

DOMTAR CORPORATION

Procedures for the Review of Related Person Transactions

1. Introduction and Definitions

The Board of Directors has adopted this policy to set forth the policies and procedures that shall be followed in connection with all Related Person Transactions involving Domtar Corporation (the “Company”). Any Related Person Transaction shall be consummated or shall continue only if the Audit Committee (or any designated member of the Audit Committee) shall approve or ratify such transaction in accordance with the guidelines set forth in this policy.

For purposes of this policy, the following terms shall have the following meanings:

A “Related Person” is: (a) any person who, since the beginning of the last fiscal year of the Company, is or was an executive officer or director or who is a nominee for director of the Company; (b) a person who is an immediate family member¹ of any such person; (c) a shareholder owning of record or beneficially more than five percent of any class of voting securities of the Company, or an immediate family member of any such shareholder; or (d) an entity which is owned or controlled by someone listed in (a), (b) or (c) above, or an entity in which someone listed in (a), (b) or (c) above has a substantial ownership interest or control of such entity.

A “Related Person Transaction” means any transaction (including, but not limited to, any financial transaction, arrangement or relationship or any series of similar transactions, arrangements or relationships, referred to herein as a “Transaction”) which is currently proposed, or has been in effect at any time since the beginning of the Company’s most recent fiscal year in which:

- The Company or any subsidiary was or is to be a participant;
- The amount exceeds \$120,000; and
- A Related Person has or will have a direct or indirect material interest.

¹ Item 404(a) of Regulation S-K defines an “immediate family member” to include a person’s child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law and sister-in-law and any other person (other than a tenant or employee) sharing the household of such person.

Factors to be considered in determining whether a Related Person's interest in a Transaction is material include the importance of the interest to the Related Person (financial or otherwise), the relationship of the Related Person to the Transaction, and the dollar amount involved in the Transaction.

Examples of Related Person Transactions may include:

- Legal, investment banking, consulting, or management services provided to the Company by a Related Person or a business entity with which the Related Person is affiliated;
- Sales, purchases and leases of real or personal property between the Company and a Related Person or a business entity with which the Related Person is affiliated;
- Investments by the Company in a business entity with which a Related Person is affiliated;
- Contributions by the Company to a civic or charitable organization for which a Related Person serves as an executive officer; or
- Indebtedness or guarantees of indebtedness involving the Company and a Related Person or a business entity with which the Related Person is affiliated.

The following are examples of Transactions that are not included within the meaning of "Related Person Transaction":

- Transactions available to all employees generally or in which the Related Person's interest arises solely from the ownership of a class of equity securities of the Company and all holders of such class received the same benefits on a *pro rata* basis;
- Executive officer or director compensation arrangements approved by the Company's Board or a Committee of the Board;
- Transactions in which the rates or charges involved are determined by competitive bids;
- Ordinary course of business and travel advances and reimbursements; and
- Transactions in which the Related Person's interest arises only from (a) such person's position as a director of another entity that is a party to the transaction, or (b) the ownership by such person and all other Related Persons, in the aggregate, of less than a 10% equity interest in another entity and, in the case of partnerships, the person is not a general partner.

2. Reporting of Related Person Transactions

Each director and executive officer shall be responsible for notifying the Corporate Secretary of the names of all of his or her immediate family members and their affiliates and any changes thereto, including identifying any such family member such director or officer knows to be an employee of the Company or any of its subsidiaries. Each director and executive officer of the Company shall promptly notify the Company's Corporate Secretary in writing of any Transaction that constitutes or may constitute a Related Person Transaction. Any such notice shall be given, with respect to any Related Party Transaction (a) as to which such director or executive officer is to be a party, promptly following the time at which it is proposed that such person become a party to such Transaction, or (b) promptly following the time at which such director or executive officer becomes aware that the Transaction has been proposed or consummated.

Each such notice shall state:

- The Related Person's name and relationship to the Company;
- The Transaction that constitutes or may constitute a Related Party Transaction, including the Related Person's relationship with, or ownership in, any entity that has an interest in such Transaction;
- Whether the Company is a party to the Transaction and if not, the nature of the Company's participation in the Transaction;
- The identities of the other parties to the transaction;
- The purpose and timing of the Transaction;
- The approximate dollar value of the Transaction and the approximate dollar value of the Related Person's interest in the Transaction; and
- The basis on which the Transaction is believed to be arms'-length.

