



2019 SUSTAINABILITY REPORT

A photograph of a woman and two young children sitting outdoors in a grassy area with trees in the background. The woman, on the right, has brown hair and is wearing a dark blue t-shirt with a 'TERRI' name tag. The two children, on the left, are also wearing dark blue t-shirts; one has sunglasses on their head. They are all smiling at the camera. The image is partially covered by a green and orange gradient overlay at the bottom.

**A BETTER FUTURE
TOGETHER**



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RESPONSIBILITY

COMMITTED
TO SUPPLY CHAIN
TRANSPARENCY



SOURCING WOOD RESPONSIBLY,
INCLUDING USING THE HIGHEST
CERTIFICATION STANDARDS



ENGAGEMENT

SUPPORTING THE
DEVELOPMENT
OF OUR
EMPLOYEES



HAVING A
POSITIVE SOCIAL
AND ECONOMIC
IMPACT
IN OUR
COMMUNITIES

WORKING
HAND-IN-HAND
WITH CUSTOMERS
AND RECOGNIZED
ENVIRONMENTAL
GROUPS

EFFICIENCY

DOMTAR
MINIMIZES THE
ENVIRONMENTAL
IMPACT OF ITS
BUSINESS
OPERATIONS



FUELING OUR MILLS
WITH RENEWABLE
ENERGY



RECYCLING AND BENEFICIALLY
USING BYPRODUCTS FROM THE
MANUFACTURING OF FIBER-BASED
PRODUCTS



A BETTER FUTURE TOGETHER

More and more companies are publishing sustainability reports, so we thank you for taking the time to read ours. As a company that has won a number of awards for honesty, transparency and creativity in reporting, we welcome this trend. We all benefit as sustainability continues to become more mainstream.

Most of these reports will share statistics and stories about progress achieved at efforts to use water more efficiently, reduce emissions, invest in employees and communities, and make boardrooms more diverse. You will find all of this in our report, and more.

The better reports will go a step further and share the challenges faced in making further progress. We hope this report lives up to our reputation for addressing the difficult bits with candor.

We believe this transparency serves both our interests and the public's interest well. Not surprising, since they are inextricably intertwined. The interests of our investors, our customers, our employees and our neighbors are more similar than dissimilar. They understand that disclosure is merely the means, and that what matters in the end is our performance.

Specifically, are we making the lives of our stakeholders and the world around them better? Are we helping to solve problems that we all face? And are we doing this as efficiently as possible to be good stewards of both financial and natural capital?

These simple but profound questions are at the heart of sustainability reporting. We must be careful not to overcomplicate what should be an exercise in transparency and an honest conversation about priorities and trade-offs.

We are wary of the undue influence of Environmental, Social and Governance (ESG) ratings organizations with business models based on secret algorithms and simplistic measures that are divorced from actual sustainability performance. Although Domtar typically holds up well in these assessments, we are concerned that they draw attention away from truly important trends and factors that will define our shared economic and environmental future.

We urge ESG ratings organizations to begin adhering to the same expectations for transparency that they insist on from the companies that they evaluate.

Domtar chooses to report on the issues that are truly relevant to the long-term interests of our shareholders and other stakeholders. That is why this report does more than simply describe what we make, and how and where we make it. We want to share how the everyday products we make are not the end of our story, but the beginning. We want to share why we love what we do.



MESSAGE TO STAKEHOLDERS

WE HARNESS ONE OF THE WORLD'S MOST RENEWABLE RESOURCES – WOOD – IN THE SERVICE OF LITERACY, EDUCATION, COMMUNICATION, COMMERCE, PERSONAL DIGNITY, GOOD HYGIENE, AND THE DEVELOPMENT OF SUSTAINABLE ALTERNATIVES TO PETROLEUM HYDROCARBONS. AND THAT IS A STORY THAT IS MATERIAL TO EVERYONE.

Yes, we will continue to report on responsible forest management, efficient manufacturing and our engagement with non-governmental organizations. But it is just as important for you, our reader, to understand who we are.

We harness one of the world's most renewable resources – wood – in the service of literacy, education, communication, commerce, personal dignity, good hygiene, and the development of sustainable alternatives to petroleum hydrocarbons. And that is a story that is material to everyone.

A handwritten signature in black ink, reading "J. Williams".

John D. Williams
President and Chief Executive Officer

HOW WE DECIDE: OUR APPROACH TO EFFECTIVE CORPORATE GOVERNANCE

Sustainability at Domtar is more than what we do and how we do it – it is also about how we decide what we do. We believe sound corporate governance is critical to Domtar's long-term success and protection of the interests of our many stakeholders.

.....

Our governance is enhanced by having a Board with diverse backgrounds, experiences, and fresh perspectives.

All our directors, with the exception of our CEO, are independent.

**ONE-THIRD OF
DOMTAR'S BOARD
OF DIRECTORS
ARE WOMEN.**



We have recommended for election to the Board four new directors over the past seven years.

.....

Effective corporate governance enables us to work efficiently to identify, analyze, discuss and respond to societal trends, changing consumer expectations, and other business risks and opportunities. Too much governance risks being tentative and slow to respond; too little governance risks poor, short-sighted decisions without proper diversity of thought, oversight and controls.

Domtar's Enterprise Risk Management (ERM) process is an important bridge between company operational issues and corporate governance. Our Board and Audit Committee work closely with Management to oversee Domtar's ERM process, and to identify, prioritize and regularly review key risks. Our ERM process evaluates factors such as: impact of new regulations, our license to operate, scarcity of resources, severe weather events, changing market demand and public expectations, supply-chain disruptions, asset quality and human capital.

We pursue opportunities that achieve our strategic, business and operational objectives in a manner that involves an acceptable level of risk. We acknowledge that our various business goals can sometimes be divergent, requiring optimization decisions. Making good decisions requires quality and timely information, a precautionary approach to managing complex risks and a willingness to make trade-offs that reflect our values when necessary. Our Internal Audit team provides additional oversight and appropriate checks and balances to our work.

Domtar also benefits from having empowered interdisciplinary groups of managers with a wide range of experiences and backgrounds to establish and execute our strategies for sustainability, diversity and inclusion. These committees support the work of our Management Committee and Board to improve their ability to provide the company more informed guidance and decisions.

Please refer to the Investors and Governance section of our website at www.domtar.com, for a more complete picture of our approach to corporate governance.

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OUR BOARD OF DIRECTORS

1. Robert E. Apple

Chief Operating Officer
MasTec, Inc.

Miami, Florida

Member of our Board of Directors since 2012 and Chairman of the Board since 2017

4. Brian M. Levitt

Chairman of the Board
The Toronto
Dominion Bank
Kingston, Ontario

Member of our Board of Directors since 2007

7. Denis Turcotte

Managing Partner and
Chief Operating Officer
Brookfield Asset
Management Inc.
Toronto, Ontario

Member of our Board of Directors since 2007

2. Giannella Alvarez

Chief Executive Officer
Beanitos, Inc.

Austin, Texas

Member of our Board of Directors since 2012

5. David G. Maffucci

Corporate Director
Isle of Palms, South Carolina

Member of our Board of Directors since 2011

8. John D. Williams

President and
Chief Executive Officer
Domtar Corporation
Charlotte, North Carolina

President and Chief Executive Officer of Domtar since 2009

3. David J. Illingworth

Corporate Director
Orchid, Florida

Member of our Board of Directors since 2013

6. Pamela B. Strobel

Corporate Director
Chicago, Illinois

Member of our Board of Directors since 2007

9. Mary A. Winston

President
WinsCo Enterprises, Inc.
Charlotte, North Carolina

Member of our Board of Directors since 2015

GOVERNANCE

COMMITTEE MEMBERSHIPS

Audit Committee

David G. Maffucci, Chair
David J. Illingworth
Mary A. Winston

Environmental, Health, Safety and Sustainability Committee

Denis Turcotte, Chair
Giannella Alvarez
David J. Illingworth

Finance Committee

Brian M. Levitt, Chair
David G. Maffucci
Denis Turcotte
Mary A. Winston

Human Resources Committee

Pamela B. Strobel, Chair
Giannella Alvarez
Brian M. Levitt
Denis Turcotte

Nominating and Corporate Governance Committee

Robert E. Apple, Chair
Brian M. Levitt
David G. Maffucci
Pamela B. Strobel

OUR EVERYDAY PRODUCTS THAT MAKE LIFE BETTER EVERY DAY

Domtar makes products that people around the world rely on every day. We design, manufacture, market and distribute a wide variety of pulp, paper and personal care products from copy paper to baby diapers.

Wood fiber, a renewable resource, is at the heart of Domtar's products. Our wood fiber comes from responsibly managed forests in North America.

Guided by our core values of agility, caring and innovation, Domtar makes products that contribute to a more sustainable world – socially, environmentally and economically. Here are just a few of the ways our products are contributing to a better world.

Customers value Domtar for our commitment to sustainability. In a Gallup poll taken in September 2018, Domtar's communications paper customers rated us 4.77 out of 5.00 possible points when asked if "Domtar upholds sustainable environmental, social and economic business practices." The poll covered 86 percent of our communications paper customers in North America and Europe.

PAPER

Paper is integral to communication, literacy, and food and medical packaging.

Paper has been used to record history for more than 2,000 years. Seventy-eight percent of Americans keep **HARD COPIES OF IMPORTANT DOCUMENTS** at home as they believe this is the **safest and most secure way of storing information.***



PRINT ON PAPER PROMOTES LITERACY AND EDUCATION.

Americans believe they understand, retain and use information better when they read on print.*



Print on paper is enjoyable, relaxing and practical. Seventy-three percent of Americans feel that reading a **PRINTED BOOK OR MAGAZINE IS MORE ENJOYABLE** than reading it on an electronic device.*



PAPER PACKAGING KEEPS PRODUCTS SANITARY, SECURE AND FRESH.

Our paper is used by manufacturers of innovative food packaging, such as pouches and wraps, cookie and chip bags, candy wraps and take-out bags.



Our specialty paper is used by manufacturers of drinking straws, cotton swabs, lollipops and grocery bags as **ALTERNATIVES TO FOSSIL FUEL-BASED PLASTICS.**



cougar[®] lynx[®] husky[®]

EarthChoice[®] imageprint[®]
OFFICE PAPER

* Twosidesna.org. Between 2015 and 2018, Two Sides North America partnered with global polling firm, Toluna, to conduct consumer surveys on how Americans feel about print and paper.

PULP

Pulp is an essential fiber building block that enhances a variety of everyday consumer products and innovative industrial applications.

LIGHTHOUSE® FLUFF PULP

is used worldwide by manufacturers of absorbent personal hygiene products, including baby diapers, incontinence and feminine hygiene items.



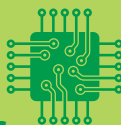
Lighthouse X fluff pulp is used to make diaper cores more dense and compressible, thereby improving the performance of the core and enabling the production of **THINNER DIAPER PRODUCTS**. This reduces the amount of material used and makes diapers more discreet for the wearer.



Our Northern and Southern softwood pulp products are key components for manufacturers of **PREMIUM TISSUE AND TOWEL PRODUCTS** that contribute to good personal hygiene.



