERP		87,940	20,957		289,409
	Omnibus Incentive Plan					

(1) The amounts with respect to the DC SERP are included in the All Other Compensation column of the Summary Compensation Table, and \$183,499 of the amounts with respect to the Omnibus Incentive Plan with respect to Mr. Williams, was reported in the Summary Compensation Table in prior years.

(2) DC SERP amounts are converted in U.S. dollars at the average prevailing spot exchange rate over the service period January 1st to December 31st, 2012 (1.0004).

(3) The following amounts were reported in the Corporation's Summary Compensation Table for previous years: with respect to Mr. Williams, \$310,155 of the amounts with respect to the DC SERP and \$519,490 of the amounts with respect to the Omnibus Incentive Plan; with respect to Mr. Buron, \$106,038 of the amounts with respect to the DC SERP, with respect to Mr. Edwards, \$59,244 of the amounts with respect to the DC SERP and, with respect to Mr. Thomas, \$53,698 of the amounts with respect to the DC SERP.

(4) Reflects increase in value of vested DSUs and deferred RSU Bonus, as well as dividend equivalents accrued with respect to the awards.

The Corporation does not consider RSUs and PSUs that are reflected under Outstanding Equity Awards at Fiscal Year-End Table above to be deferred compensation and has not included them in the above table.

Employment Agreements and Potential Payments Upon Termination or a Change in Control

Severance Benefits

Mr. Williams. Under the terms of his employment agreement, upon a termination of Mr. Williams' employment by the Corporation for reasons other than death or cause (as defined in the agreement) or his breach of certain obligations in his employment agreement and other term of his employment agreement, Mr. Williams will be entitled to receive: a severance allowance of 24 months of his base salary in effect at the time of termination; a pro-rated portion of his annual bonus under the AIP for the year in which his employment is terminated, based on achievement of the applicable performance criteria; if such termination occurs after the end of a calendar year, any earned but unpaid bonus under the AIP; and for each calendar year during the severance period, a payment equal to the average of the bonus payments received by Mr. Williams under the AIP for the two years immediately preceding the year of his termination pro-rated for the number of days in the AIP performance period represented by the severance period; continued coverage under the Corporation's health insurance policies during the severance period; continued vesting of his unvested equity awards as if he had remained employed through the duration of the severance period; continued accrual of service credit under the DB SERP for the duration of the severance period; and any additional payments or benefits provided under the Domtar Severance Program, the Domtar North American Assignment Policy and other Domtar policies that are not set forth in Mr. Williams' agreement.

Mr. Fagan. Under the terms of his employment agreement, upon a termination of Mr. Fagan's employment by the Corporation without cause or upon his resignation for good reason (as cause and good reason are defined in his employment agreement) in each case prior to December 31, 2014, Mr. Fagan is entitled to receive a severance allowance of 36 months of his base salary in effect at the time of termination; a pro-rated portion of his annual bonus under the AIP for the year in which his employment is terminated, based on achievement of the applicable performance criteria; a pro-rated portion of his unpaid cash retention award; and, if the termination of his employment occurs after January 1, 2014, a pro-rated portion of his equity retention award. If Mr. Fagan's employment is terminated after December 31, 2014, his severance entitlements will be governed by the Domtar's severance policy for members of its Management Committee, except that, upon a termination of Mr. Fagan's employment by the Corporation without cause or upon his resignation for good reason in each case prior to August 30, 2015, Mr. Fagan is entitled to pro-rated settlement of his equity retention award.

Under Domtar's severance policy applicable to members of its Management Committee, our NEOs (other than the CEO and Mr. Fagan) would be entitled to up to 24 months' salary payable in a lump sum upon a termination of employment by the Corporation for reasons other than cause, with benefit levels that vary based on service. Severance is equal to one year's base salary regardless of service as a member of the Management Committee, with three additional months' salary paid for each full year of service on the Management Committee, up to a maximum of 24 months base salary. Messrs. Williams, Buron, Thomas and Edwards would be entitled to 24 months' salary. The executives would also be entitled to continued health benefits for the severance period, except if the executive's benefits are subject to taxation in the United States, in which case the health insurance policies maintained by the Corporation will remain in effect until the earlier to occur of the last day of the severance period and the 18-month anniversary of the date the executive's separation from service. The executives will also be entitled to outplacement services.

In the event one of the covered executives' employment is involuntarily terminated without cause or the executive voluntarily terminates his employment for good reason within 3 months prior to or 24 months following a change in control of the Corporation, each of Messrs. Buron, Thomas and Edwards would be entitled to cash severance equal to 24 months' salary plus two times his target bonus as of the date of termination or, if greater, the date of the change in control.

If Mr. Fagan's employment is terminated after December 31, 2014, he will be covered by the Domtar severance policy applicable to members of its Management Committee, which will replace the severance entitlements in his employment agreement.

