



CORPORATE POLICIES

C-101 – Canexus Ethics Policy

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1.0 Purpose

Canexus Corporation (the “Corporation”) is the sole shareholder of Canexus Limited and is responsible to administer the Corporation’s direct and indirect subsidiaries (collectively, “Canexus”). Canexus and its predecessors have a long history of operating with integrity. Canexus’ business practices are guided by the principles in Canexus’ core values:

Reputation: Our reputation is our most important asset. It is based upon our unwavering commitment to integrity, Responsible Care® and quality.

Results: We all take responsibility for our results. We maximize our performance through innovation, continuous improvement, prudent risk-taking and fact-based decision-making.

Resources: Our resources drive success. People excellence is achieved by embracing continuous learning, empowerment, teamwork, recognition and diversity.

Relationships: We value long-term mutually beneficial relationships with stakeholders. Relationships are founded upon respect, trust and open communication.

This Ethics Policy sets out the standards for maintaining Canexus’ unwavering commitment to integrity. This Policy is endorsed by the Canexus Board of Directors and executive management team.

2.0 Definitions

Accounting Related Complaint

An Integrity Issue or complaint regarding accounting, internal accounting controls or auditing matters.

Audit Committee

The Audit Committee of the Board of Directors of the Corporation.

Canexus

The Corporation’s subsidiaries, including Canexus Limited, general partner of Canexus Limited Partnership.

General Counsel

The Vice President, General Counsel and Corporate Secretary of the Corporation.

Good Faith

Having honest intentions to deal fairly without any intention to misrepresent.

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Integrity Issue

Any business practice, action or decision that violates this Policy or the obligation to conduct business in accordance with local laws, regulations or rules.

Material Violation

A material violation or breach of Canadian federal or provincial securities laws or other applicable laws, or of fiduciary duty under Canadian law.

Representatives

An employee, an individual contracting with Canexus for six months or more, or an officer or director of Canexus or its subsidiaries.

3.0 Scope

3.1 All Representatives are expected to meet the requirements of this Policy throughout Canexus' global operations. In addition, this Policy should be used to guide interactions with external stakeholders, to preserve relationships, and to make business decisions that reflect Canexus' values and respect for people, communities, the environment, safety and the law.

3.2 Representatives shall comply with the applicable laws, rules and regulations of the countries in which the business is being conducted. Where Representatives have questions, they are encouraged to seek guidance from in-country management or Canexus' Legal Department.

3.3 No waiver of a provision of this Policy, including an implicit waiver by non-action, will be made for any Representatives without the prior approval of the Corporation's Board of Directors. Disclosure of any changes to, or waivers of, this Policy will be disclosed as required by applicable securities legislation and regulations.

4.0 Roles and Responsibilities

4.1 All Canexus Representatives must demonstrate a commitment to ethical business practices by conducting themselves with integrity, by acting honestly and ethically and complying with relevant laws, rules and regulations and behaving in a manner which is consistent with Canexus' values.

4.2 Everyone at Canexus is expected to use good judgment and common sense. To determine whether this Policy is being applied properly, Representatives should consider how management, other Representatives or external stakeholders could interpret a violation or suspected violation of this Policy. Since every situation that may arise cannot be contemplated, Representatives are expected to seek guidance when they are uncertain about a particular situation.

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Duty to Report

Integrity Issues that must be reported include perceived or actual:

- Violations of the law;
- Violations of Canexus' policies;
- Danger to a Representative's or the public's health, safety or security;
- Risk to Canexus-owned assets, property or resources;
- Accounting or auditing irregularities; and
- Concerns about other business conduct that exposes Canexus to fraud or are contrary to Canexus' values.

Representatives

Representatives are expected to:

- Upon hire, review and acknowledge their understanding and willingness to abide by this Policy;
- Participate in Canexus' mandatory Integrity training within three months of hire;
- Annually complete the Integrity training and Statement of Compliance;
- Read, understand and comply with this Policy, all other Canexus policies, applicable laws and other regulatory requirements which govern Canexus' business conduct;
- Report any concerns or suspected or actual violations of this Policy;
- Cooperate fully and honestly in investigations of alleged illegal or unethical activity, as requested or necessary;
- Not knowingly assist another person in conducting business in a manner which contravenes this Policy, other Canexus policies, applicable laws or regulatory requirements;
- Endeavour to deal fairly with Canexus' customers, suppliers, competitors and Representatives, and not take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair-dealing practice; and
- Not engage in aiding or abetting a supplier or customer in illegally booking revenue or expenses to enhance their financial reports.