Pulp specialty products have been developed for an array of **INNOVATIVE INDUSTRIAL NEEDS**, including light switches, circuit boards, fasteners, melamine dinnerware and rayon clothing. When mixed with cement, the pulp fibers provide elasticity, tensile strength and freeze-thaw properties that reduce cracking.



BIOMATERIALS

Biomaterials are increasingly replacing fossil fuel-based products with renewable products from trees.

For decades, our chemical pulp mills have produced biomaterials for use **IN A WIDE VARIETY OF CONSUMER PRODUCTS**, including soap, toothpaste, makeup, fragrances and food flavorings.



Our biomaterials are **USED IN COMMERCIAL AND INDUSTRIAL PRODUCTS** as antimicrobials, antioxidants, binders, lubricants, and to provide higher strength and lower weight.

Domtar continues to develop new biomaterial technologies and partnerships that position us to lead the shift from a fossil fuel-based to a low-carbon, bio-based economy.



One of our latest products being field-tested is a 100% **BIODEGRADABLE, LIGNIN-COATED PAPER FOR AGRICULTURAL FILM APPLICATIONS** that reduces the need for herbicides and irrigation while increasing crop yields.



PERSONAL CARE

Personal care products improve sanitation, skin health and comfort, and provide dignity.

OUR ADULT INCONTINENCE PRODUCTS



provide comfort, dignity and mobility to millions of users.

OUR COMFEES® BABY DIAPERS



enhance skin health, comfort and fit for the infant, and offer convenience for parents.

In the U.S. alone, **OVER 27 BILLION DISPOSABLE DIAPERS ARE CONSUMED EVERY YEAR.**

Unfortunately, 92 percent of single-use diapers end up in a landfill. We are working on innovations to make our products lighter weight and to **REDUCE END-OF-LIFE ENVIRONMENTAL IMPACTS WITH SOLUTIONS SUCH AS COMPOSTABLE DIAPERS.**



Attends

indasec® IndaSlip® IndasForm®
sabanindas® Reassure®
Worry less. Do more.™

OUR PROGRESS TOWARD 2020 GOALS

Reduce our recordable safety incident rate to 0.50 by the end of 2020, while increasing our focus and efforts on preventing more serious injuries. Reduced our recordable incident rate to 0.74, our best year on record and a 57 percent reduction since 2008. We continue to increase our emphasis on the behaviors of and barriers to a sustainable culture of safety excellence.

GOAL 0.50
STATUS
0.74



GOAL 100%
STATUS
86%



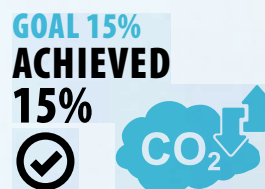
Establish EarthChoice® Ambassador (ECA) teams in all our facilities by the end of 2020, engaging our employees in our commitment to sustainability. Expanded our ECA program to 30 locations in four countries, covering 86 percent of our facilities. We are on track to meet our goal.

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 the end of 2020. Procured 21 percent of total fiber used from FSC-certified sources, meeting our goal for a second consecutive year.

GOAL 20%
ACHIEVED
21%



Reduce total direct greenhouse gas (GHG) emissions and indirect emissions from purchased energy at pulp and paper mills 15 percent by the end of 2020 from 2010 levels. Reduced GHG emissions 15 percent since 2010, meeting our goal for a second consecutive year.



GOAL 40%
STATUS
19%



Reduce total waste to landfill from pulp and paper mills 40 percent by the end of 2020 from 2013 levels. Reduced amount of waste sent to landfills 19 percent since 2013 through source reduction and beneficial-use programs. After four years of good progress, the amount of materials landfilled increased in 2018. This increase was largely due to operational, reliability and weather-related issues at a few mills. Domtar remains committed to meeting our landfill reduction goal.

Develop a model for our pulp and paper mills to measure and more strategically manage the full cost of using water. Completed development of our full-cost-of-water model and began using it in project approvals in 2018 to further support water and energy conservation efforts.



A full-page photograph of a surveyor in a forest. The surveyor is wearing a black jacket, an orange safety vest with reflective yellow stripes, and an orange hard hat. He is holding a yellow level to his eye and looking upwards. The background is a dense forest with green trees and some autumn-colored foliage on the ground.

DOMTAR OPERATES RESPONSIBLY ACROSS ITS BUSINESS

RESPONSIBILITY

RAW MATERIALS

Domtar purchases materials and services

FROM LOCAL SUPPLIERS

when possible.



38%

of our fiber needs were met with certified wood in 2018, including

21% FROM FSC-CERTIFIED SOURCES.



TRANSPORTATION AND LOGISTICS



As the 22nd largest U.S. exporter by container volume, Domtar supports improving

TRANSPORTATION EFFICIENCY

through the expansion of ports and intermodal terminals.





SOURCING RESPONSIBLY

Whenever possible, we buy materials from suppliers near our facilities. This shortens our supply chain and reduces risk. Being close to our suppliers also allows us to know them and ensure they produce responsibly the materials and services we need, in addition to strengthening the local economy.

We are committed to safeguarding endangered forests and wildlife, respecting the culture and rights of indigenous peoples, and conserving natural forests and biodiversity by sourcing wood from responsibly managed forests.

Each year,
we spend about
TWO-THIRDS
OF OUR REVENUE
on materials and services
needed to make
our products.



Our demand for wood enables landowners to keep forests in North America as forests.

We collaborate with landowners and other partners to promote the benefits of sustainable forest management and third-party certification, which provides an additional level of assurance of responsible forest management.

Beyond fiber, we have strategic partnerships with recognized suppliers of key raw materials. Our suppliers help us improve our manufacturing efficiencies, use fewer materials and produce better quality products at a lower cost.

PRIORITIES

- › Ensuring our suppliers are responsible in their environmental, safety and sustainability management.
- › Favoring local suppliers as much as possible when purchasing the materials and services we need to make our products.
- › Managing the procurement of major inputs centrally to leverage volumes, improve service and risk profiles, and build strategic partnerships.
- › Promoting the value of sustainable forest management to small landowners and facilitating their certification.

CHALLENGES

- › Ensuring the performance, affordability and availability of more sustainable raw materials.
- › Balancing differing customer objectives and policies that can limit sourcing flexibility.
- › Securing sufficient certified wood given frequently changing and increasingly complex and costly certification standards.

TOP-TO-BOTTOM EFFICIENCY

OR MORE ACCURATELY, BOTTOM-TO-TOP.

Most people understand that a tree can be used to make different types and grades of furniture, cabinets, lumber and paper. But what many do not realize is that, in many cases, a single tree may provide all of these useful products – and more.

To understand this, it is helpful to think from the bottom up.

The large diameter base of a tree's trunk may be used to produce fine veneers for doors and tables. Moving up the trunk, the tree's wood may be used for cabinets, hardwood floors, stairs and furniture.

Moving farther up the tree, the wood quality lends itself to making products such as shipping crates and pallets.

Finally, the same tree's branches (along with the leftover wood from making the products above) may be used to produce pulp, paper and personal care products.

But that is not all. The bark from the same sustainably harvested tree may be used for landscaping, or it may be used as a renewable fuel that displaces the need for fossil fuels.

In addition, a variety of natural chemicals are often extracted from the same tree – chemicals that are used in making flavors, fragrances and even food. One of these chemicals, lignin, is the most widely available natural polymer on Earth, and is now being researched to make high-quality plastic components in automobiles, replacing some of the chemicals derived from fossil fuels.

And if that is not sweet enough, the sugar maple trees that Domtar has in Quebec are used to produce maple syrup each spring!

OUR EFFICIENCY IN USING EVERY PART OF THE TREE

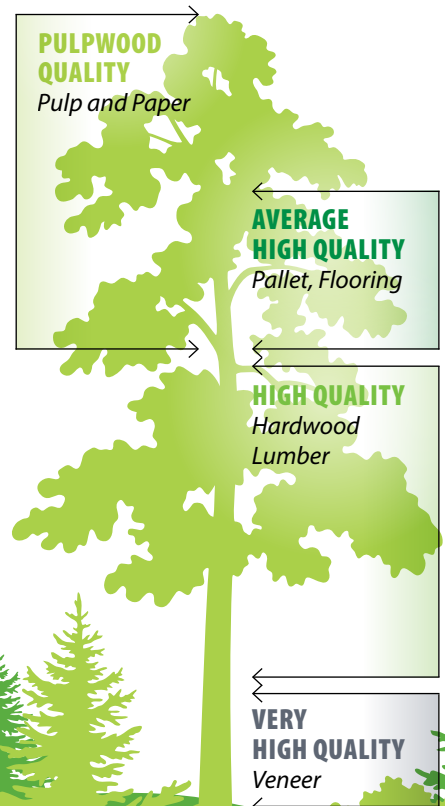
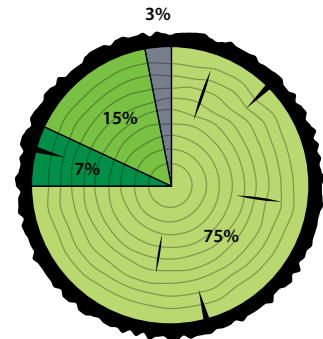
to create useful, renewable products is being enhanced today with new technologies.

Foresters are now using drones and geographical information systems to monitor tree growth, and to ensure that appropriate amounts of harvesting residuals are left behind to promote good forest health. They are also employing new "cut-to-length" processing systems to cut wood precisely for its optimal value before it even leaves the forest.

We think efficient use of renewable wood resources is something to cheer. So, "bottoms up!"

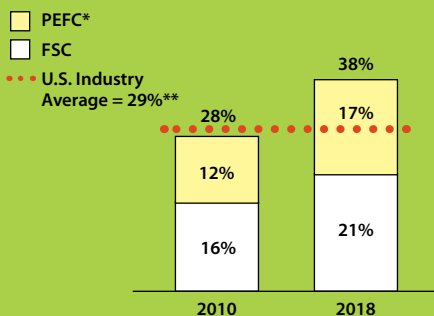
BREAKDOWN OF A TYPICAL HARVESTED TREE

- Pulpwood Quality
- Average High Quality
- High Quality
- Very High Quality



A LOOK AT OUR CERTIFIED WOOD USAGE

DOMTAR CERTIFIED WOOD DELIVERIES Pulp and Paper Mills (% of Total Wood Delivered)



*Includes fiber inputs from the American Tree Farm System (ATFS), Canadian Standards Association (CSA) and Sustainable Forestry Initiative® (SFI®) sources. Program for the Endorsement of Forest Certification™ (PEFC™) endorses these and other national forest certification standards.

**2018 American Forest & Paper Association Sustainability Report.

38%

of our fiber needs were met with certified wood in 2018, including **21% FROM FSC-CERTIFIED SOURCES.**



ADVANTAGES OF FOREST CERTIFICATION FOR SMALL LANDOWNERS

- › Formalizes existing best practices, opens up more markets and derives higher value at harvest.
- › Creates potential to increase yield by adopting scientific forest management practices.
- › Promotes healthy forests to maintain habitats for flora and fauna.

PROMOTING SUSTAINABLE FOREST MANAGEMENT FOR SMALL LANDOWNERS

Locally-sourced wood is the lifeblood of our pulp and paper mills. We have an economic interest in keeping the forests near our mills as forests and promoting sustainable forestry practices – everywhere we operate.