Other Post-Employment Benefits. Mr. Williams is eligible, if his termination is due to disability, for monthly disability payments during the severance period, reduced by an amount equal to his monthly base salary rate in effect at the time of termination, but in no month shall the reduction exceed the amount of the disability payment. If Mr. Williams remains disabled at the end of the severance period, he shall be entitled to disability payments under the Corporation's disability policies, as amended from time to time, as if his disability had first occurred immediately prior to the end of the severance period.

In the event of death, an amount equal to 2.5 times base salary in the year of the death is payable to the beneficiaries of Canadian executives pursuant to the life insurance program offered under the Corporation's flexible benefit program option available to senior Canadian executives. In the event of the death of a U.S. executive, the beneficiary will receive a payment equal to the calculated amount of the life insurance (up to maximum of \$1,600,000) based on the basic annual salary of the executive in the year of his or her death pursuant to the US Executive Life plan and using the following table:

Age	Multiplier
Under 45	5 times
45 to 49	4 times
50 to 54	3 times
55 or over	2 times

Messrs. Williams, Buron, Thomas, and Edwards are fully vested in the supplemental pension benefits under the DB SERP for Management Committee Members of Domtar and under the DC SERP for Designated Executives of Domtar. They will receive benefits under these plans in the event of their death or if their employment were terminated involuntarily. Mr. Fagan will be vested on May 1, 2014 in the supplemental pension benefits under the DB SERP and DC SERP and, before such date, will only receive benefits under these plans in the event of his death.

Change in Control Protections. The Corporation does not have change in control agreements with its employees. Under our Omnibus Incentive Plan, upon a change in control, unless otherwise determined by the HRC, a participant's awards will be replaced with awards of the acquiring Corporation having the same or better terms. If there is a change in control and a participant's employment is terminated for business reasons in the three months prior to or twenty-four months after the change in control, his or her time-based awards will fully vest and performance-based awards will vest to the extent the applicable performance goals have been achieved as of the date of the change in control or the end of the fiscal quarter immediately prior to the date of termination, whichever date on which the achievement is greater.

If replacement awards are not available, unless the HRC determines otherwise, all time-based awards fully vest and performance-based awards vest to the extent the performance goals related to the award have been achieved as of the date of the change in control. Alternatively, the Committee may determine that vested awards will be canceled in exchange for a cash payment (or other form of change in control consideration) based on the value of the change in control payment and that unvested awards will be forfeited. The Board may also accelerate the vesting of any or all awards upon a change in control.

For the purposes of the Omnibus Incentive Plan, a change in control is defined as an acquisition by a third party of 50% or more of the Corporation's common stock, a change in the composition of a majority of our Board of Directors due to a proxy contest or tender or exchange offer, or a merger, reorganization or similar transaction (including a sale of substantially all assets) where the Corporation's historical stockholders do not control at least a majority of the surviving entity. Awards subject to Section 409A of the Code will vest and be settled upon more narrowly defined change in control events, and in all other change in control events will be replaced by awards of the acquirer (or, where replacement awards are not available, a right to an equivalent cash payment).

Under the plans governing equity awards granted in exchange for legacy Domtar Inc. and Weyerhaeuser Company equity awards, if there is a change in control, unvested options and restricted stock generally vest.

Members of our Management Committee (other than the CEO and Mr. Fagan) are also entitled to the enhanced severance benefits described above in the event one of the covered executives' employment is involuntarily terminated without cause or the executive voluntarily terminates his employment for good reason within 3 months prior to or 24 months following a change in control of the Corporation.

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The following table presents potential payments to each NEO as if the officer's employment had been terminated and/or if a change in control had occurred as of December 31, 2012, the last business day of 2012. If applicable, amounts in the table were calculated using \$83.52 the closing market price of Domtar's common stock on December 31, 2012. The actual amounts that would be paid to any NEO can only be determined at the time of an actual termination of employment and would vary from those listed below. The estimated amounts listed below are in addition to any retirement, welfare and other benefits that are available to *our salaried employees* generally.

