

DOMTAR CORPORATION
AUDIT COMMITTEE POLICY REGARDING
PRE-APPROVAL OF AUDIT AND NON-AUDIT SERVICES

The Sarbanes–Oxley Act of 2002 and the rules of the Securities and Exchange Commission promulgated thereunder require the Audit Committee to pre-approve all audit and permitted non-audit services provided to the Company and its consolidated subsidiaries by the Company’s independent auditor, and to establish policies and procedures to comply with this requirement. This Policy sets forth the policy of the Company with respect to the engagement of its independent auditor, by the Company or any of its consolidated subsidiaries, to perform audit and non-audit services and the procedures to be followed in connection with approval by the Audit Committee of all audit and non-audit services to be performed by the Company’s independent auditor.

1. General Policy

Neither the Company nor any of its consolidated subsidiaries shall engage the Company’s independent auditor to perform any audit or non-audit services unless such services are permitted under and shall have been pre-approved in accordance with this Policy and the procedures set forth herein. Neither the Company nor any of its consolidated subsidiaries shall pay or agree to pay a contingent fee or a commission directly or indirectly to the Company’s independent auditor for any product or services provided by the independent auditor.

2. Audit Services

Audit services consist of services rendered to the Company or any consolidated subsidiary by an independent auditor in connection with the audit of the Company’s or such subsidiary’s financial statements, review of the Company’s financial statements included in the Company’s quarterly reports on Form 10-Q, and services that are normally provided by the independent auditor in connection with statutory and regulatory filings. Audit services include:

- services necessary to perform an audit or review in accordance with generally accepted auditing standards;
- services related to the independent auditor’s attestation of management’s assessment of internal control over financial reporting; and
- services that generally only the independent auditor can reasonably provide (e.g., comfort letters, statutory audits, attest services, consents and assistance with and review of documents filed with the SEC).

All audit services must be pre-approved in accordance with the procedures set forth in paragraph 4 of this Policy.

3. Non-Audit Services

Non-audit services are any services other than audit services. The Sarbanes-Oxley Act and the rules promulgated by the SEC and the Public Company Accounting Oversight Board (the “PCAOB”) prohibit the Company’s independent auditor from providing the following services to the Company or any of its consolidated subsidiaries:

- bookkeeping or other services related to the Company’s accounting records or financial statements;
- financial information systems design and implementation;
- appraisal or valuation services, fairness opinions, or contribution-in-kind reports;
- actuarial services;
- internal audit outsourcing services;
- management functions or human resources;
- broker or dealer, investment adviser, or investment banking services;
- legal services and expert services unrelated to the audit;
- services related to the marketing, planning or opining in favor of the tax treatment of a transaction that is a “confidential transaction” as defined in PCAOB Rule 3501(c)(i) or involves an aggressive tax position for purposes of PCAOB Rule 3522(b); and
- any other service that the PCAOB determines by regulation is impermissible.

In addition, the rules promulgated by the PCAOB prohibit the Company’s independent auditor or any affiliate from providing any tax service to a person who fills a financial reporting oversight role at the Company, or an immediate family member of such individual, except as expressly permitted by PCAOB Rule 3523.

The SEC has articulated three general principles in connection with services provided by auditors which, if violated, would impair the independence of the auditor. The independent auditor cannot:

- function in the role of management;
- audit its own work; or
- serve in an advocacy role for the client.

The SEC has divided non-audit services into the following three categories for purposes of disclosure in the annual proxy statement:

- audit-related services, which consist of assurance and related services by the independent auditor that are reasonably related to the performance of the audit or review of the Company's financial statements;
- tax services, which consist of services rendered by the independent auditor for tax compliance, tax planning and tax advice; and
- all other permitted services, which consist of other types of permitted services not covered by the first two categories of non-audit services and not constituting prohibited non-audit services.

Neither the Company nor any of its consolidated subsidiaries shall engage the Company's independent auditor to provide any non-audit service that is prohibited under the Sarbanes-Oxley Act or the rules promulgated by the SEC or the PCAOB.

All permitted non-audit services must be pre-approved in accordance with the procedures set forth in paragraph 4 of this Policy. If the Company or any of its consolidated subsidiaries desires to engage the Company's independent auditor to perform any permitted non-audit service relating to internal control over financial reporting, each such engagement must be specifically pre-approved in accordance with the procedures set forth in paragraph 4.B of this Policy. In addition, if the Company or any of its consolidated subsidiaries desires to engage the Company's independent auditor to perform any permitted tax service, each such engagement may be pre-approved only if the independent auditor participates in the pre-approval process in accordance with the procedures set forth in paragraph 4.B of this Policy.

