



SUSTAINABILITY
AT DOMTAR

WORKING *Smart*
FOR THE LONG TERM

2017

SUSTAINABILITY AT DOMTAR

SUSTAINABILITY AT DOMTAR IS OUR ENDEAVOR TO TAKE A LONGER-TERM VIEW OF CREATING AND PRESERVING VALUE FOR OUR SHAREHOLDERS, CUSTOMERS, EMPLOYEES AND COMMUNITIES. WE DO THIS BY SEEKING A CLEAR UNDERSTANDING OF HOW OUR OPERATIONS AND PRODUCTS ARE INTERCONNECTED WITH EMERGING OPPORTUNITIES AND RISKS IN THE WORLD AROUND US.



"Making products for which there is growing demand, leveraging our access to renewable wood fiber, repurposing our assets for biorefining, and turning byproducts into new revenue streams have become central to Domtar's plan for sustainable growth."

John D. Williams
President and Chief Executive Officer

View the full report at
www.domtar.com/sustainability



Dr. Shabnam Sanaei, project manager,
research and development
Montreal, Quebec

Caring FOR PEOPLE AND COMMUNITIES

PRIORITIES

- > Recruit and retain the best employees who share our values of agility, caring and innovation.
- > Equip and empower our employees with the skills and opportunities to succeed.
- > Engage more of our employees in leading safety activities that help anticipate and prevent potential incidents.
- > Contribute to making our communities great places to live and work.

53% REDUCTION
IN RECORDABLE SAFETY INCIDENTS SINCE 2008



9,983 EMPLOYEES
89% IN NORTH AMERICA,
11% IN EUROPE



MORE THAN 290,000
LEADING SAFETY ACTIVITIES LOGGED BY OUR EMPLOYEES IN 2016



33%
OF DOMTAR'S BOARD OF DIRECTORS ARE WOMEN



4,000+
HOURS CONTRIBUTED BY OUR EMPLOYEES AT DOMTAR-SPONSORED EVENTS IN OUR COMMUNITIES



\$2.2 MILLION
TOTAL VALUE OF COMMUNITY INVESTMENTS COMPANY-WIDE IN 2016

3.9%
VOLUNTARY TURNOVER RATE IN 2016 COMPARED TO A 10.1% VOLUNTARY TURNOVER RATE FOR THE U.S. MANUFACTURING & DISTRIBUTION INDUSTRY*



* www.compensationforce.com, 2016 Turnover Rates by Industry.

HOW WORK ACTUALLY GETS DONE

It's a simple but smart idea to go to the people who know most about how to do something safely – our employees who actually do the work in our facilities. By understanding how employees truly perform work—not how management thinks work is accomplished—we can make real safety progress.

Read the full story on page 18.



Efficient MANUFACTURING

PRIORITIES

- > Execute additional efficiency opportunities and maximize the economic value from our energy generation assets.
- > Understand the full cost of using water to empower local facility managers to use it more efficiently.
- > Improve resource efficiency in our manufacturing processes to minimize waste and find higher value uses for our manufacturing byproducts.

75%
RENEWABLE ENERGY
USED IN OUR PULP
AND PAPER MILLS**

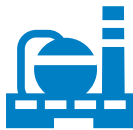


INDUSTRY AVERAGE = 67%***

13%
REDUCTION IN
GREENHOUSE GAS
EMISSIONS AT PULP AND
PAPER MILLS SINCE 2010



\$20 MILLION
INVESTED TO
ELIMINATE COAL
BURNING IN SIX
POWER BOILERS
SINCE 2014



81%
OF PERSONAL CARE
MANUFACTURING
BYPRODUCTS WERE
RECYCLED IN 2016



5%
REDUCTION IN
WATER USE AT
PULP AND PAPER
MILLS SINCE 2012



73% OF
PULP AND PAPER MILL
MANUFACTURING
BYPRODUCTS WERE
BENEFICIALLY
REUSED IN 2016
INDUSTRY AVERAGE = 47%***

33%
REDUCTION IN WASTE
TO LANDFILL AT PULP
AND PAPER MILLS
SINCE 2013



** Net of 4 percent sold into various renewable energy marketplaces.

*** 2014 and 2016 American Forest & Paper Association Sustainability Reports.

UNLOCKING THE SECRETS OF WATERGATE

A catch phrase often associated with the political intrigue of Watergate is "follow the money." However at Domtar, "following the money" is our way of unlocking the gate to improved water management.