Name	Severance Pay (\$)	Equity With	Retirement	Death/	Continued	Total (\$)
		Accelerated Vesting ⁽¹⁾ (\$)	Plan Benefits: SERP (\$)	Disability Benefits (\$)	Perquisites and Benefits ⁽²⁾ (\$)	
John D. Williams						
Death		6,925,628	1,679,640 ⁽³⁾	1,692,789 ⁽³⁾⁽⁵⁾		10,298,057
Disability		6,633,621	1,679,640 ⁽³⁾	2,450,088 ⁽³⁾⁽⁴⁾		10,763,349
Retirement			1,679,640 ⁽³⁾			1,679,640
Involuntary Termination Change-In-Control	5,763,439 ⁽³⁾	7,251,369	2,968,359 ⁽³⁾		32,615 ⁽²⁾	16,015,782
Involuntary Termination within Two Years after a Change-In-Control	5,763,439 ⁽³⁾	7,250,767	2,968,359 ⁽³⁾		32,615 ⁽²⁾	16,015,180
Daniel Buron						
Death		1,233,695	799,299 ⁽³⁾	776,541 ⁽³⁾⁽⁵⁾		2,809,535
Disability		1,164,548		1,338,793 ⁽³⁾⁽⁴⁾		2,503,341
Retirement						
Involuntary Termination Change-In-Control	1,029,588 ⁽³⁾	369,146	799,299 ⁽³⁾		11,537 ⁽²⁾	2,209,570
Involuntary Termination or Termination for Good Reason within Two Years after a Change-In-Control	2,059,176 ⁽³⁾	1,313,458	799,299 ⁽³⁾		11,537 ⁽²⁾	4,183,470
Michael Fagan						
Death		1,154,300	19,259	1,600,000 ⁽⁵⁾		2,773,559
Disability		84,694				84,694
Retirement						
Involuntary Termination Change-In-Control	1,971,875					1,971,875
Involuntary Termination or Termination for Good Reason within Two Years after a Change-In-Control	1,971,875	111,527				2,083,402
Richard Thomas						
Death		775,705	425,640	875,000 ⁽⁵⁾		2,076,345
Disability		729,141	425,640			1,154,781
Retirement		588,574	425,640			1,014,214
Involuntary Termination Change-In-Control	861,000	259,906	425,640		25,150	1,571,696
Involuntary Termination or Termination for Good Reason within Two Years after a Change-In-Control	1,560,563	724,619 ⁽⁶⁾				724,619
Involuntary Termination or Termination for Good Reason within Two Years after a Change-In-Control	1,560,563	817,833	425,640		25,150	2,829,186
Michael Edwards						
Death		779,127	461,345	875,000 ⁽⁵⁾		2,165,472
Disability		738,249	461,345			1,199,594
Retirement		623,381	461,345			1,084,726
Involuntary Termination Change-In-Control	854,900	285,071	461,345		16,939	1,618,255
Involuntary Termination or Termination for Good Reason within Two Years after a Change-In-Control	1,709,800	796,505 ⁽⁶⁾				796,505
Involuntary Termination or Termination for Good Reason within Two Years after a Change-In-Control	1,709,800	821,816	461,345		16,939	3,009,900

- (1) Amount included for PSU grant has been calculated at Target for Death benefits and based on achievement of the performance goals during 2012 for all other instances.
- (2) Amount shown under Continued Perquisites and Benefits represents the cost of company-paid medical, dental, life, accidental death and dismemberment and long-term disability insurance for all NEOs.
- (3) For the purposes of this table, converted to U.S. dollars at spot exchange rate of December 31, 2012 (1.0051).
- (4) Represents the estimated present value of the disability benefit that is in excess of what is currently offered to salaried employees. These benefits are uninsured.

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- (5) Represents the death benefit, which is fully insured.
- (6) Represents the value of awards subject to 409A of the Code that will vest and be settled upon more narrowly defined change in control events as described in the Omnibus Incentive Plan. Includes amounts that would also be paid upon retirement. PSU performance has been calculated based on achievement of the performance goals through December 31, 2012.

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2013 PROXY STATEMENT

ITEM 2 ADVISORY VOTE TO APPROVE NAMED EXECUTIVE

OFFICER COMPENSATION

Our executive officers are compensated in a manner that supports our strategy, competitive needs, sound corporate governance principles, and stockholders interests and concerns. We believe our compensation program is aligned with the long-term interests of our stockholders.

As described in the Compensation Discussion and Analysis section of this proxy statement, the executive compensation program at Domtar is designed to attract, retain and motivate talented key executives to accomplish our operational, financial and strategic objectives over the long-term through our emphasis on variable pay and pay-for-performance. Highlights of the Corporation's executive compensation program, as described in the Compensation Discussion and Analysis section, include:

Pay programs that are competitive with organizations similar in size and business challenges; and primarily performance-based, using multiple performance measures (internal and external);

Bonuses capped to a maximum potential payout;

Disclosure of the financial performance drivers for our short-term incentives, in numeric terms;

Oversight of programs by an independent Human Resources Committee that engages its own independent compensation adviser;

A long-term incentive program that is entirely stock-based and that is weighted toward performance-based equity to align the interest of executives to those of stockholders;

Plan provisions that forbid backdating or repricing of stock options;

No dividends or dividend equivalents provided on any unearned performance shares or units;

Stock ownership guidelines and holding period requirement to achieve guidelines;

Limited use of perquisites;

No excise tax gross-ups for change in control related payments, all of which are based on what we believe are reasonable multiples with double triggers for all severance payments; and

A clawback provision that allows for recoupment of incentives in certain situations.