Our mills purchased 15.2 million green metric tons of wood chips in 2018, the majority from small landowners and local suppliers, especially for our mills in the southern U.S. For example, at our mill in Kingsport, Tennessee, which has been in continuous operation for over a century, about 50 percent of the fiber comes from family forest ownerships of fewer than 100 acres.

Our mills purchased **15.2 MILLION** green metric tons of wood chips in 2018, the majority from small landowners and local suppliers.



While it is widely recognized that our wood suppliers are responsible forest stewards, some customers seek documentation of sustainable practices. In some cases, this may include certification from recognized organizations such as the Forest Stewardship Council® (FSC®).

Our challenge is getting small landowners to see the value in certifying their forest lands when they feel they are already managing their land well. As certification requires technical and financial resources, landowners need to be convinced these additional resources are worth the investment. For example, of the small private landowners supplying our mill in Kingsport, Tennessee, less than 1 percent are FSC-certified.

That is why Domtar has supported more forest landowners in certifying their operations. Domtar is a founder and supporter of the Appalachian Woodlands Alliance (AWA), a multi-party effort led by the Rainforest Alliance in a 67,000-square-mile area of Georgia, Kentucky, North Carolina, South Carolina, Tennessee, Virginia and West Virginia. We are also the driving force behind the Four States Timberland Owners Association (FSTOA), in Ashdown, Arkansas, which provides small landowners with simple, useful tools for achieving FSC certification.

APPALACHIAN WOODLANDS ALLIANCE

The AWA is piloting a Smallholder Access Program designed to develop new and more efficient tools that provide the benefits of FSC certification to small landowners through existing procurement efforts.

This first-of-its-kind pilot program in the global FSC system will engage hundreds of small landowners in responsible harvesting and management of their woodlands, including addressing their stewardship and sustainability goals. The program focuses on regionally important conservation values and water quality, as well as improving poorly managed stands through scientific forest management practices.

"Domtar's commitment to growing responsible forest management with the small private woodland owners of the Southern and Central Appalachian region is impressive," said Andrew Goldberg, a project manager for Southeast Family Forest Projects of the Rainforest Alliance. "Together we reach hundreds of landowners every year and look forward to advancing new tools to help bring FSC certification to this critical part of Domtar's supply chain."



The AWA will also introduce woodland owners to new opportunities for planning and harvesting, using information from satellite imagery and other technological tools, educational materials and events.

FOUR STATES TIMBERLAND OWNERS ASSOCIATION

Created in 2012 under the leadership of our Ashdown, Arkansas, mill, FSTOA has grown steadily to reach over 220 members with a total of 628,000 acres of woodland under FSC certification. Working with industry partners, Domtar has helped fund the certification process and make it more manageable for small landowners.

628,000 ACRES 
of woodland under 
FSC certification

The group hosts events for existing and prospective members, including an annual meeting and mill tours. Domtar forestry leaders also speak to groups such as the Arkansas Farm Bureau, Arkansas Forestry Association and Women Owning Woodlands, where they explain the benefits of FSTOA membership and FSC certification.

"Admittedly, at first there was fear of the unknowns about the FSC standard and fear of losing control and having someone from the outside telling us how to manage our forest land," said Lance Childress, who manages the lands Ward Timber has in the FSTOA. "Membership in FSTOA has afforded me and my clients the opportunity to further understand and appreciate the FSC initiative."



HELPING SOLVE THE PLASTIC PROBLEM

According to National Geographic, more than 8 million tons of plastic reach our oceans every year – and it doesn't just disappear. The "Great Pacific Garbage Patch" covers more than 600,000 square miles and is 9 feet deep. It is the largest accumulation of marine debris in the world – and it is mostly plastic.

There are five additional large floating islands of plastic in oceans around the world, with countless smaller ones forming. And because of the ocean's wave activity, plastic trash breaks down into "microplastics" that are ingested by marine life, eventually entering the world's food chain.

What makes this even more disturbing is the fact that much of this plastic pollution is made up of products that were only used once.

It is not surprising that more and more responsible companies are moving from plastic to paper for single-use products, such as cups, plates and straws. Plastic lasts for a very long time – so why use it for short-lived products when paper can do the job?

We are pleased that influential environmental organizations, such as the United States Public Interest Research Group, are reinforcing this point.

But at Domtar, our challenge – and opportunity – goes well beyond furthering efforts to substitute paper for plastic. We are, at the same time, working to make plastic materials more sustainable.

We recognize that plastic, in some applications, can offer enormous environmental advantages given its durability and light weight – such as making vehicles far more fuel efficient. This environmental advantage becomes even greater when those plastics are made from naturally occurring chemicals that we extract from renewably harvested trees, partially replacing fossil fuel-based chemicals. This is exactly what Prisma Renewable Composites, a biomaterials company of which Domtar is the majority owner, is researching with the world's largest maker of plastic vehicle components.

It is worth noting that while supplies of hydrocarbons used to make plastics decrease over time, the amount of forest land on which we depend has actually increased. There are 23 million more acres of forest in the United States today than there were 40 years ago, according to the U.S. Department of Agriculture's Forest Service. This positive trend is driven, in part, by growing demand for forest products.

.....  **23 MILLION
MORE ACRES OF FOREST**

**in the United States today than
there were 40 years ago.**

.....

68%

**In the United States, most of the
paper that can be recycled is
recycled – reaching an all-time
high of 68 percent.**

.....



BACK TO THE FUTURE

Finally, at Domtar, we have learned a thing or two about successful recycling and composting. For example, in the United States, most of the paper that can be recycled is recycled – reaching an all-time high of 68 percent according to the latest data from the American Forest & Paper Association. Paper is one of the best examples of a material that proves the concept of what leading environmental thinkers call “the circular economy.”

Plastic recycling, by comparison, has lagged far behind paper, with recovery rates below 10 percent in the United States.

100%

We are now field-testing a 100 percent biodegradable, lignin-coated paper for agricultural film applications.



This product, which reduces the need for herbicides and irrigation, is made from the abundant, organic polymers that are naturally found in trees. And better yet, at the end of the season, it can be tilled into the soil, eliminating plastic waste.

It has been a long, long time since automobile dashboards were made from wood. You can still find them in antique car collections.

Today, the interior components of the car you drive are most likely made from Acrylonitrile Butadiene Styrene – or, ABS plastic – which is derived from petroleum.

However, your next car may very well have a dashboard made, in part, from wood.

The world’s leading maker of car interiors, Yanfeng Automotive Interiors (YFAI), was searching for new materials. In particular, YFAI was interested in making components with higher resistance to damage caused by sunlight, greater tensile strength, lower overall greenhouse gas emissions – and all at an affordable cost.

We were delighted that they found much promise in the highly renewable, organic polymers that Domtar extracts from sustainably harvested wood.



These polymers, known as lignin, are essentially the “glue” that surrounds the cell walls of plants like trees. These renewable polymers contain a vast amount of the world’s carbon and have the potential, when modified correctly, to replace many of the petrochemical-based products we use in everyday life.

It is just another example of Domtar making every day better with everyday products. And it could be coming soon to a showroom near you.



RESPONSIBILITY

TRANSPORTATION AND LOGISTICS



EFFICIENT DISTRIBUTION

We operate an efficient distribution network to move pulp, paper and personal care products using third-party truck, rail, intermodal and ocean vessel transport providers. Our priorities are to serve customers, manage costs and reduce environmental emissions.

Domtar supports

IMPROVING TRANSPORTATION EFFICIENCY

through the expansion of ports and intermodal terminals.



We also support public policies that will improve truck efficiency by utilizing safer trucks with greater payloads. By equipping trucks with improved braking capacity and weight distribution that comes from installing an additional axle, truck operators would be able to utilize existing space in their trailers that they are currently required to leave empty. This will reduce truck traffic and emissions.

For bulkier, lighter-weight personal care products, we tend to reach truck volume capacity before weight capacity. For these products, we are focused on developing innovative packaging and loading patterns to get more products on a truck.



PRIORITIES

- › Optimizing available transportation modes to move our products efficiently.
- › Maximizing truck and container volumes by optimizing product packaging and stacking arrangements.
- › Leveraging our network of strategically located manufacturing and distribution centers to efficiently serve customers with adaptable delivery solutions.

CHALLENGES

- › Convincing policymakers to reduce truck traffic and emissions by increasing truck weight limits where studies demonstrate no detriment to safety and infrastructure.
- › Getting railroads, ocean freight carriers, trucking companies and public entities to collaborate on developing and funding more intermodal opportunities.
- › Mitigating the uncertainties of cost and supply impacts from ocean freight carriers as the 2020 International Maritime Organization low-sulfur fuel standard is implemented.

WHEN PUTTING ON WEIGHT IS A GOOD THING

Unlike their counterparts in Pulp and Paper, our logistics colleagues in Personal Care do not have a weight problem. Quite the opposite, they struggle to put it on. Optimizing transportation efficiency is a companywide objective, along with getting the most products in a trailer. While one business is weight constrained, the other has a space issue.

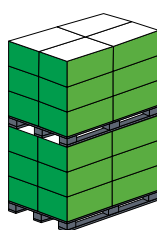
Personal care products tend to be lightweight but bulky, the opposite of paper. The upside is that it is easy to fill a trailer and meet weight limits. The challenge is how to reach the allowable weight limit and maximize the amount of product that ships in each load. Our European plants have come up with yet another creative way to stack more products on a truck. And, as is often the case, the most cost-effective solutions tend to also deliver environmental benefits.

Our latest innovation is a new truck-stacking arrangement for shipping two product lines from our plant in Aneby, Sweden, to customers in Spain and Portugal. It eliminates a pallet from each stack and allows for another row of product to be stacked on the pallet.

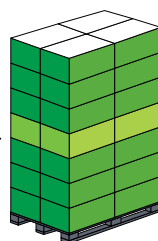
Close cooperation between our product and packaging design, manufacturing, logistics and sales teams in Aneby and Toledo, Spain, working together with customers,

made it all possible. The solution proved to be a win-win, resulting in lower costs, greater environmental benefits, and fewer trucks on the road.

Before



After



ANNUAL ENVIRONMENTAL BENEFITS

17-20%
more product
on each truck



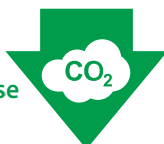
119,000
fewer truck
miles traveled
(or 5 trips
around the Earth)



63,000
fewer liters of
diesel fuel
consumed



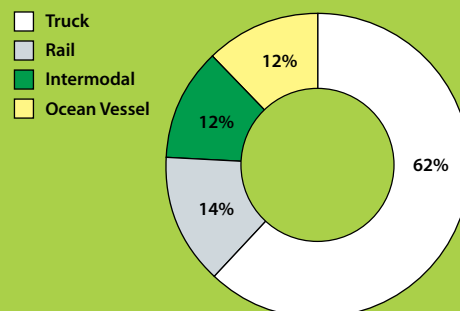
176
metric tons
less greenhouse
gas emissions



RESPONSIBILITY TRANSPORTATION AND LOGISTICS

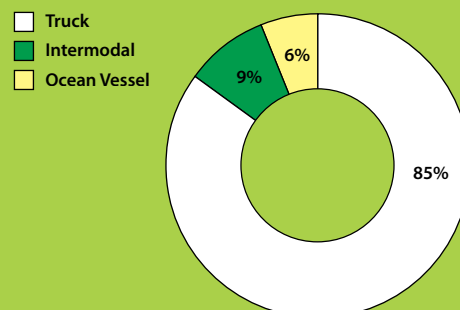
A LOOK AT OUR MODES OF TRANSPORTATION

PULP AND PAPER - 2018



Based on tons of product shipped.