Read the full story
on page 38.



Responsible SOURCING AND LOGISTICS

PRIORITIES

- > Source from responsible companies that have an outstanding environmental, sustainability and safety record.
- > Optimize available transportation modes and product packaging to most efficiently move our products.

PROVIDED
OVER \$3 MILLION
TO WORLD WILDLIFE
FUND (WWF) TO
SUPPORT CONSERVATION
PROGRAMS AROUND
THE WORLD



JOINED
**U.S. EPA
SMARTWAY®**
TRANSPORT PARTNERSHIP



\$3.4 BILLION
SPENT ON MATERIALS
AND SERVICES IN 2016

3%
REDUCTION
IN BLEACHING
CHEMICAL USE PER
UNIT OF BLEACHED
PULP PRODUCTION
IN 2016 COMPARED
TO THE PREVIOUS
THREE-YEAR
AVERAGE



90%
OF THE PULP USED BY
OUR PERSONAL CARE
DIVISION IS MADE
BY DOMTAR



34%
CERTIFIED WOOD
USED IN PULP AND
PAPER MANUFACTURING
INDUSTRY AVERAGE = 29%***

OPTIMIZING THE BENEFITS OF PAPER RECYCLING

Paper is one of the most recycled materials in the world. What is less understood is that there is a finite supply of paper to recycle, and how we choose to recycle it can lead to very different environmental results.

Read the full story
on page 51.



TRACKING OUR GOALS



OUR SUSTAINABILITY GOALS	PROGRESS
<p>Deliver between \$300 million and \$500 million of annual EBITDA* from fiber-based businesses for which there is growing market demand.</p>	<p>Growth and expansion in Personal Care and our fluff pulp conversion project at Ashdown, Arkansas, give us the capacity to reach close to the half-way point of our target.</p>
<p>Reduce our recordable safety incident rate to 0.50 by 2020.</p>	<p>Finished 2016 with a recordable safety incident rate of 0.82, a 53 percent reduction since 2008. We continue to focus on leading safety activities that help us identify and fix potential hazards before they result in injuries.</p>
<p>Establish EarthChoice Ambassador Teams in all our facilities by 2020, engaging our employees in our commitment to sustainability.</p>	<p>Expanded our EarthChoice Ambassador program to 23 facilities. Nearly 70 percent of our facilities now have teams in place.</p>
<p>Increase the level of Forest Stewardship Council® (FSC®) certified fiber procured for our pulp and paper mills to 20 percent of total fiber used by 2020. Longer-term, procure 100 percent of the fiber for our pulp and paper mills from sources that are certified to the FSC standard.</p>	<p>Maintained an FSC-certified fiber level of 19 percent during a time when overall FSC acres declined in the U.S. This was accomplished through collaboration with our partners to lower the financial and technical hurdles to certification, which helped increase FSC-certified lands in two of our southern U.S. procurement regions by more than 600,000 acres since 2012.</p>
<p>Reduce total direct and indirect greenhouse gas emissions from purchased energy at pulp and paper mills 15 percent by 2020 from 2010 levels.</p>	<p>Reduced overall greenhouse gas emissions 13 percent since 2010. Direct emissions are down 25 percent, primarily due to the conversion of six coal-fired power boilers to natural gas, while indirect emissions from purchased energy are up 11 percent, mainly due to selling renewable energy credits from internal electricity generation.</p>
<p>Reduce total waste to landfill from pulp and paper mills 40 percent by 2020 from 2013 levels.</p>	<p>Reduced the amount of waste sent to landfills 33 percent since 2013 through source reduction and beneficial re-use programs.</p>
<p>Develop a model for our pulp and paper mills to measure and more strategically manage the full cost of using water.</p>	<p>Conducted pilot studies at three mills in 2016 to determine the appropriate cost elements, flows and methods needed in our model to better understand the full cost of using water.</p>

* The term "EBITDA" is a non-GAAP financial measure. Please see "Reconciliation of non-GAAP financial measures" in Domtar's 2016 Annual Report.