

**AUDIT COMMITTEE**  
*OF THE BOARD OF DIRECTORS OF DOMTAR CORPORATION*

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**CHARTER**

*AS AMENDED AND RESTATED EFFECTIVE NOVEMBER 2, 2011*

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**I. PURPOSE AND ROLE OF THE COMMITTEE**

The purpose of the Audit Committee (the “*Committee*”) is to provide assistance to the Board of Directors with respect to its oversight of:

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

The Committee has sole authority from the Board of Directors for the appointment, compensation and oversight of the Corporation’s independent auditors, including the approval of any significant non-audit relationship. The Committee also shall prepare the report of the Committee that the rules of the Securities and Exchange Commission (the “*SEC*”) require be included in the Corporation’s annual proxy statement and shall perform such other duties as assigned to it from time to time by the Board of Directors.

The Committee, however, is not responsible for certifying the Corporation’s financial statements or guaranteeing the auditor’s report. The fundamental responsibility for the Corporation’s financial statements and disclosures rests with management.

## **II. STRUCTURE AND OPERATIONS**

### **A. COMPOSITION AND QUALIFICATIONS**

The Committee shall be comprised of no fewer than four members of the Board of Directors, each of whom shall be “independent” under the New York Stock Exchange listing standards, the SEC’s standards relating to audit committees and all other applicable rules and regulations. All members of the Committee shall have a working familiarity with basic finance and accounting practices (or acquire such familiarity within a reasonable period after his or her appointment) and at least one member shall be a “financial expert” as defined by the applicable rules and regulations of the SEC.

No member of the Committee may serve on the audit committee of more than three public companies, including the Corporation, unless the Board of Directors (i) determines that such simultaneous service would not impair the ability of such member to effectively serve on the Committee and (ii) discloses such determination in the annual proxy statement.

### **B. APPOINTMENT AND REMOVAL**

The members of the Committee shall be appointed by the Board of Directors in accordance with the Corporation’s by-laws and shall serve until such member’s successor is duly appointed or until such member’s earlier resignation or removal. The members of the Committee may be removed, with or without cause, by the Board of Directors in accordance with the Corporation’s by-laws.

### **C. CHAIR**

Unless a chairperson is elected by the Board of Directors, the members of the Committee shall designate a chairperson by the majority vote of the full Committee membership. The chairperson will chair all regular sessions of the Committee and set the agendas for Committee meetings.

### **D. SUBCOMMITTEES**

In fulfilling its responsibilities, the Committee shall be entitled to delegate any or all of its responsibilities to a subcommittee of the Committee.

### **E. MEETINGS**

The Committee shall meet at least quarterly, or more frequently as circumstances dictate. As part of its goal to foster open communication, the Committee shall, at least quarterly, meet separately with each of management, the head of the internal audit department and the independent auditors to discuss any matters that the Committee or each of these groups believe would be appropriate to discuss privately. The Chairman of the Board or the chairperson of the Committee may call meetings of the Committee. All meetings of the Committee may be held in person, telephonically or by videoconference, and the Committee may take action by written consent.

The Committee may invite to its meetings any director, member of the Corporation's management and such other persons as it deems appropriate in order to carry out its responsibilities. The Committee may also exclude from its meetings any persons it deems appropriate in order to carry out its responsibilities.

### **III. RESPONSIBILITIES AND DUTIES**

The following functions shall be the common recurring activities of the Committee in carrying out its responsibilities. These functions shall serve as a guide with the understanding that the Committee may carry out additional functions and adopt additional policies and procedures as may be appropriate in light of changing business, legislative, regulatory, legal or other conditions. While acting within the scope of its stated purpose, the Committee shall have all the authority of the Board of Directors. The Committee shall:

1. Be directly responsible for the appointment, retention, compensation and oversight of the Corporation's independent auditors, including the resolution of any disagreements between management and the independent auditors.
2. Establish and implement policies and procedures for the approval of allowable services provided by the independent auditors consistent with applicable laws or regulations.
3. Review, at least annually, the qualifications, performance and independence of the independent auditors. In conducting its review and evaluation, the Committee will:
  - (a) Obtain and review a report by the independent auditor describing:
    - (i) the auditing firm's internal quality-control procedures; (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, and any steps taken to deal with any such issues; and (iii) the auditor's independence, including an assessment of all relationships between the independent auditor and the Corporation; and
    - (b) Oversee that the independent auditor's lead audit partners are timely rotated in accordance with applicable law and regulations.

In addition, the Committee will set and monitor compliance with hiring policies for employees or former employees of the independent auditors that meet applicable rules and regulations.
4. 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 on Form 10-Q.
5. 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.