PERSONAL CARE - 2018



Based on tons of product shipped.



Domtar has been a member of the U.S. Environmental Protection Agency's SmartWay® Transport Partner program since 2015. The program is designed to improve fuel efficiency and reduce the environmental impacts from freight transport.

LOCALLY GROWN, GLOBALLY SERVED

Our mill in Windsor, Quebec, serves a global export market. Customers appreciate the sustainability of the Windsor operation and the local forests that support it.

While we have always used locally grown wood to make paper, there are some important benefits from shortening the distance we haul from the forest to the mill.

With 50,000 trucks hauling wood annually, and an average haul distance to the mill of 120 miles, road safety, truck noise,

greenhouse gas emissions, and labor availability are some of the issues we manage every day along with controlling freight costs.

This is why our mill management has been engaging with 14 regional forestry partners to promote sustainable forest management practices to small landowners, and to train loggers on harvesting methods that increase productivity and quality. Three years into this initiative, the fiber supply from forests located close to the mill has increased by 30 percent.

B-TRAIN

These specialized rigs carry 15 percent more than conventional trucks and have the additional advantage of being allowed on highways during the spring thaw.

30%

In 2018, close to 30 percent of Windsor's fiber was hauled by B-train, optimizing loads, reducing the number of rigs on the road, and providing all-season supply for the woodyard.



The efforts of the fiber procurement team have resulted in a significantly

REDUCED

haulage distance and fuel consumption, leading to savings on transportation costs and lower emissions.

And the Windsor Mill is not stopping there. A woodyard modernization currently underway will improve productivity and chip quality, while reducing fiber loss and processing costs. As fiber yield from each unit of wood brought to the mill is increased, the number of wood deliveries required for each product will continue to decline.

Through innovation, best practices and collaboration with regional partners, the Windsor Mill is building a better future by optimizing its fiber supply and reducing its environmental footprint.

ANNUAL ENVIRONMENTAL BENEFITS*

950,000

fewer truck miles traveled (or 38 trips around the Earth)



994,000

fewer liters of diesel fuel consumed



2,770

metric tons less greenhouse gas emissions



*Relative to 2015 baseline.



WHEN CRISIS BRINGS OPPORTUNITY

Our Marlboro Mill in Bennettsville, South Carolina, and our neighboring paper converting plant in Tatum, have historically moved most products bound for export to Europe by truck to the ports of Wilmington, North Carolina, and Charleston, South Carolina.

But then, along came Hurricane Florence in late 2018, pummeling the Carolinas, and wreaking havoc on people, industry, homes, roads and more.

Although the hurricane caused minimal disruption to our production facilities, damage and disruptions to roads and infrastructure were more severe. The trucking industry, which Domtar relied on to move product to port for customers in Europe, was nearly paralyzed.

The rail line to Charleston withstood the hurricane much better than the roads – but Domtar had not historically had access to this rail service to the ports.

We faced the prospect of having to suspend one of our converting operations due to the plant's warehouse being full. But then things took a turn for the better. A new intermodal terminal built by the South Carolina Ports Authority in the nearby town of Dillon had available capacity, and we also persuaded an ocean carrier partner to use the new terminal.

As the 22nd largest U.S. exporter by container volume,* we are always looking for ways to **IMPROVE TRANSPORTATION EFFICIENCY, especially by increasing our intermodal opportunities.**

Even better, what began as an exceptional circumstance turned into a sustainable partnership. The new facility also provides more flexibility and additional options in moving products to customers.

By using the Dillon intermodal facility, we can load our products into a container and truck them fewer than 40 miles before they are lifted onto a train and brought directly to the port in Charleston. This reduces the number of truck miles our products travel by more than 75 percent, resulting in fewer emissions, less congestion, and less wear on the roads.

**75%
REDUCTION**
in truck miles our
products travel



Having seen the benefits of the Dillon facility, we continue to advocate for building an intermodal facility near our mill in Ashdown, Arkansas, which could offer similar efficiency benefits as we move pulp to our customers around the globe.

*Journal of Commerce, www.joc.com, U.S. foreign trade via ocean container transport, 2018.



A photograph of a man with a beard and a young boy with short brown hair, both wearing orange t-shirts, sitting on the floor and looking at a book. The boy is pointing at a cartoon character in the book. The man is looking down at the book. In the background, there are other people, including a person wearing black shoes and a person wearing a striped shirt.

DOMTAR IS A TRUSTED COLLABORATOR WITH ITS STAKEHOLDERS

ENGAGEMENT

EMPLOYEES



DOMTAR'S VOLUNTARY EMPLOYEE TURNOVER RATE WAS 4.2% IN 2018

compared to a 13.5 percent
voluntary turnover rate for the
U.S. Manufacturing & Distribution
Industry.*

*2018 Turnover Report, Compdata Surveys & Consulting.

57%
REDUCTION

in recordable safety
incidents since 2008 from
continuing operations.

SAFETY AND WELL-BEING



COMMUNITIES



13,800+ HOURS
CONTRIBUTED BY
OUR EMPLOYEES

at Domtar-sponsored
events in our communities
in 2018.



\$2.5 MILLION

Value of community
investments made
companywide
in 2018.



ENGAGEMENT EMPLOYEES




GROOMING THE NEXT GENERATION

Early and intentional succession planning is critical to maintaining an agile, skilled workforce. As a significant portion of our colleagues approach retirement, we are recruiting and developing our next-generation workforce to meet the needs of our evolving industry.

We provide our employees pathways for professional growth, and offer resources to expand and enhance their skills, knowledge and management capabilities. Our latest survey of employees revealed that, in their opinion, this is one of Domtar's strengths.

We have partnerships with community colleges, universities and technical trade schools to introduce students to advanced manufacturing technology and processes we use at our manufacturing facilities. This helps to promote manufacturing as an attractive career path for graduates. These partnerships also provide opportunities for our current employees to enhance their own skills.

We are also expanding the diversity of our workforce by hiring talented people who bring experience from other manufacturing industries and backgrounds.

**DOMTAR'S VOLUNTARY
EMPLOYEE TURNOVER
RATE WAS 4.2% IN 2018** 
compared to a 13.5 percent
voluntary turnover rate for the
U.S. Manufacturing & Distribution
Industry.*

*2018 Turnover Report, Compdata Surveys & Consulting.

PRIORITIES

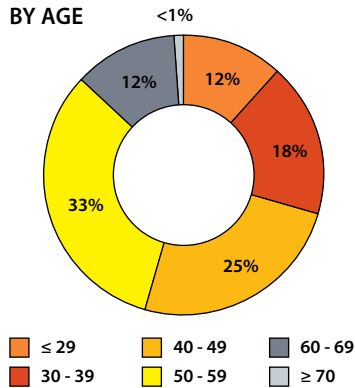
- › Recruiting and retaining the best employees who share our values of agility, caring and innovation.
- › Equipping our employees with the skills to succeed, including transferring practical manufacturing knowledge from seasoned employees to the next generation.
- › Creating a collaborative, inclusive workplace that fosters teamwork, builds trust and empowers employees to achieve both business and professional development goals.

CHALLENGES

- › Implementing succession plans to facilitate knowledge transfer and remain ahead of the curve in managing the generational transition in our workforce.
- › Ensuring that our managers take the time to have regular conversations with employees regarding performance, behaviors and development plans.
- › Finding candidates willing to relocate to some of our more rural manufacturing locations.

9,784 EMPLOYEES IN 2018*

EMPLOYEES BY AGE



EMPLOYEES BY GENDER

22% FEMALE
78% MALE



MANAGEMENT BY GENDER

27% FEMALE
73% MALE



EMPLOYEES BY EMPLOYMENT TYPE

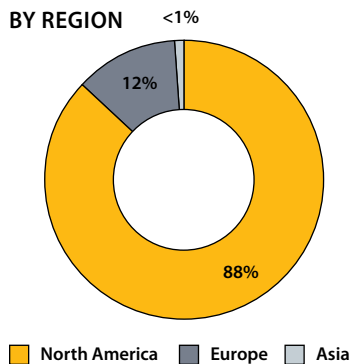
10% MANAGEMENT
90% NON-MANAGEMENT



56% NON-UNION
44% UNIONIZED

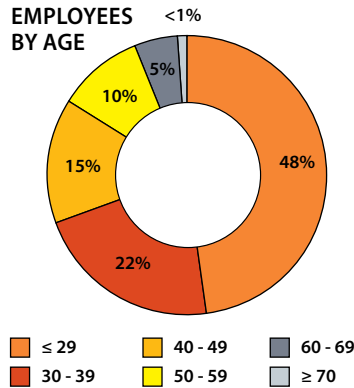


EMPLOYEES BY REGION



1,394 NEW EMPLOYEES HIRED IN 2018

NEW EMPLOYEES BY AGE



NEW EMPLOYEES BY GENDER

29% FEMALE
71% MALE



NEW MANAGEMENT BY GENDER

22% FEMALE
78% MALE



NEW EMPLOYEES BY EMPLOYMENT TYPE

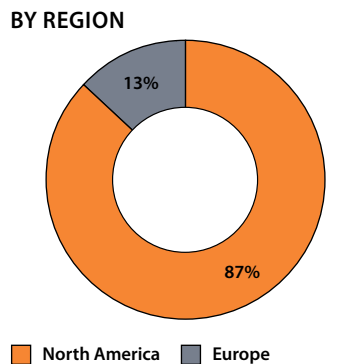
3% MANAGEMENT
97% NON-MANAGEMENT



59% NON-UNION
41% UNIONIZED



NEW EMPLOYEES BY REGION



ENGAGEMENT
EMPLOYEES

*As of December 31, 2018.

WOMEN IN MANUFACTURING

OPTIMIZING THE OPERATIONAL LINES AT WINDSOR

With dreams of a career in Science, Technology, Engineering and Production (STEP) since high school, Marie Cyr graduated as a mechanical engineer from L'Ecole Polytechnique in Montreal, joined Domtar in 1995 as a project engineer and soon transitioned to maintenance engineer. "I was the first female engineer at Windsor and the stakes were high," Cyr recalled. "I realized very quickly I wanted to lead a team, and no challenge was too great for me to tackle in order to reach that goal."

A few years later, she was named assistant director of pulp and energy operations, and a year thereafter, was promoted to director. "I knew I had the technical skills, but gaining credibility with my supervisor and male colleagues was the key to earning a leadership position," said Cyr. **"It took months to earn the trust of my co-workers on the floor, but as my reputation for problem-solving and team mentoring grew, the hard work paid off."**

Marie's leadership skills were recognized once again in 2019, when she was named manager of our Dryden, Ontario, pulp mill. Domtar was pleased to have been able to fill this important role with a proven, internal leader.