4. Pre-Approval Procedures

A. General. At the last scheduled meeting of the Audit Committee in each fiscal year, the Company's Chief Financial Officer shall provide to the Audit Committee for consideration at such meeting (1) a schedule setting forth in reasonable detail the particular audit services (including, specifically, any services related to the independent auditor's attestation of management's assessment of internal control over financial reporting) that the Chief Financial Officer expects to be performed by the Company's

independent auditor in connection with the audit of the Company's financial statements for the next fiscal year, together with a proposed maximum amount of fees for each particular audit service, and a summary of the material terms and conditions of the engagement letter with respect to the audit to be entered into by the Company with the independent auditor, including a summary of any significant changes from the existing engagement letter, and (2) a schedule setting forth in reasonable detail the particular audit-related (other than services related to internal controls), tax and other permitted non-audit services that management desires or may desire to engage the Company's independent auditor to perform during the next fiscal year, together with a proposed maximum amount of fees for each particular service. Such schedules shall be accompanied by a supporting schedule setting forth in comparable detail the audit, audit-related, tax and other permitted non-audit services approved by the Audit Committee, or any member of the Audit Committee to whom authority to pre-approve audit and non-audit services shall have been delegated by the Audit Committee (a "designated member"), with respect to the then current fiscal year, the maximum amounts of fees approved by the Audit Committee, or any designated member, for each particular service and the amount of fees actually incurred or the estimated amount to be incurred during the then current fiscal year for each particular service. In addition, with respect to any tax services for which pre-approval is being sought, the Company's independent auditor shall provide to the Audit Committee written documentation of the scope of the proposed tax service and the fee structure for the engagement.

At the last scheduled meeting of the Audit Committee in each fiscal year, the Audit Committee shall consider and, if deemed appropriate, approve (1) such audit services (including, specifically, any services related to the independent auditor's attestation of management's assessment of internal control over financial reporting) that the Chief Financial Officer expects to be performed by the Company's independent auditor in connection with the audit of the Company's financial statements for the next fiscal year and the maximum amount of fees for each such service and the terms and conditions of the engagement letter with respect to the audit to be entered into by the Company with the independent auditor, and (2) such audit-related (other than services related to internal controls), tax and other permitted non-audit services that management desires or may desire to engage the Company's independent auditor to perform during the next fiscal year and the maximum amount of fees for each such service, in each case, as the Audit Committee, in its sole judgment, believes does not impair the independence of the Company's independent auditor. With respect to any tax services for which pre-approval is being sought, the Audit Committee shall discuss with the independent auditor the potential effects on the firm's independence of performance of the services prior to making a determination with respect to pre-approval of such services.

The engagement of the Company's independent auditor to perform any audit or non-audit services other than those previously approved by the Audit Committee or to perform any previously approved audit or non-audit service where the fees will exceed

the approved maximum amount for such service must be pre-approved by the Audit Committee, or any designated member of the Audit Committee.

The Audit Committee, or any designated member of the Audit Committee, from time to time, upon request of the Chief Financial Officer, may (1) consider and, if deemed appropriate, approve additional audit and non-audit services to be performed by the Company's independent auditor and establish the maximum dollar amount for each approved service and (2) increase the maximum dollar amount for any audit or non-audit service previously approved by the Audit Committee or a designated member of the Audit Committee, in each case, as the Audit Committee, or such designated member, in its, or his or her, sole judgment, believes does not impair the independence of the Company's independent auditor.

Not less than 5 days prior to each scheduled meeting of the Audit Committee, the Company's independent auditor shall provide to the Audit Committee a schedule setting forth in reasonable detail the audit and non-audit services that the Company's independent auditor has been engaged to perform pursuant to the authorization of the Audit Committee or any designated member of the Audit Committee. This schedule shall be accompanied by a certificate addressed to the Audit Committee and signed by the Company's independent auditor stating that the independent auditor believes that the performance of such services will not impair the auditor's independence.

At each meeting of the Audit Committee, the Chief Financial Officer shall provide a written report to the Audit Committee of any audit or non-audit services and the maximum amount of fees for such services, and any increase in the maximum dollar amount of fees for any previously approved audit or non-audit services, approved by any designated member since the immediately preceding meeting of the Audit Committee.

B. Services Related to Internal Controls. In accordance with Public Company Accounting Oversight Board Auditing Standard No. 2 – An Audit of Internal Control Over Financial Reporting Performed in Conjunction with An Audit of Financial Statements, each engagement of the Company's independent auditor to provide any non-audit services related to internal control over financial reporting must be specifically pre-approved by the Audit Committee or any designated member of the Audit Committee.