Managers and Supervisors

Canexus managers and supervisors are expected to set the tone for this Policy by modeling exemplary ethical business conduct. In addition to the responsibilities listed above, those who supervise others have additional responsibilities to:

- Ensure that those who report to them understand the importance of compliance with this Policy and other Canexus policies, applicable laws, rules and regulatory requirements;
- Sustain an environment in which Representatives and others who do business on behalf of Canexus know that ethical behaviour is expected and is the norm for all business conduct;

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- Monitor and recognize the ethical conduct of Representatives under their supervision;
- Ensure that Representatives who they supervise receive mandatory integrity education and compliance and any other integrity-related information or training necessary;
- Avoid hiring of any individual who they have reason to believe may engage in unlawful or unethical activities;
- Use reasonable care to monitor others acting on behalf of Canexus, ensuring that they conduct business in a manner consistent with this Policy;
- When unable to assist, encourage Representatives to report Integrity Issues or seek advice from other Canexus resources;
- Support Representatives or external stakeholders who, in Good Faith, raise questions or concerns regarding suspected or actual unethical business practices;
- Prevent retaliation towards Representatives or external stakeholders who, in Good Faith, report, supply information or assist in the investigation of an integrity-related concern.

Lawyers Representing Canexus

Any lawyer representing Canexus, whether employed by Canexus or retained to perform legal work on behalf of Canexus, who becomes aware of any Material Violation by Representatives or agent of Canexus shall report it to the General Counsel.

Legal Department

The General Counsel shall provide integrity training, manage the annual compliance process and is responsible to implement systems to measure and assess performance in ethics and compliance, including internal monitoring, periodic risk assessments and recommendations to entrench ethical practices, remediate integrity concerns and reform systems.

5.0 Integrity Issues Reporting and Management

5.1 Canexus assumes that all reports, including those made through the Integrity Hotline, are made in Good Faith, and are real, legitimate and significant enough to warrant an investigation. Since every situation that may arise cannot be contemplated, Representatives should seek guidance when they are uncertain about a particular situation.

Methods of Reporting

If Representatives know or suspect wrongdoing, the following options are available for reporting that concern, listed in order of preference:

1. Direct Dialogue

In most instances, integrity concerns can be raised directly with a supervisor. Dialogue is preferred because it allows for two-way exchange and faster resolution of

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concerns. In rare instances where direct dialogue may not be the best option, Representatives should seek guidance from another source that can assist in the resolution of the concern, including:

- A human resources advisor;
- A member of the internal audit, legal or corporate security departments; or
- A member of management.

2. Integrity Hotline

Integrity concerns can be reported through Canexus’ Integrity Hotline which is administered by a third party, external service provider. The Integrity Hotline enables confidential reporting via the internet or by telephone. The Integrity Hotline can be accessed through Canexus’ internal and external websites. While it is preferred that integrity concerns be raised directly with someone at Canexus who can act upon the concern, it is recognized that anonymity may be desired. Reports to the Integrity Hotline can be made anonymously while still facilitating two-way communication. Representatives who want to remain anonymous are strongly encouraged to use the Integrity Hotline rather than using other means such as an anonymous note or letter.

The Integrity Hotline can be contacted via EthicsPoint’s website, www.ethicspoint.com or one of the telephone numbers listed below:

North America 1-888-205-1295 (toll free in U.S. and Canada)

Brazil 0800-891-1667 (toll free in Brazil)

5.2 External Stakeholders

While Canexus cannot impose a duty on external stakeholders to report, the methods to report described in section 5.1 are also offered to external stakeholders as a means of voicing concerns they may have regarding Canexus’ business practices or conduct.

5.3 Investigating Integrity Issues

Integrity Issues are investigated with the utmost respect, discretion and privacy. Canexus makes every effort to ensure prompt, consistent and fair resolution of all matters. The General Counsel is responsible for reviewing all Integrity Issues and works closely with the Manager, Internal Audit to investigate and resolve all matters. The services of internal and external experts may be engaged to investigate and resolve Integrity Issues. Members of Canexus’ senior management team are apprised of relevant issues and may be involved in the investigation and resolution of Integrity Issues.