When asked what changes she has seen in the workplace at Domtar over the past 20+ years, Cyr commented, **"I've held many jobs during that span of time, and have seen first-hand how women in leadership have transformed and improved the mill's daily operations. We enrich ideas, resulting in better operational performance."**

Cyr's advice to younger women in manufacturing is to follow her lead. "If a position opens with more responsibility, have confidence in yourself and apply for it. Don't wait for someone to recognize you before making the move, or it may never happen. If you need support, get a mentor through Domtar's mentoring program. Your ambition will give you more credibility in the workplace," she concluded, "Just remember, it always starts with one."



MARIE
CYR

FROM NASA TO DOMTAR: BRINGING DATA ANALYTICS TO PERSONAL CARE

Alisha Thompson, recently promoted to senior director of the global digital center of excellence and business intelligence in Domtar's Personal Care division, has been passionate about technology since she was a child. At 8 years old, she wrote her first computer program, a game for the Commodore 64. While pursuing an undergraduate degree in computer science at Western Kentucky University, she was a shy, self-described "nerd" and one of only three women in a program with close to 300 male students.

Fresh out of school, Thompson was recruited by the National Aeronautics and Space Administration (NASA) where she worked in mission control at the Johnson Space Center in Houston, Texas, on space shuttle launches and reported to supervisors who had worked on Apollo missions. She learned that problem solving is best done through collaboration, and that her experience was applicable to many industries, especially manufacturing.

After leaving NASA and moving into the private sector, she worked on solution architecture, predicting results from production processes, analytics and quality assurance in such diverse industries as insurance, print media, pharmaceuticals and finance. Recruited by Domtar in 2013, Thompson now works closely with internal stakeholders in Personal Care to understand their business needs, and applies business intelligence tools, enterprise data analysis and customized dashboards from around the globe to translate data into targeted business solutions.

Thompson appreciates Domtar's culture of inclusion and has some advice for young women advancing in their manufacturing careers, **"Wisdom is based on making mistakes, so know they will happen. Be open to innovation. It will result in a home run or a setback, but you'll learn from both." She then added, "Highly-driven people are often very hard on themselves and that can sometimes hurt their ability to move forward. Be kind to yourself. Be a good friend to yourself, not your own worst critic. And give yourself a mental hug now and then!"**



**ALISHA
THOMPSON**

TAPPING OUR FUTURE LEADERS

The path to developing and advancing talented women starts with attracting a diverse candidate pool, followed by challenging opportunities for growth and advancement. It is also helpful to have role models, such as Marie Cyr and Alisha Thompson to inspire and attract more women professionals to manufacturing.

GETTING THE BEST FROM A DIVERSE BACKGROUND

What do General Motors, Harley Davidson, Michelin Tires and Alcoa have in common?

They all provided Everick Spence with a diverse set of manufacturing experiences, which later helped advance Domtar's success at Continuous Improvement (CI).

In 2016, Spence joined Domtar as director of Continuous Improvement, our disciplined, intentional approach to improving our manufacturing efficiency, reliability and quality.

Spence found that the diversity of his previous experiences in a number of different industries equipped him well to see opportunities in pulp and paper manufacturing. This background allowed him to help accelerate positive results from Domtar's CI program.

"A large part of Domtar's CI success is due to bringing daily management systems and decision-making to the mill floor, empowering operators to come up with work improvement ideas and ways to reduce costs," commented Spence. "Trust by mill leadership in its workforce drives progress toward bottom-line objectives and a highly engaged culture across our 13 pulp and paper mills."

It was that kind of passion and practical leadership that led to Spence's promotion in September 2018, to general manager at our mill in Plymouth, North Carolina. "It was an unexpected surprise, but my broad manufacturing background really helped me to quickly grasp Plymouth's systems, resolve issues and apply a great number of CI principles directly to mill floor operations," said Spence.



EVERICK
SPENCE

Spence believes his two years at Domtar's headquarters in Fort Mill, South Carolina, offered him invaluable opportunities to learn Domtar's proud culture and build relationships that were pivotal for successful communication with Plymouth personnel.

"Success as a mill manager requires a unique set of skills," he explained, "not the least of which is gaining the trust of staff. You also need to demonstrate your depth of knowledge and experience through sound decision-making, while at the same time patiently coaching individuals and teams to run operations and solve problems."

As the generational transition in our workforce continues, Domtar embraces those who can bring their diverse background, experiences and skills to the table.

AN INCLUSIVE WORKFORCE MAKES DOMTAR A BETTER BUSINESS

"As we face the challenges of our changing industry, we are strengthening our organization by bringing in new talent, and by developing and leveraging the skills of our existing employees. Our company's values of agility, caring and innovation have never been more important to our success, and people with different backgrounds, perspectives and experiences enhance each of those values."

- Mike Garcia
President, Pulp and Paper

Domtar's Inclusion and Diversity Committee is composed of leaders from across the organization. The Committee's objective is to promote a culture of inclusivity, and to help increase the representation of women and minorities within the company's talent pipeline.

AT DOMTAR, WE BELIEVE THAT:

OUR AGILITY

improves
when we have
a wider set
of skills.



OUR CARING

deepens
when we have
a broader
understanding
of the world.



OUR INNOVATION

quickens
when different
ideas and
imaginations
meet.



DOMTAR USES A BLENDED LEARNING APPROACH TO DELIVER SKILLS AND KNOWLEDGE TO EMPLOYEES MOST EFFECTIVELY.

We strive to offer training that is approximately 70 percent on the job, 20 percent classroom and 10 percent online.

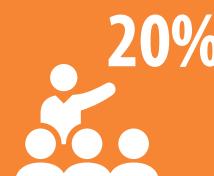
ON-THE-JOB TRAINING

Transferring institutional knowledge through apprenticeships, observations, coaching and mentoring.



CLASSROOM TRAINING

Leading and interacting with subject experts and peers outside of their normal work environment.



ONLINE TRAINING

Offering specific skills and knowledge through Domtar's flexible and customizable online university, allowing employees to find what they need quickly.



20 HOURS*
OF CLASSROOM AND ONLINE
LEARNING PER EMPLOYEE
IN 2018

*While a significant part of Domtar's approach to learning, the company currently does not have a consistent approach for tracking on-the-job training hours, and therefore, this type of training is excluded from our reported training hours.



KEEPING OUR EMPLOYEES SAFE AND WELL

No production gain or business benefit is worth an injury. That is why we work relentlessly to physically eliminate hazards and minimize risk of injury. And it is why we promote a safety culture that reinforces the vigilance and accountability that help maintain the right behaviors. It is also why we link safety to our performance management systems.

ACTIVE AWARENESS AND PREVENTION PROGRAMS

are in place across our locations, supported by dedicated safety and well-being experts, industry-leading methods and tools, and our leadership teams.

We encourage new ideas. We look beyond traditional safety metrics, such as recordable injury rates that only reveal what has already happened. By using leading indicators, we can better identify and eliminate potential hazards before injuries occur.

We also empower and expect our employees and contractors to intervene when they witness unsafe behavior at work. This obligation is codified in our Right and Responsibility to Act policy.

According to 2016 statistics from the Centers for Disease Control and Prevention (CDC), far more individuals suffer from poor health than from workplace injuries. In the U.S., the top two leading causes of death are heart disease at 23 percent and cancer at 22 percent of total deaths. Accidents and injuries, including those at work, amounted to 6 percent of deaths.

This is why we also invest in well-being programs to help our colleagues establish and maintain healthy lifestyles. Good nutrition, regular physical activity, and mental health support can reduce the risk of death from chronic diseases, and can help prevent accidents and injuries at work and at home.



PRIORITIES

- › Providing a safe workplace free of recognized hazards.
- › Engaging our employees in leading safety activities to help them anticipate and prevent potential incidents.
- › Identifying the underlying causes of workplace injuries to ensure our safety activities are addressing the right things.
- › Engaging our employees in realizing the benefits of healthy lifestyles, including a safer workplace.

CHALLENGES

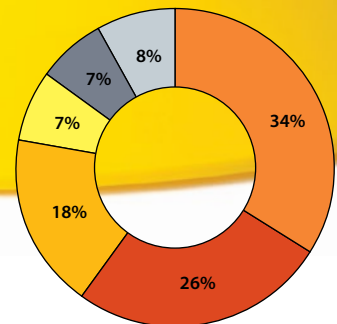
- › Eliminating life-altering injuries and reducing the severity of injuries.
- › Regularly using leading indicators to improve the safety of our workplaces.
- › Getting all employees to keep safety top of mind – every day – at work and at home.
- › Convincing all employees to adopt healthy lifestyles.

SAFETY INCIDENTS BY BUSINESS AREA - 2018

Business Area	Total Frequency Rate	Lost Time Frequency Rate	Lost Time Severity Rate	Fatalities
Pulp & Paper Division	0.79	0.35	19.84	0
Personal Care Division	0.64	0.36	17.10	0
Domtar All	0.74	0.35	18.63	0

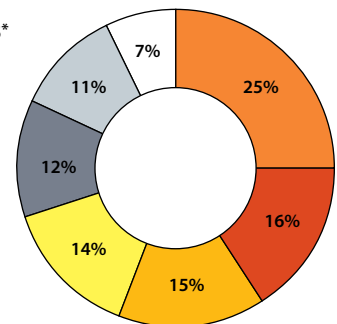
INJURY TYPES - 2018*

- Sprain/Strain
- Cut/Laceration
- Break/Fracture
- Bruise/Contusion
- Burn
- Other



AREAS OF BODY INJURED - 2018*

- Hand/Wrist/Finger
- Arm/Elbow
- Foot/Ankle
- Leg/Knee
- Back/Chest
- Head/Face/Eye
- Shoulder



*Based on 73 recordable incidents.

A HOLISTIC APPROACH TO KEEPING OUR EMPLOYEES SAFE

As humans, we all make mistakes. Recognizing and dealing with this truth is at the core of Human Performance Improvement (HPI), an approach Domtar is using to stimulate new thinking and best-in-class performance in safety management.

HPI rests on a philosophy of open communication and positive reinforcement, a rigorous method for identifying the causes of incidents, and implementation of effective corrective actions. It comes with a rich array of proactive tools – known as leading safety activities – that help prevent injuries by identifying risks in procedures, equipment or behavior so that adjustments can be made before they lead to incidents.

Among the most powerful leading safety activities are “show-me” audits, in which our employees perform tasks in the presence of safety personnel and colleagues. The purpose of this exercise is to identify any gaps between established procedures and processes, and the way work is actually performed.

This real-time visualization has led to changes in procedures, equipment and behavior, as well as discussions about the safest way to complete the task. Expectations are set, and safety procedures are put in place. Larry Warren, senior director of health and safety for Pulp and Paper and Corporate, draws on childhood memories at his family’s farm to illustrate how it works.

“Although my father had never heard of HPI, he was very familiar with the difference between work as imagined and work as performed. On more than one occasion, I recall hoeing in the fields and having my father point out that my ‘work as performed’ did not meet his vision of ‘work as imagined’ because I had missed some weeds,” Warren recalled.



LARRY
WARREN

“And I have to admit that he had given me a ‘tune up’ more than once because of that gap. Now I realize he was just resetting the expectation for work as performed to be sure there was an expectation in place that was well understood and that was enforced.”

Thanks to HPI and engaged colleagues, Domtar is making great strides in safety performance. We have seen a 57 percent decrease in recordable safety incidents since 2008, severity is trending lower, and fewer days are lost due to injuries.