As a result of challenging economic conditions we faced at the outset of 2012, none of our NEOs received a base salary increase in 2012. To further focus the NEOs and the other senior executives on our ongoing strategic objectives, and key financial and operating goals, our Annual Incentive Plan was recalibrated by the introduction of a pulp productivity metric, the increase of the health and safety metric, and the rebalancing of the two other metrics to emphasize financial performance. In recognition of our business and geographic expansion, ROIC, a key component of our long-term incentive plan, was expanded to include company-wide results.

Our AIP payouts reflect our strong performance for the health and safety metric, as well as the performance below target for the other financial and operational measures.

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We believe that our compensation programs operated as intended. Our business results reflect the challenging operating environment in 2012 and the compensation of our NEOs reflects that performance appropriately.

We urge you to read the Compensation Discussion and Analysis section of this proxy statement for additional details on our executive compensation, including our compensation philosophy and objectives and the 2012 compensation of our Named Executive Officers.

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2013 PROXY STATEMENT

Our stockholders voted in 2011, in a non-binding vote, to have annual advisory votes to approve the compensation paid to Domtar Named Executive Officers, and the Corporation has adopted that approach. The Board of Directors and the Human Resources Committee make executive compensation decisions every year, and our directors will look to the annual advisory vote for information that can be taken into account when they make decisions with respect to our compensation philosophy, policies and practices. Accordingly, pursuant to Section 14A of the Securities Exchange Act of 1934, we are asking you to vote, on an advisory basis, on the adoption of the following resolution:

BE IT RESOLVED that the stockholders approve, on an advisory basis, the compensation paid to Domtar Corporation's Named Executive Officers as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, the compensation tables, and the related disclosure contained in this proxy statement.

As an advisory vote, the voting results on this Proposal are non-binding. However, the Board of Directors and the Human Resources Committee value the opinions of our stockholders, and, consistent with good governance principles, will consider the outcome of the vote when making future compensation decisions for our Named Executive Officers.

The affirmative vote of a majority of the shares of common stock present or represented by proxy and voting on this Item 2 at the annual meeting is required for approval of this Proposal. You have the opportunity to vote for or against, or abstain from voting on, the above resolution.

Unless you instruct us via proxy to vote differently, we will vote valid proxies FOR the approval of the compensation paid by the Corporation to its Named Executive Officers.

Please note that if you hold your shares in Street name, your broker is not able to vote on your behalf with respect to the approval of the compensation paid by the Corporation to its Named Executive Officers without specific voting instructions from you. As a result, it is important that, if you are a stockholder in Street name, you provide instructions to your broker or vote your shares as provided in this proxy statement.

The Board of Directors unanimously recommends a vote FOR the approval of the compensation of our Named Executive Officers as disclosed in this proxy statement.

AUDIT COMMITTEE REPORT CONCERNING FINANCIAL MATTERS

The Audit Committee's primary responsibility is the oversight of the Corporation's financial reporting process on behalf of the Board of Directors. Management is responsible for establishing and maintaining the Corporation's internal controls, for preparing the financial statements, and for the public reporting process. The independent registered public accounting firm is responsible for performing an audit of the Corporation's financial statements in accordance with generally accepted auditing standards and for issuing a report on its audit. The independent registered public accounting firm also issues a report on the effectiveness of the Corporation's internal control over financial reporting. The Audit Committee reviews the work of management and has direct responsibility for retention of the independent registered public accounting firm on behalf of the Board of Directors.

On behalf of the Board of Directors, the Audit Committee appointed PricewaterhouseCoopers LLP (PwC) as its independent registered public accounting firm to audit the Corporation's consolidated financial statements and the Corporation's internal control over financial reporting for the year ended December 31, 2012.

In conjunction with the activities performed by the Audit Committee in its oversight role, it has issued the following report as of February 19, 2013:

- (1) The Audit Committee has reviewed and discussed with management of the Corporation and PwC the audited financial statements as of and for the year ended December 31, 2012. In addition, the Audit Committee reviewed and discussed with management, management's assessment and report on the effectiveness of the Corporation's internal controls over financial reporting and PwC's attestation report on the effectiveness of the Corporation's internal controls over financial reporting. These discussions included meetings with PwC without representatives of management being present.
- (2) The Audit Committee has discussed with PwC the matters required to be discussed by Statement on Auditing Standards (SAS) No. 61 (Communication with Audit Committees) as amended (AICPA, Professional Standards, AU Section 380), and in effect on the date of this report, as adopted by the Public Company Accounting Oversight Board in Rule 3200T.
- (3) The Audit Committee has discussed with PwC its independence from the Corporation, and the Audit Committee has received from PwC, as required by applicable requirements of the Public Company Accounting Oversight Board:
 - (i) a written disclosure, indicating all relationships, if any, between PwC and its related entities and the Corporation and its related entities which, in PwC's professional judgment, reasonably may be thought to bear on PwC's independence, and
 - (ii) a letter from PwC confirming that, in its professional judgment, it is independent of the Corporation within the meaning of the securities acts administered by the SEC.
 - (iii) The Audit Committee has determined that PwC's provision of audit and non-audit services to the Corporation is compatible with maintaining auditor independence.