If the Transaction being reported involves an ongoing relationship or arrangement between a Related Person and another entity (for example, if the Related Person is a director or officer of an entity that provides services to or otherwise conducts business with the Company), the director or executive officer is responsible for reporting the relationship under this policy only (i) when such person first enters into the relationship or arrangement or first becomes aware of such relationship or arrangement, and (ii) when any material change in the Related Person's interest in the relationship or arrangement is anticipated or occurs. Once such a Transaction is reported, the Company will monitor the scope and nature of the Company's interest in the Transaction.

The Corporate Secretary shall provide to the members of the Audit Committee (or any designated member of the Audit Committee) a copy of the notice(s) regarding any proposed Related Party Transaction(s) and such other information as the Corporate

Secretary believes would be useful to the Audit Committee (or such designated member) in performing its review of such transaction.

3. Audit Committee Approval

At each regularly scheduled Audit Committee meeting, or any special meeting called for the purpose, the Audit Committee shall review any Related Person Transactions submitted for its consideration by the Corporate Secretary in accordance with Section 2 of this policy and shall approve or disapprove such transactions, and at each subsequently scheduled meeting, management, in its discretion, shall update the Audit Committee as to any material change to those proposed transactions.

The Audit Committee may delegate authority to approve Related Person Transactions to one or more members of the Audit Committee (a “designated member”). Such designated member shall have the authority to approve or ratify any Related Person Transaction submitted to them for review by the Company’s Corporate Secretary in accordance with Section 2 of this policy and shall advise the full Audit Committee of any Related Person Transactions so reviewed at the next regularly scheduled Audit Committee meeting.

The Audit Committee (or any designated member) shall approve or ratify a Related Person Transaction if the Audit Committee (or such designated member) determines, in its business judgment, based on the review of the available information, that the transaction is fair and reasonable to the Company and consistent with the best interests of the Company. Factors to be taken into account in making this determination may include (a) the business purpose of the transaction, (b) whether the transaction is entered into on an arms'-length basis on terms fair to the Company, and (c) whether such a transaction would violate any provisions of the Company’s Code of Business Conduct and Ethics .

4. Disclosure; Annual Review and Assessment

The Audit Committee shall review and assess the adequacy of this Policy annually and adopt any changes it deems necessary. The Corporate Secretary shall distribute this Policy to each executive officer and director and each person known to the Company to be a 5% holder of the Company.

Related Person Transactions are to be disclosed in the Company’s applicable filings as required by the *Securities Act of 1933*, as amended, and the *Securities Exchange Act of 1934*, as amended, and related rules. Furthermore, all Related Person Transactions shall be disclosed to the Audit Committee of the Board of Directors and any Related Person Transaction that is material to the Company shall be disclosed to the full Board of Directors.

5. Application of This Policy

Material amendments and/or modifications to Related Person Transactions previously approved or ratified by the Audit Committee (or any designated member) shall require the approval or ratification of the Audit Committee (or any designated member).

Related Person Transactions involving director nominees shall be identified and approved or ratified on or prior to the time the nominee is considered for election.

The procedures set forth in this policy are supplemental to, and are not intended to replace or supersede, any other policies or procedures of the Company that require any governing body or an officer of the Company to review and/or approve Company transactions. In addition, these procedures are supplemental to, and are not intended to replace or supersede, the Company's other policies and procedures that may be applicable to transactions with Related Persons, including the Company's Code of Business Conduct and Ethics, and Corporate Governance Guidelines and the requirements relating to the Company's questionnaires for directors and officers. Transactions that are subject to the procedures set forth in this policy must be reported by each director, nominee for director, and executive officer as required by Section 2 regardless of whether such transactions are in compliance with the foregoing other policies and procedures.

Approval or ratification of a Related Person Transaction by the Audit Committee (or any designated member) in accordance with the procedures set forth in this policy shall not constitute final approval of the Company's participation in the transaction in any case where, in accordance with the standard governance practices and procedures of the Company, approval of the transaction by the Company would be required; nor, in any such case, shall the prior approval by the Audit Committee (or any designated member) relieve the Related Person from providing to the Board of Directors of the Company full disclosure of the material facts regarding the nature of the transaction and the Related Person's relationship to, and interest in, the transaction.

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