HUMAN PERFORMANCE IMPROVEMENT

PHILOSOPHY

- › Don't blame the employee
- › People make mistakes
- › Errors are predictable, preventable and manageable
- › Individual behavior is influenced by organizational processes and values
- › High performance comes from reinforcements from peers, leaders, subordinates
- › Appropriate response to errors, learning, consistency

METHOD

- › Understand why individual made decision they did
- › Identify error precursors
- › Determine causal factors
- › Take effective corrective actions

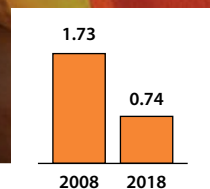
PROACTIVE TOOLS

- › Pre-task risk assessment
- › Near-miss reporting and investigations
- › Show-me audits to ensure there is no gap between work as imagined and work as performed
- › Verification audits to verify the correct and documented procedure is in place, understood and followed
- › Participation in HandSMART and MoveSMART programs that focus on ergonomics and the proper use of hand and body mechanics

**57%
REDUCTION**
IN RECORDABLE SAFETY
INCIDENTS SINCE 2008*

*From continuing operations.

TFR = number of recordable incidents per 200,000 hours worked and based on the U.S. Occupational Safety and Health Administration guidelines.

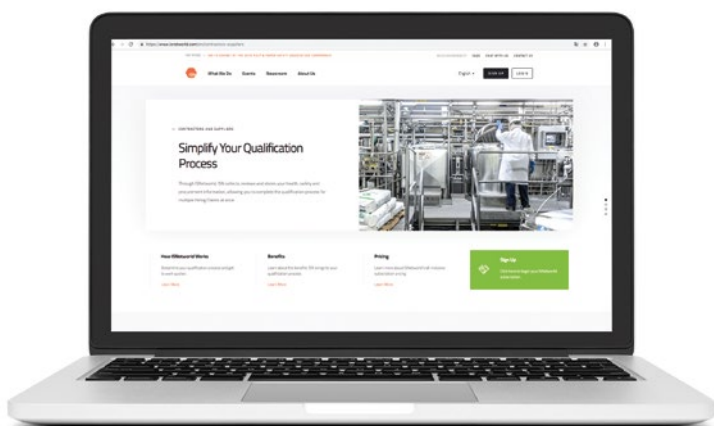


7TH CONSECUTIVE
YEAR OUR RECORDABLE
INCIDENT RATE HAS BEEN
**BELOW
1.00**

CONTRACTOR SCREENING PROMOTES SAFETY

Contractors support our operations with valuable expertise and specialized services, working in our facilities and alongside our employees. That is why we expect them to meet our safety standards.

Screening the more than 1,200 external service providers who work in our pulp and paper mills is made easier by ISNetwork, an online contractor management database we began using in 2017. The information in the database enables us to verify qualifications, compliance with relevant regulations and safety performance, giving us greater visibility to those who are coming into our mills.



Domtar also participates in the Pulp and Paper Safety Association, which offers contractors information on how to improve their overall safety.



34%
**OF OUR RECORDABLE
INJURIES IN 2018
WERE SPRAINS
AND STRAINS.**



These types
of injuries can be reduced
through well-being initiatives that
lead to healthier employees.

your
WELL-BEING



One year after expanding our
Well-Being Program to include
mental and financial health,
43 percent of Domtar employees
have joined and 62 percent of the
participants are engaged
in well-being activities
at least monthly.

WELL EMPLOYEES ARE SAFER EMPLOYEES

The connection between well-being and safety is a straight line. That is why Domtar's well-being and safety initiatives go hand-in-hand in keeping our colleagues healthy and safe.

Our data and experience show that colleagues who are too tired to carry out their tasks properly or not feeling well because of stress and/or chronic health conditions, are more injury and accident-prone. They may also unintentionally place co-workers at risk. Having employees come to work physically, mentally and emotionally prepared can minimize these situations.

That is why our safety and well-being teams have made a conscious effort to better integrate their programs through shared objectives and incorporating well-being into safety training and discussions throughout the organization. These efforts include a focus on physical and emotional well-being as they are equally important to driving a safer work environment.

We recognize that lifestyle behaviors are a significant factor in overall health. Because of this, the mission of our well-being team is to promote healthy living.

Domtar's well-being program is designed to encourage employees across the company to adopt healthy lifestyles – lose weight, manage stress and be more active. Incentive points are awarded for participation in well-being activities and can be redeemed for attractive rewards.

All employees have free access to an online platform and mobile application with tools and easy-to-use resources to help them set and obtain well-being goals. Employees can track health and fitness activities, get stress management support and obtain daily health tips customized to their interests.

We also have volunteer well-being champions in our offices and facilities who organize local activities and raise awareness of Domtar's well-being program. This includes employee wellness challenges that offer friendly competition and encouragement.

We believe that promoting healthy lifestyles supports our long-term safety performance, and we continue to refine and expand our well-being program to get more employees to join and actively participate.

ENGAGEMENT COMMUNITIES



AT HOME WITH DOMTAR

DOMTAR CALLS MORE THAN 30 COMMUNITIES HOME.

They are the places we live, work and play. They help define who we are – as individuals, and as a company.



In some of these places, we have been doing business for more than a century. In others, we are newer to the scene. But in all of them, we recognize that we are more than an employer and a taxpayer.

Our communities depend on us, and we depend on them. We share roads, dams, water services and volunteer fire departments. We aim to be good neighbors – in the everyday encounters of business, as well as in extraordinary times of need.

Most importantly, we strive to remain globally competitive, so that we can continue to contribute to livelihoods and everyday life in these communities. Working together begins in the places we call home.

PRIORITIES

- › Encouraging our employees and supporting their efforts at volunteering in our communities.
- › Helping our communities prepare for natural disasters, and getting infrastructure systems back on-line safely and quickly when disruptions occur.
- › Aligning our community investments with Domtar's products and business priorities – literacy, health and wellness and sustainability.

CHALLENGES

- › Improving performance measures of our community investments to ensure we are delivering lasting benefits.
- › Enhancing community amenities to attract employees and their families to our more rural communities.

Domtar believes that our community investments are more meaningful when there is a connection between our charitable giving and the broader social benefits of the products we make. We give preference to programs that promote literacy, health and wellness, and sustainability. In addition to our monetary and product donations, Domtar's employees invest their time in making our communities better.



13,800+ HOURS

contributed by our employees at Domtar-sponsored events in our communities in 2018.

\$2.5 MILLION

Value of community investments made companywide in 2018.



COMMUNITY INVESTMENTS WERE APPROXIMATELY 2.2%

of our pre-tax earnings over the past five years, compared to an average of 0.8%* for U.S. corporations over the same period.



*Giving USA 2018 – The Annual Report on Philanthropy for the year 2017. Researched and written by IUPUI Lilly Family School of Philanthropy, a public service of The Giving Institute.

Every 100 jobs in our facilities support an **ADDITIONAL 325 JOBS*** in supplier industries and local communities.

x3

*Updated Employment Multipliers for the U.S. Economy, Economic Policy Institute, August 2003.

IN 2018, DOMTAR CREATED \$5.5 BILLION

in economic value

AND DISTRIBUTED

\$5.2 BILLION

to suppliers, employees, shareholders and other stakeholders.

\$3.6 BILLION

in Materials and Services Purchased



\$195 MILLION

in Capital Investments in our Facilities



\$150 MILLION

in Research and Development



\$978 MILLION

in Salaries, Wages and Benefits Paid



\$108 MILLION

in Dividends Returned to Shareholders



\$57 MILLION

in Interest Paid to Debtholders



\$71 MILLION

in Taxes Paid



ENGAGEMENT COMMUNITIES



WEATHERING THE STORM

We cannot control the weather, but we can prepare for it.

We work to keep our employees and communities safe, protect our physical assets, and ensure our customers have the products they need. In the calm after the storm, we strive to restore normal operations as safely and quickly as possible, while working with local authorities and organizations to help our communities recover.

Our resilience has been tested on several occasions, most recently during Hurricane Florence, which swept through the southeastern U.S. in September 2018. With high winds and heavy rain on the radar, our Plymouth, North Carolina, and Marlboro, South Carolina, mills activated their hurricane preparedness and flood plans, and we deployed our Comfort and Care program.

Both mills executed orderly production shutdowns in advance of the storm to minimize damage to plant, property and equipment. Special precautions were taken to prepare effluent treatment lagoons for an inundation of rain, including the installation of back-up generators and pumps.

Despite the storm's ferocity, historic flood levels and extensive power outages, no breaches occurred into or out of our lagoons, and our mills did not experience a single environmental incident. Although production was lost at both mills, customer orders were met thanks to Domtar's geographically diverse distribution network. Advance planning, which has been an integral part of our preparedness over the decades, minimized disruptions to our raw material supply, and both mills were up and running within days after the storm.

DEPLOYING COMFORT AND CARE

As flood waters receded, many areas of North and South Carolina faced extraordinary challenges, and Domtar was there to help. With an eye toward responding to events such as this more quickly, in 2016 we formed a partnership with Good360, a nonprofit organization that delivers critical products to families affected by disasters. This allowed us to quickly deliver more than 840,000 diapers for adults and infants to agencies in affected areas through our Comfort and Care program. Donated diapers were distributed by partners such as the North Carolina Diaper Bank and agencies in Myrtle Beach and Dillon County, South Carolina.

840,000
diapers for adults
and infants



"Domtar continues to be an excellent partner for Good360, particularly in the area of disaster recovery," said Howard Sherman, Good360 CEO. "We know we can count on Domtar to help us meet both short- and long-term needs of communities impacted by disasters."

We also donated to the Checkered Flag Foundation, which supported first responders in communities affected by the hurricane by arranging for fuel deliveries and providing them with food and other supplies. And we donated to the Food Bank of Central and Eastern North Carolina for meal distribution to residents in counties hit hardest by the storm.



Despite personal hardships, and in some cases property losses of their own, the spirit of our people showed through with many Domtar employees giving time and supplies to help their neighbors and colleagues. Savannah McBride, a Personal Care employee, worked with colleagues in Raleigh and Greenville to collect donations of food, water and other essentials for delivery to communities hardest hit by the hurricane.

"I grew up in Morehead City and its people are near and dear to me," McBride said. "When roads closed and communication lines shut down, I knew how serious the situation was and how urgently people on the coastline needed our help."

"Roads were so washed out, staff had to drive between 10 and 30 extra miles each way to get to the mill," said Chris Gore, pulp and utilities manager at the Marlboro Mill. "It was quite a sight to see whole communities and shopping centers under water while searching for a way to work."

Dennis Askew, Marlboro Mill manager, commented, "Property turned from farmland to swampland, making it impossible for some employees to get to work. Fortunately, folks who could make it in were willing to work flexible hours and keep the mill going until the water receded and everyone could get back on the job."

Domtar EarthChoice®
Ambassador
programs are now active
**IN 30 DOMTAR
FACILITIES**
across North America
and Europe.



PROMOTING LITERACY

by providing books to children
who may not otherwise
have access to them.



POWERFUL
PAGES

353,000 BOOKS

have been donated
since 2012 through our
collaboration with First Book.

COMFORT AND CARE

launched in 2016 to help
alleviate financial and emotional
stress on families and individuals
by providing diaper donations
to diaper banks and care facilities.

We established strategic partnerships to
provide in-kind donations of our products through
distribution networks before the need arises.