6. Discuss with the independent auditors the matters required to be discussed by Statement of Auditing Standards No. 61, including:
  - (a) the auditor's judgment with respect to qualitative aspects of accounting principles applied by the Corporation;
  - (b) any instances of fraud or misstatements arising from errors,
  - (c) any audit problems or other difficulties encountered by the independent auditor in the course of the audit process, including any restrictions on the scope of the auditor's activities or on access to requested information;
  - (d) any significant disagreements with management and management's responses to such matters; and
  - (e) any consultations by management with other auditors.
7. Review and discuss with management the Corporation's practice regarding earnings press releases and the policies regarding the provision of financial information and earnings guidance by management to analysts and rating agencies.
8. 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. In that connection, the Committee should obtain and discuss with management and the independent auditor reports from management and the independent auditor regarding:
  - (a) all critical accounting policies and practices to be used by the Corporation;
  - (b) analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including all material alternative treatments of financial information within generally accepted accounting principles that have been discussed with the Corporation's management, the ramifications of the use of the alternative disclosures and treatments, and the treatment preferred by the independent auditor;
  - (c) significant issues regarding accounting principles and financial statement presentations, including any significant changes in the Corporation's selection or application of accounting principles;
  - (d) significant issues as to the adequacy of the Corporation's internal controls and any specific audit steps adopted in light of material control deficiencies; and
  - (e) any other material written communications between the independent auditor and the Corporation's management.
9. Review the effect of regulatory and accounting initiatives on the financial statements of the Corporation.

10. Review proposed transactions in accordance with the Corporation's procedures for the review of related person transactions and review disclosure related to any related person transactions and any off-balance sheet structures.
11. Discuss with the independent auditor and the Corporation's internal auditors the scope and plans for their respective audits. Review, and periodically discuss with the independent auditor, the responsibilities, budget and staffing of the Corporation's internal audit function and the independence and efficacy of the Corporation's internal audit department.
12. 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.
13. 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.
14. Periodically review and discuss with Management the Corporation's ERM process for the identification, assessment and management of risk.
15. Review with management and the independent auditors any correspondence with regulators or government agencies and any employee complaints or published reports that raise material issues regarding the Corporation's financial statements or accounting policies.
16. Establish procedures for: (a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and (b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
17. Oversee the Corporation's procedures for compliance with applicable laws and regulations, and review periodically with management, the external auditor and the Corporation's counsel, any significant litigation, claim or other contingency, that would have a material effect upon the financial position or operating results of the Corporation and the disclosure or impact on the results of these matters in the quarterly and annual financial statements.
18. Prepare the report(s) of the Committee required to be included in the Corporation's proxy statement, pursuant to and in accordance with applicable rules and regulations of the SEC.
19. Review periodically the Code of Ethics of the Corporation and the adherence thereto by management.

20. Review periodically with the Board, the external and internal auditors and management, the Corporation's anti-fraud program and practices.
21. Perform any functions required to be performed by it or otherwise appropriate under applicable law, rules or regulations, the Corporation's by-laws and the resolutions or other directives of the Board, including review of any certification required to be reviewed in accordance with applicable law or the rules or regulations of the SEC.
22. Report regularly to the Board of Directors including:
  - (a) with respect to any issues that arise with respect to the quality or integrity of the Corporation's financial statements, the Corporation's compliance with legal or regulatory requirements, the performance and independence of the independent auditors or the performance of the internal audit function; and
  - (b) with respect to such other matters as are relevant to the Committee's discharge of its responsibilities.

The Committee shall provide such recommendations as the Committee may deem appropriate. The report to the Board of Directors may take the form of an oral report by the chairperson or any other member of the Committee designated by the Committee to make such report.
23. Maintain minutes or other records of meetings and activities of the Committee.

The Committee, in discharging its oversight role, is empowered to study or investigate any matter of interest or concern that the Committee deems appropriate. In this regard, the Committee shall have the authority to retain outside legal, accounting or other advisors for this purpose, including the authority to approve the fees payable to such advisors and any other terms of retention.

The Committee shall be given full access to the Corporation's internal audit group, Board of Directors, corporate executives and independent accountants as necessary to carry out its responsibilities.

#### **IV. ANNUAL PERFORMANCE EVALUATION**

The Committee shall perform a review and evaluation, at least annually, of the performance of the Committee and its members, including by reviewing the compliance of the Committee with this Charter. In addition, the Committee shall review and reassess, at least annually, the adequacy of this Charter and recommend to the Board of Directors any improvements to this Charter that the Committee considers necessary or valuable. The Committee shall conduct such evaluations and reviews in such manner as it deems appropriate.