Based on the reviews and discussions referred to in paragraphs (1) through (3) above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2012, for filing with the SEC.

THE AUDIT COMMITTEE:

Robert J. Steacy, Chair

Giannella Alvarez

Jack C. Bingleman

David G. Maffucci

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FEES

The Corporation's fees for services performed by its independent auditor, PricewaterhouseCoopers LLP, (PwC) during fiscal years 2012 and 2011 were:

	2012	2011
Audit fees ⁽¹⁾	\$2,652,069	\$2,366,172
Audit-related fees ⁽²⁾	\$ 183,688	\$ 299,200
Tax fees ⁽³⁾	\$ 501,678	\$ 216,905
All other fees ⁽⁴⁾	\$ 5,959	\$ 41,900
Total	\$3,343,394	\$2,924,177

- (1) Audit fees were primarily for services rendered in connection with the audit of the financial statements included in the Annual Report of the Corporation on Form 10-K, reviews of the financial statements included in the Corporation's Quarterly Reports on Form 10-Q. Audit fees also include fees for professional services rendered for the audit of the effectiveness of internal control over financial reporting and the statutory audit of a 100% owned subsidiary in 2012 and 2011.
- (2) Audit related fees for 2012 were for compliance certification, certain specified audit procedures in connection with the divestiture of the Wood business and other issuance of special purpose reports, as well as issuance of comfort and consent letters in connection with long-term debt issuance. Audit related fees in 2011 were for due diligence services, certain specified audit procedures in connection with the divestiture of the Wood business and compliance certifications.
- (3) Tax fees related to tax compliance, tax planning and tax advice.
- (4) The 2012 fees included amounts for license fees for an accounting and reporting research tool. The 2011 fees included amounts for market research, support in enterprise risk management and for license fees for an accounting and reporting research tool.

The Audit Committee has established policies requiring its pre-approval of audit and non-audit services provided by the independent registered public accounting firm. The policies require that the Committee pre-approve specifically described audit and audit-related services, annually. For the annual pre-approval, the Committee approves categories of audit services and audit-related services, and related fee budgets. For all pre-approvals, the Audit Committee considers whether such services impair the independence of the Corporation's independent registered public accounting firm. In accordance with its policies, the Audit Committee has delegated pre-approval authority to Robert J. Steacy, in his capacity as Chairman of the Audit Committee. All audit and non-audit fees were approved pursuant to the policy in 2012 and 2011.

ITEM 3 RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of the Board of Directors has appointed PricewaterhouseCoopers LLP (PwC) as its independent registered public accounting firm for the Corporation for the year 2013.

The Corporation appointed PwC as independent auditor to audit the Corporation's financial statements beginning with the financial statements as of and for the year ended December 30, 2007. The engagement of PwC was approved by the Audit Committee of the Board on March 7, 2007. PwC was the independent auditor of Domtar Inc. prior to March 7, 2007.

Since its incorporation in August 2006, the Corporation has not consulted PwC regarding (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Corporation's financial statements, nor did PwC provide written or oral advice to the Corporation that PwC concluded was an important factor considered by the Corporation in reaching a decision as to the accounting, auditing or financial reporting issue; or (ii) any matter that was either the subject of a disagreement (as defined in Regulation S-K Item 304(a)(1)(iv) and the related instructions), or a reportable event (as defined in Item 304(a)(1)(v) of Regulation S-K).

Although we are not required to have our stockholders ratify the selection of PwC as our independent registered public accounting firm, the Board of Directors requests ratification of this appointment by the stockholders as a matter of good corporate practice. A representative of PwC will be present at the annual meeting with the opportunity to make a statement if he or she so desires and to respond to appropriate questions.

The Board of Directors unanimously recommends a vote FOR ratification of the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm for the Corporation in 2013.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS, DIRECTORS AND OFFICERS

Domtar Corporation had a total of 34,238,604 shares of common stock issued and outstanding as of December 31, 2012. Based upon information available to the Corporation concerning ownership of shares of Corporation common stock as of December 31, 2012, there was 1 beneficial owner of more than 5% of the common stock of the Corporation:

BlackRock, Inc., 40 East 52nd Street, New York, NY 10022, beneficially owns 4,073,278 shares or 11.76% of the Corporation's common stock. This information is based on the entity's report on Schedule 13G dated January 11, 2013.