2.3 MILLION
diapers distributed
through our Comfort
and Care program
since launch.

4,750
Comfort and Care
personal care
kits distributed
since 2016.



NEARLY \$4 MILLION
donated to World Wildlife Fund
since 2008 to support conservation
programs around the world.

©WWF Registered Trademark. Panda Symbol © 1986 WW F. © 1986 Panda symbol WWF- World Wide Fund for Nature (also known as World Wildlife Fund). ©"WWF" is a WWF Registered Trademark.

MAKING OUR COMMUNITIES STRONGER

PROMOTING THE PRINTED PAGE THROUGH POWERFUL PAGES



In today's technology-driven world, we remain committed to the printed page and to promoting literacy among children. Johnsonburg, Pennsylvania, community leaders, students and the EarthChoice Ambassadors, worked together to develop, fund and dedicate the Domtar Learning Lounge at the Johnsonburg Area Junior Senior High School.

In 2012, Domtar sponsored the first of 12 Ben Carson Reading Rooms at the Johnsonburg Elementary School. It was such a success that, as students moved to junior and senior high school, they missed having a place dedicated to

leisure reading. Students created a plan to renovate space within the school's library to create a reading room and volunteers transformed the space.

Domtar funded a First Book Marketplace Grant, enabling the school to buy more than 450 books at a reduced rate. And, books printed on paper made at the Johnsonburg facility, as well as books that highlight Johnsonburg and the mill history, were also donated to the lounge.

Now, high school students can continue to enjoy a good book, in a reading space of their own.

Domtar partnered with First Book to transform the lives of children in need by making books and resources available to the educators and kids who need them most.



In 2018, Domtar collaborated with First Book to deliver a truck-full of books to Classroom Central, a Charlotte, North Carolina, non-profit which equips students in need by collecting and

distributing free school supplies to their teachers. For the third year, volunteers from Domtar's corporate offices in Fort Mill, South Carolina, unpacked, sorted and shelved the books, creating a bookstore and inviting teachers from Mecklenburg and York counties to "shop" for brand-new, free books for their schools and students.

BRING COMFORT AND CARE TO OUR COMMUNITIES

We proudly support Camp Blue Skies; an overnight camp for adults with disabilities. **In 2018, Domtar volunteers worked with the camp to set up activities for campers,** including zip lines, ropes courses, Frisbee games and post-lunch singalongs in the cafeteria.

Camp Blue Skies provides individuals with special needs a safe, friendly environment that can accommodate their physical and developmental challenges. The camp, which holds sessions in Georgia and North Carolina, works tirelessly to help serve a population that is largely underserved.



"It is always a privilege to be a part of the camp's activities for a day," said Kate Shupe, office supply team lead, who volunteers year after year. "I think I get more out of my visit with the campers than they do. It's always such an inspiring day!"

AND BETTER PLACES TO LIVE AND WORK



Our Aneby EarthChoice Ambassador team partners with Sweden-based, Human Bridge, a non-profit organization that collects and distributes medical supplies for development, relief and social projects.

One hundred thirty-two metric tons of adult incontinence products, including protective underwear, briefs, bladder control pads and bed pads were donated in 2018.



"Human Bridge lets us know that our gifts make a difference for people in this world. Thank-you letters include photos and details on where our donations went," said Fredrik Gustavsson, environmental specialist, who is the ECA captain and oversees the diaper donation program at the facility. "It's rewarding to see the impact we can have."

DOMTAR EARTHCHOICE AMBASSADORS IN ACTION



Employees in Jesup, Georgia, partnered with first-grade teacher Kristyn May and James E. Bacon Elementary (JEB) to develop an outdoor classroom for the school's garden project. The space is part of JEB's Georgia Shape Grant initiatives promoting good nutrition and physical activity.

"The opportunity to work with a local school to build an outdoor classroom was a great fit to support Domtar's sustainability and EarthChoice® programs. We love when we can support the kids

in ways that nurture the environment and promote great health," said Jesup's Kim Sumner, director of operations and development.



In May 2018, the Student Conservation Association (SCA) and more than 100 Domtar Home Delivery Incontinence Supplies' employees and family members contributed more than 300 hours of service revitalizing Kirkwood Park in Olivette, Missouri, by weeding, mulching and clearing out invasive, overgrown honeysuckle.

In June 2018, with the help of SCA, 60 Domtar employees, families and friends, from the Dryden, Ontario, community, pitched in to make a local park a safe and welcoming community space. The relatively small park, nestled

next to the local high school, once a neighborhood gathering place, had seen better days prior to local budget cuts. By the end of the day, all areas of the park were visible through the tree line. Local residents were pleased to see the improvements.

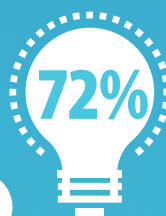
Domtar has partnered with the SCA in the United States and Canada since 2012, serving as a national supporter with financial contributions and as a local contributor through a series of community projects like the community service projects in Olivette and Dryden.

A full-page photograph of a man in safety gear (yellow hard hat, safety glasses, and a high-visibility vest) holding a small vial, standing by a body of water. The text "DOMTAR MINIMIZES THE ENVIRONMENTAL IMPACT OF ITS BUSINESS OPERATIONS" is overlaid in large white letters.

DOMTAR MINIMIZES THE ENVIRONMENTAL IMPACT OF ITS BUSINESS OPERATIONS

EFFICIENCY

ENERGY AND EMISSIONS



of the energy we use in our pulp and paper mills comes from

RENEWABLE BIOMASS FUELS.

90% OF THE WATER we use in our pulp and paper mills is returned to the watershed from which it came.



WATER

BYPRODUCTS

BENEFICIALLY USED

69% OF MANUFACTURING BYPRODUCTS

generated by our pulp and paper mills in 2018, up from 59 percent in 2013.

**WATER
REDUCTION
+
GHG EMISSIONS
REDUCTION
+
WASTE
REDUCTION**





TOWARD A LOWER-CARBON ECONOMY

Thanks to a long history of effectively managing energy, including efforts to optimize our use of carbon-neutral biomass fuels, Domtar is well positioned to meet expectations for a lower-carbon economy.

72% 

Today, 72 percent* of the energy we use in our pulp and paper mills comes from renewable biomass fuels, mostly self-generated from our wood processing and pulping byproducts. Industry average = 67%**

*Net of renewable energy and attribute sales.

**2018 American Forest & Paper Association Sustainability Report.

We continue to invest in targeted projects to optimize and enhance the reliability of our manufacturing assets, and improve the efficiency of our raw material and energy use. These ongoing investments have incrementally improved our cost, climate and environmental profile, and we expect further progress in the years ahead.

As a result, Domtar enjoys an environmental edge relative to other major pulp and paper producing regions of the world, with direct greenhouse gas emissions about two-thirds lower than the average pulp and paper producer in Asia. Our emissions to air of nitrogen oxides, sulfur dioxide and particulate matter have also significantly improved through these initiatives.

Longer term, Domtar's pulp mills may serve as biorefineries to produce affordable, sustainable biomaterials and fuels that can potentially replace some fossil-based products, furthering the development of a lower-carbon economy.

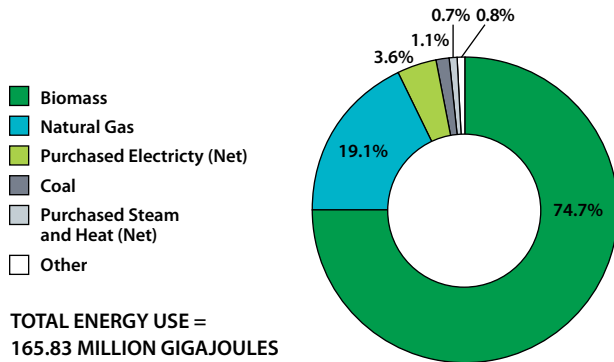
PRIORITIES

- › Continuing to improve the reliability of our assets and operations through targeted investments in our facilities and Continuous Improvement programs.
- › Maximizing the economic value and environmental benefits from our energy generation assets, including through partnerships with local utilities and businesses.
- › Preparing for a low-carbon economy by advocating for sustainable policies, reducing our carbon footprint and building resiliency into our operations and supply chains.

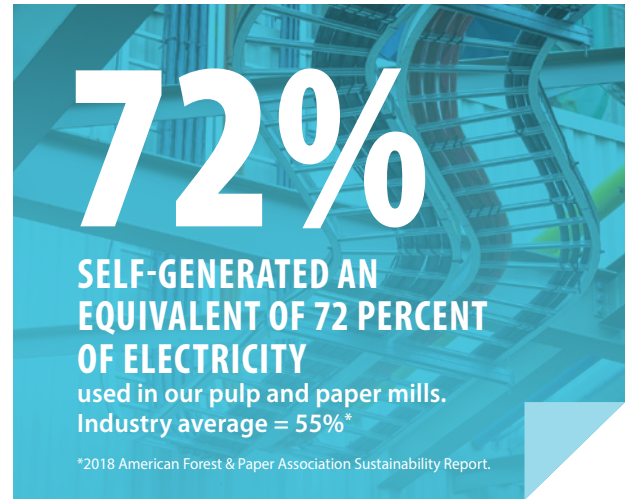
CHALLENGES

- › Getting more non-governmental organizations to understand the benefits of using renewable, carbon-neutral biomass fuels from sustainably managed forests in our processes.
- › Finding lower-carbon fuel alternatives to natural gas for use in our mills that meet process supply and safety requirements as well as product quality requirements.
- › Getting policymakers to recognize and address the unintended consequences of policies that shift manufacturing to regions with higher carbon footprints than ours.

MANUFACTURING ENERGY SOURCES - 2018

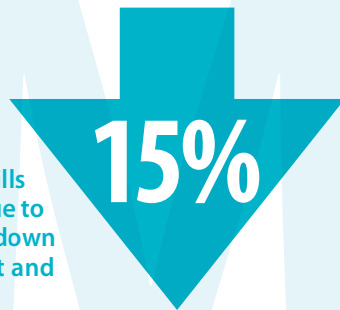


TOTAL ENERGY USE =
165.83 MILLION GIGAJOULES
 > Pulp and Paper Mills = 99.5%
 > Paper Converting Facilities = 0.1%
 > Personal Care Facilities = 0.4%



REDUCED TOTAL DIRECT GREENHOUSE GAS EMISSIONS AND INDIRECT EMISSIONS

from purchased energy at our pulp and paper mills 15 percent since 2010 due to fuel switching, shutting down less efficient equipment and energy conservation.