5.4 Investigating Accounting Related Complaints

If Representatives are reluctant to use the reporting methods described above for an Accounting Related Complaint, a report may be made directly to the Chair of the Audit Committee in an envelope sent to the Audit Committee Chair, in care of the Corporate

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Secretary, Canexus Limited, #600, 801 – 7 Avenue SW, Calgary, Alberta, T2P 3P7, labeled: “To be opened by the Chair of the Audit Committee only - Submitted pursuant to the Ethics Policy”. The matter will then be investigated using the procedures in Schedule A.

5.5 Non-Retaliation

Retaliation against Representatives, a lawyer representing Canexus or an external stakeholder who, in Good Faith, raises concerns or questions about misconduct will not be tolerated. Representatives will not be affected in a punitive way because they refused to carry out a directive which constitutes corporate fraud, is a violation of this Policy, a violation of the law or presents a substantial and specific danger to themselves or the public’s health and safety. Any Representative who retaliates against a reporter of an Integrity Issue or Accounting Related Complaint will be subject to disciplinary action up to and including possible termination.

6.0 Monitoring and Oversight

- 6.1 The General Counsel is responsible to establish, maintain and implement Canexus’ Ethics Policy and integrity training program, to ensure that Representatives understand the expectations of them and recognize the importance of conducting business with integrity. All enquiries regarding the implementation or content of this Policy should be directed to the General Counsel or the Manager, Internal Audit.
- 6.2 The Manager, Internal Audit has full and open access to Canexus’ integrity management system and is involved in the receipt, retention and resolution of all Integrity Issues. The Audit Committee of Canexus’ Board of Directors has responsibility for overseeing the Ethics Policy. Significant or material Accounting Related Complaints are reported immediately to the Chair of the Audit Committee. Other significant Integrity Issues or Material Violations may be directed to the appropriate Board Committee at the discretion of the General Counsel.
- 6.3 A Compliance and Litigation Update is provided to the Audit Committee on a quarterly basis.
- 6.4 Canexus’ annual mandatory integrity course and statement of compliance is administered by Canexus’ Legal Department with results reported to the Audit Committee at the March meeting of the Board of Directors.
- 6.5 Violations of this Policy or any of the other policies may result in corrective action up to and including termination. Corrective action decisions will be made by the appropriate level of management in conjunction with human resources.

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Schedule A
Investigation Procedures for Accounting Related Complaints

Upon receiving an Accounting Related Complaint, one or both of the General Counsel and the Chair of the Audit Committee will, depending upon the apparent urgency of the matter, call a meeting of the Audit Committee or add the Accounting Related Complaint to the agenda for consideration at the next regularly scheduled meeting of the Committee.

The Audit Committee shall review and discuss, on a preliminary basis, the nature of the Accounting Related Complaint and the accounting, internal accounting controls or auditing matters that are called into question. In conducting the review, the Audit Committee will hold an in camera session, and then require the attendance, at its discretion, of the General Counsel and the Chief Financial Officer, the independent auditor, the person making the Accounting Related Complaint (if the person is not anonymous) and other persons it deems necessary. The purpose of the meeting and the nature of the Accounting Related Complaint shall have been communicated to all attendees by notice prior to the meeting.

If the Audit Committee is satisfied upon a preliminary review that the Accounting Related Complaint has merit, the Audit Committee may, in appropriate circumstances, authorize the Chair of the Audit Committee to retain and consult with the following experts in order to review the Accounting Related Complaint: (1) a law firm not regularly used by Canexus; and (2) a registered public accounting firm, within the meaning of applicable securities legislation, other than the independent auditor.

Following the conclusion of its inquiries, the Audit Committee shall meet to determine the merit of the Accounting Related Complaint. Minutes of the meeting shall be kept to ensure a record of the nature and treatment of the Accounting Related Complaint.

Upon reaching a determination, the Audit Committee will communicate its findings and recommendations to Canexus' Board of Directors. The Board shall consider and implement any recommendations it deems advisable to rectify any deficiencies identified in the Accounting Related Complaint and shall communicate its actions to management.

The Audit Committee shall ensure that confidentiality will be maintained throughout the investigatory process to the extent practicable and appropriate. A written summary of the final determination will be provided to the person who made the Accounting Related Complaint if possible.

The Audit Committee shall retain all documentation regarding the Accounting Related Complaint, its preliminary review, any investigation, determination and implementation of recommendations for at least ten years.