Domtar (Canada) Paper Inc., an indirectly-owned subsidiary, had a total of 607,814 exchangeable shares issued and outstanding, equivalent to less than 5% of Corporation common stock as of December 31, 2012. These exchangeable shares are intended to be substantially the economic equivalent to shares of Corporation common stock and are exchangeable at the option of the holder on a one-for-one basis for shares of Domtar Corporation common stock.

The total combined number of common stock and exchangeable shares issued and outstanding was 34,846,418 at December 31, 2012.

The amounts and percentages of shares beneficially owned are reported on the basis of SEC regulations governing the determination of beneficial ownership of securities. Under SEC rules, a person is deemed to be a beneficial owner of a security if that person has or shares voting power or investment power, which includes the power to dispose of or to direct the disposition of such security. A person is also deemed to be a beneficial owner of any securities of which that person has a right to acquire beneficial ownership within 60 days. Securities that can be so acquired are deemed to be outstanding for purposes of computing such person's ownership percentage, but not for purposes of computing any other person's percentage. Under these rules, more than one person may be deemed to be a beneficial owner of the same securities and a person may be deemed to be a beneficial owner of securities as to which such person has no economic interest.

The following table sets forth the number of shares of the Corporation's common stock beneficially owned by each of the Corporation's directors and executive officers, and all directors and executive officers as a group (including, in each case, any exchangeable shares of Domtar (Canada) Paper Inc. beneficially owned by such directors and officers), based upon information available to the Corporation as at March 28, 2013. None of the shares indicated below are subject to hedging or pledge. The mailing address of each of these individuals is c/o Domtar Corporation, 395 de Maisonneuve Blvd. West, Montreal, Quebec, Canada H3A 1L6.

Name of Beneficial Owner	Number of Shares of Common Stock Beneficially Owned ⁽¹⁾⁽²⁾	Percent of Outstanding Common Stock
Non-Executive Directors		
Harold H. MacKay	17,720	*
Giannella Alvarez**	917	*
Robert E. Apple***	254	*
Jack C. Bingleman	21,290	*
Louis P. Gignac	13,805	*
Brian M. Levitt	16,815	*
David G. Maffucci****	1,856	*
Robert J. Steacy	12,341	*
Pamela B. Strobel	12,261	*
Denis Turcotte	16,214	*

Name of Beneficial Owner	Number of Shares of Common Stock Beneficially Owned ⁽¹⁾⁽²⁾	Percent of Outstanding Common Stock
Executive Officers		
John D. Williams	19,685	*
Melissa Anderson	5,014	*
Daniel Buron	26,638	*
Michael Edwards	4,852	*
Michael Fagan		*
Zygmunt Jablonski	5,929	*
Patrick Loulou	19,007	*
Richard Thomas	19,106	*
Mark Ushpol	6,248	*
All Directors and Executive Officers as a group	219,952	*

* Less than 1%

** Elected to the Board in May 2012

*** Elected to the Board in October 2012

**** Elected to the Board in May 2011

(1) Beneficial ownership of securities is based on information furnished or confirmed by each director or executive officer.

(2) Includes the following shares subject to stock options, restricted stock units or deferred stock units exercisable, vested or vesting within 60 days of March 28, 2013:

Name	Stock Options	Restricted Stock Units	Deferred Stock Units
Non-Executive Directors			
Harold H. MacKay			15,972
Giannella Alvarez**			807
Robert E. Apple***			254
Jack C. Bingleman			21,290
Louis P. Gignac			11,805
Brian M. Levitt			16,815
David G. Maffucci****			1,856
Robert J. Steacy			11,924
Pamela B. Strobel			11,844
Denis Turcotte			14,964
Executive Officers			
John D. Williams	6,588	13,097	
Melissa Anderson	1,400	3,614	
Daniel Buron	17,582	3,693	
Michael Edwards	2,181	2,370	
Michael Fagan			
Zygmunt Jablonski	1,567	1,761	
Patrick Loulou	8,032	1,899	
Richard Thomas	12,638	2,305	
Mark Ushpol	4,260	1,500	

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires the Corporation's directors and executive officers to file reports of ownership and changes in ownership of their equity securities of the Corporation with the SEC and to furnish the Corporation with copies of such reports. Based solely upon a review of Forms 3, 4 and 5 furnished to the Corporation during the fiscal year ended December 31, 2012, no director, officer, beneficial owner of more than 10% of our outstanding common stock, or any other person subject to Section 16 of the Exchange Act, failed to file on a timely basis during the fiscal year ended December 31, 2012.

OTHER BUSINESS

The Board of Directors is not aware of any other matters to be presented at the annual meeting. If any other matter proper for action at the meeting should be presented, the holders of the accompanying proxy will vote the shares represented by the proxy on such matter in accordance with their best judgment. If any matter not proper for action at the meeting should be presented, the holders of the proxy will vote against consideration of the matter or the proposed action.

ANNUAL REPORT FOR 2012

Copies of the Corporation's annual report on Form 10-K for the fiscal year ended December 31, 2012 are being furnished concurrently with this proxy statement to persons who were stockholders of record as of March 8, 2013, the record date for the annual meeting. These materials do not form part of the material for the solicitation of proxies. We hereby incorporate by reference into this proxy statement Item 10: Directors and Executive Officers of the Registrant of our annual report on Form 10-K for the fiscal year ended December 31, 2012.

By order of the Board of Directors,

Razvan L. Theodoru
Vice-President, Corporate Law and Secretary

Montreal, Quebec

March 28, 2013

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

Domtar Corporation

Reconciliation of Non-GAAP Financial Measures

(In millions of dollars, unless otherwise noted)

The following table sets forth certain non-U.S. generally accepted accounting principles (GAAP) financial metrics identified in bold as Earnings before items , Earnings before items per diluted share , EBITDA , EBITDA margin , EBITDA before items , EBITDA margin before items , Free cash flow , Net debt and debt-to-total capitalization. Management believes that the financial metrics presented are frequently used by investors and are useful to evaluate our ability to service debt and our overall credit profile. Management believes these metrics are also useful to measure the operating performance and benchmark with peers within the industry. These metrics are presented as a complement to enhance the understanding of operating results but not in substitution for GAAP results.

The Corporation calculates Earnings before items and EBITDA before items by excluding the after-tax (pre-tax) effect of items considered by management as not reflecting our current operations. Management uses these measures, as well as EBITDA and Free cash flow, to focus on ongoing operations and believes that it is useful to investors because it enables them to perform meaningful comparisons between periods. Domtar believes that using this information along with Net earnings provides for a more complete analysis of the results of operations. Net earnings and Cash flow provided from operating activities are the most directly comparable GAAP measures.

		2010	2011	2012	
Reconciliation of Earnings before items to Net earnings					
	Net earnings	(\$)	605	365	172
(-)	Alternative fuel tax credits	(\$)	(18)		
(-)	Cellulose biofuel producer credits	(\$)	(127)		
(-)	Reversal of valuation allowance on Canadian deferred income tax balances	(\$)	(100)		
(+)	Impairment and write-down of PP&E ¹ and intangible assets	(\$)	34	53	9
(+)	Closure and restructuring costs	(\$)	20	33	20
(-)	Net losses (gains) on disposals of PP&E ¹ and sale of businesses	(\$)	29	(3)	1
(+)	Impact of purchase accounting	(\$)		1	1
(+)	Loss on repurchase of long-term debt	(\$)	28	3	30
(=)	Earnings before items	(\$)	471	452	233
(/)	Weighted avg. number of common and exchangeable shares outstanding (diluted)	(millions)	43.2	40.2	36.1
(=)	Earnings before items per diluted share	(\$)	10.90	11.24	6.45
Reconciliation of EBITDA and EBITDA before items to Net earnings					
	Net earnings	(\$)	605	365	172
(+)	Equity loss, net of taxes	(\$)		7	6
(+)	Income tax expense (benefit)	(\$)	(157)	133	58
(+)	Interest expense, net	(\$)	155	87	131
(=)	Operating income	(\$)	603	592	367
(+)	Depreciation and amortization	(\$)	395	376	385
(+)	Impairment and write-down of PP&E ¹ and intangible assets	(\$)	50	85	14

		2010	2011	2012	
Reconciliation of Earnings before items to Net earnings					
(-)	Net losses (gains) on disposals of PP&E ¹ and sale of businesses	(\$)	33	(6)	2
(=)	EBITDA	(\$)	1,081	1,047	768
(/)	Sales	(\$)	5,850	5,612	5,482
(=)	EBITDA margin	(%)	18%	19%	14%
	EBITDA	(\$)	1,081	1,047	768
(-)	Alternative fuel tax credits	(\$)	(25)		
(+)	Closure and restructuring costs	(\$)	27	52	30
(+)	Impact of purchase accounting	(\$)		1	1
(=)	EBITDA before items	(\$)	1,083	1,100	799
(/)	Sales	(\$)	5,850	5,612	5,482
(=)	EBITDA margin before items	(%)	19%	20%	15%
Reconciliation of Free cash flow to Cash flow provided from operating activities					
	Cash flow provided from operating activities	(\$)	1,166	883	551
(-)	Additions to PP&E ¹	(\$)	(153)	(144)	(236)
(=)	Free cash flow	(\$)	1,013	739	315
Net debt-to-total capitalization computation					
	Bank indebtedness	(\$)	23	7	18
(+)	Long-term debt due within one year	(\$)	2	4	79
(+)	Long-term debt	(\$)	825	837	1,128
(=)	Debt	(\$)	850	848	1,225
(-)	Cash and cash equivalents	(\$)	(530)	(444)	(661)
(=)	Net debt	(\$)	320	404	564
(+)	Shareholders' equity	(\$)	3,202	2,972	2,877
(=)	Total capitalization	(\$)	3,522	3,376	3,441
	Net debt	(\$)	320	404	564
(/)	Total capitalization	(\$)	3,522	3,376	3,441
(=)	Net debt-to-total capitalization	(%)	9%	12%	16%

Earnings before items, Earnings before items per diluted share, EBITDA, EBITDA margin, EBITDA before items, EBITDA margin before items, Free cash flow, Net debt and Net debt-to-total capitalization have no standardized meaning prescribed by GAAP and are not necessarily comparable to similar measures presented by other companies and therefore should not be considered in isolation or as a substitute for Net earnings, Operating income or any other earnings statement, cash flow statement or balance sheet financial information prepared in accordance with GAAP. It is important for readers to understand that certain items may be presented in different lines by different companies on their financial statements thereby leading to different measures for different companies.

(1) PP&E: Property, plant and equipment

Domtar Corporation

Reconciliation of Non-GAAP Financial Measures By Segment

(In millions of dollars, unless otherwise noted)

The following table sets forth certain non-U.S. generally accepted accounting principles (GAAP), financial metrics identified in bold as Operating income (loss) before items , EBITDA before items and EBITDA margin before items by reportable segment. Management believes that the financial metrics presented are frequently used by investors and are useful to measure the operating performance and benchmark with peers within the industry. These metrics are presented as a complement to enhance the understanding of operating results but not in substitution for GAAP results.

The Corporation calculates the segmented Operating income (loss) before items by excluding the pre-tax effect of items considered by management as not reflecting our ongoing operations. Management uses these measures to focus on ongoing operations and believes that it is useful to investors because it enables them to perform meaningful comparisons between periods. Domtar believes that using this information along with Operating income (loss) provides for a more complete analysis of the results of operations. Operating income (loss) by segment is the most directly comparable GAAP measure.

		Pulp and Paper			Distribution			Personal Care ⁽¹⁾		Corporate			
		2010	2011	2012	2010	2011	2012	2010	2011	2010	2011	2012	
Reconciliation of Operating income (loss) to	Operating income (loss) before items												
(-)	Operating income (loss)	(\$)	667	581	346	(3)	(16)	7	45	(7)	4	(8)	
(-)	Alternative fuel tax credits	(\$)	(25)										
(+)	Impairment and write-down of PP&E ² and intangible assets	(\$)	50	85	9		5						
(+)	Closure and restructuring costs	(\$)	26	51	27	1	1	2	1				
(-)	Net losses (gains) on disposals of PP&E ² and sale of businesses	(\$)	(17)	3	2	(3)				2	(6)		
(+)	Impact of purchase accounting	(\$)						1	1				
(=)	Operating income (loss) before items	(\$)	701	720	384	(2)	(2)	(9)	8	47	(5)	(2)	(8)
Reconciliation of	Operating income (loss) before items to EBITDA before items												
(+)	Operating income (loss) before items	(\$)	701	720	384	(2)	(2)	(9)	8	47	(5)	(2)	(8)
(+)	Depreciation and amortization	(\$)	381	368	361	4	4	4	4	20			
(=)	EBITDA before items	(\$)	1,082	1,088	745	2	2	(5)	12	67	(5)	(2)	(8)
(/)	Sales	(\$)	5,070	4,953	4,575	870	781	685	71	399			
(=)	EBITDA margin before items	(%)	21%	22%	16%				17%	17%			

Operating income (loss) before items , EBITDA before items and EBITDA margin before items have no standardized meaning prescribed by GAAP and are not necessarily comparable to similar measures presented by other companies and therefore should not be considered in isolation or as a substitute for Operating income (loss) or any other earnings statement, cash flow statement or balance sheet financial information prepared in accordance with GAAP. It is important for readers to understand that certain items may be presented in different lines by different companies on their financial statements thereby leading to different measures for different companies.

(1) On May 10, 2012, the Corporation acquired 100% of the shares of EAM Corporation. On March 1, 2012, the Corporation acquired 100% of the shares of Attends Healthcare Limited.

On September 1, 2011, the Corporation acquired 100% of the shares of Attends Healthcare, Inc.

(2) PP&E: Property, plant and equipment.