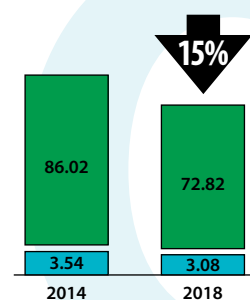


GREENHOUSE GAS EMISSIONS

Pulp and Paper Mills
(Million Metric Tons CO₂e)

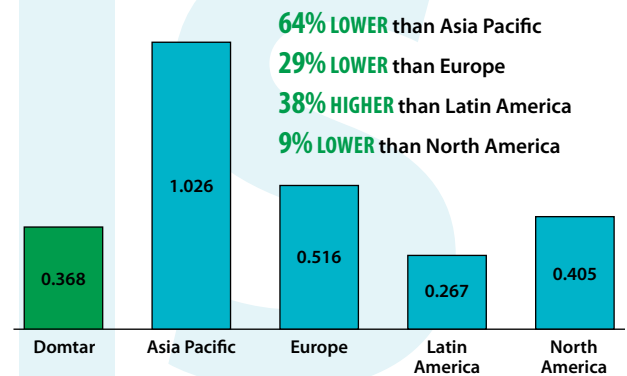


Paper Converting and Personal Care Facilities
(Thousand Metric Tons CO₂e)



■ Indirect Emissions from Renewable Energy and Attribute Sales
 ■ Indirect Emissions from Purchased Electricity, Steam and Heat
 ■ Direct Emissions
 ... Domtar 2020 Absolute Goal (-15% from 2010)

AVERAGE GREENHOUSE GAS EMISSIONS FROM FOSSIL FUEL COMBUSTION Pulp and Paper Mills by Region* (Metric Tons CO₂e/Finished Metric Ton Product)



Source: Fisher International, FisherSolve™, April 24, 2019.

*Includes mills that produce Uncoated Freesheet, Specialty Paper and Hardwood and Softwood Market Pulp.

REDUCTION IN EMISSIONS FROM OUR PULP AND PAPER MILLS SINCE 2014

Sulfur Dioxide
SO₂



Nitrogen Oxide
NO_x as NO₂



Total Filterable Particulate Matter



PLYMOUTH CONTINUES ITS SUSTAINABILITY JOURNEY

DOMTAR'S MILL IN PLYMOUTH, NORTH CAROLINA, PROVES THE ADAGE THAT SUSTAINABILITY IS A JOURNEY, NOT A DESTINATION.

The Plymouth Mill, which got its start making pulp and paper in 1937, faced a bleak future as paper consumption declined precipitously in the aftermath of the Great Recession. But Domtar's entry into the growing personal care market, combined with Plymouth's access to the right fiber resources, gave the mill a new lease on life.

After an investment of \$87 million to repurpose the assets, in 2010 Plymouth became the first mill in Domtar's manufacturing network to produce fluff pulp. Through the dedication and skill of its employees, Plymouth forged a reputation for quality and reliability in global markets, paving the way for an even larger conversion to fluff pulp at Domtar's mill in Ashdown, Arkansas, in 2016.

As years went by, it became evident that the Plymouth Mill needed to further optimize its manufacturing processes and assets to remain viable in a competitive market. The smaller of its two fluff pulp machines was permanently shut down in 2018, and the mill embarked on a multi-year investment program, beginning with several energy and environmental sustainability initiatives.

The overall objective is to reduce the mill's total energy footprint and thereby lower its costs, resource use, and environmental footprint. Capital projects at Plymouth in 2018 and 2019 included:

- › Reducing steam use through several energy efficiency projects in the pulp manufacturing process.
- › Reducing fuel use by improving the efficiency of one of the mill's power boilers.
- › Reducing fuel use to make steam by installing a condensing cooling tower and heat exchanger that will eliminate the use of about 11 million gallons per day of single-pass non-contact cooling water and recover heat from the process.
- › Installing a thermal oxidizer to provide a back-up air emission control device when the power boiler is not available to incinerate gases produced in the chemical pulp manufacturing process.
- › Reducing particulate matter emissions from one of the mill's power boilers by installing a new electrostatic precipitator.

The sum of these projects will produce enough energy savings and operational flexibility to

ALLOW THE MILL TO SHUT DOWN ONE OF ITS TWO POWER BOILERS IN 2019.



The Roanoke River ecosystem was also a major beneficiary of the project. Eliminating our need to intake "once-through" cooling water for the mill has removed the possibility of unintentionally entrapping and entraining aquatic life, including juvenile fish and larvae via that intake.

Domtar's major investments in Plymouth are testimony to its commitment to the mill's future and ongoing support for its sustainability journey.



DOING WELL BY DOING GOOD

It is heartening to realize that being a good neighbor can also be good for business and be good for our planet's sustainability.

In communities where we have operated for decades – in some cases more than a century – we have developed relationships that benefit our bottom line, as well as the local economy and environment.

Using our assets, energy and water resources more efficiently helps us build a better future together. Here are a few examples of how Domtar is doing this:

Bennettsville (Marlboro), South Carolina: Our mill provides wastewater treatment services for an adjacent manufacturing plant located far from the city's sewer system.



.....
Ontario: Our Dryden and Espanola mills manage their operations to limit their power draw during the grid's five peak hours. This contractual arrangement helps reduce the provincial peak, avoiding the need for extra generation, which benefits Domtar, the utility, other power users and the environment.

.....
Rothschild, Wisconsin: Our mill supplies water and renewable biomass fuel to a co-located electric utility, and in return it purchases steam from the utility to make pulp and paper. Our mill also provides energy and water utilities and wastewater treatment services to another co-located business that makes biomaterials from the mill's pulping liquors.

.....
Windsor, Quebec: Our mill leases land to another party that operates 24 wind turbines, a source of renewable electricity to the Quebec grid.



Making products from greenhouse gases: At five of our mills, carbon dioxide from our fuel combustion is sent to third-party, co-located facilities to manufacture precipitated calcium carbonate, a primary filler used in our paper to make it brighter and smoother.

.....
Plymouth, North Carolina: Our mill sells steam to an adjacent manufacturing facility and also treats their wastewater and storm water.

.....
Cogeneration of electricity and steam: All of our mills have on-site cogeneration. This process is more efficient than conventional electricity generation from the grid, as our mills and co-located businesses can subsequently use the steam in their manufacturing processes after it is used to generate electricity. Some of the electricity is sold to outside utilities. Another benefit from our use of renewable, biomass fuels in our cogeneration processes is our ability to create Renewable Energy Certificates (RECs) to help others meet their energy and greenhouse gas reduction goals.



TRANSFORMING OUR WORLD for a low-carbon future will require more ingenuity and collaboration as we seek to use the Earth's resources more efficiently.



EFFICIENCY WATER



STEWARDS OF OUR WATER RESOURCES

Water quality plays a significant role in our water management plans. It impacts how we treat the water coming into our mills and is also a major consideration in establishing the water quality levels our mills must meet before returning the water to the watershed.

90%



Approximately 90 percent of the water we use in our pulp and paper mills is returned to the watershed from which it came. A small amount remains in our products and byproducts, and the rest returns to the atmosphere through evaporation.

All of our mills are located in watersheds with ample water supplies. But, while we have access to abundant and inexpensive water supplies, we do not take this resource for granted. To this end, we deployed a model in 2018 that helps our mills better understand the full cost of using water.

We believe that because water is a local resource, it is best managed at the facility level using site-specific strategies. Understanding the unique environmental and socio-economic characteristics of the watersheds where we operate enables us to be better stewards of water resources.

PRIORITIES

- › Managing our water use in a way that helps maintain the quantity, quality, timing and availability of local water resources.
- › Understanding the full cost of using water to empower local facility managers to use it more efficiently.
- › Sharing best practices for improving the efficiency and effectiveness of our wastewater treatment systems.

CHALLENGES

- › Getting some environmental agencies to regulate agricultural and stormwater runoff, which negatively affects industrial, municipal and recreational water users.
- › Maintaining performance given the legacy infrastructure and capacity constraints in several of our wastewater treatment systems.
- › Advancements in scientific testing and analysis to detect pollutants at very low levels are progressing much faster than new technologies to treat and remove the pollutants from our effluent.

THE RISK OF OVERSIMPLIFYING WATER

Understanding risks to our water supplies helps us better focus efforts and resources where they will do the most good. Often when people think about water risk, the first thing that comes to mind is water quantity or availability, but this is just one component. Water quality, regulatory and reputational risks also need to be considered.

Each of our facilities operates in a watershed with particular geographies, land uses, regulatory, environmental and socio-economic characteristics that influence the quantity, quality and timing of water available for use in our manufacturing operations.

While we have operated some of our mills for more than 150 years with minimal disruptions due to the availability and quality of water, we recognize we cannot rely on past practices alone to manage water going forward. With growing populations and additional competition for shared resources, we do not take water for granted.

The World Resources Institute (WRI) has developed a global, online resource, Aqueduct Water Risk Atlas, to help companies better understand water risk by providing a high-level screening of potential risks in watersheds where they operate. Domtar has used WRI's tool to validate what we already know about water risks in our local watersheds and to disclose them in a more standard way for our stakeholders.

REGIONAL WATER SUPPLY RISKS FOR DOMTAR'S PULP AND PAPER MILLS BY WATER VOLUME – 2018

Water Risk Category	Availability	Quality	Regulatory and Reputational Risk
Low Risk (0-1)	27%	8%	100%
Low to Medium Risk (1-2)	43%	26%	0%
Medium to High Risk (2-3)	30%	35%	0%
High Risk (3-4)	0%	31%	0%
Extremely High Risk (4-5)	0%	0%	0%
Domtar Water Volume-Weighted Mean	Low to Medium Risk (1.65)	Medium to High Risk (2.50)	Low Risk (0.72)

Source: Fisher International, FisherSolve Next™, April 24, 2019, based on World Resources Institute Aqueduct Water Risk Atlas.

THE WRI TOOL CATEGORIZES WATER RISK USING 12 INDICATORS

- Availability**
 - › Baseline Water Stress
 - › Inter-annual Variability
 - › Seasonal Variability
 - › Flood Occurrence
 - › Drought Severity
 - › Upstream Storage
 - › Groundwater Stress
- Quality**
 - › Return Flow Ratio
 - › Upstream Protected Land
- Regulatory and Reputational Risk**
 - › Media Coverage
 - › Access to Water
 - › Threatened Amphibians

Although not perfect, the WRI tool does recognize that water issues are inherently complex. That is why it includes 12 indicators for evaluating water risk. It is concerning that some Environmental, Social and Governance (ESG) rating agencies limit their evaluation of water risk to a single metric (e.g., Baseline Water Stress), potentially missing a large part of a company's risk profile.

87 PERCENT OF WATER USED BY DOMTAR'S MILLS COMES FROM REGIONS WITH LOW OR LOW TO MEDIUM BASELINE WATER STRESS, while 13 percent comes from areas categorized as High, according to WRI's Aqueduct Water Risk Atlas.

"Baseline water stress" is a measure of the ratio of total annual water withdrawals to total available annual renewable supply, accounting for upstream consumptive use. Higher values indicate more competition among users.



While we can appreciate ESG rating agencies wanting to compare water risk between companies, and integrating these risks into their algorithms, water risk – unlike greenhouse gas emissions – is a highly localized concern. Rolling up and averaging water risks from a screening-level tool can mask real risks at individual facilities, which is why it is important to also consider mill-level assessments of water risk. Screening tools offer a useful framework, but they alone do not adequately capture what is happening at the facility level.

Given that water risk reporting is still emerging, Domtar appreciates initiatives and dialogues that help companies provide more meaningful water risk disclosure.

WATER MAY BE CHEAP; USING IT ISN'T

Watching water move down a river can lull us into thinking it's as free as it is free-flowing. But this resource, which we share with our communities, isn't free. In recent years, Domtar has taken a closer look at the costs of using water in making pulp and paper. And thanks to a variety of process improvements, we are seeing greater water efficiency and lower costs.

We are intentional about our water efficiency, and we return nearly 90 percent of it to its source. In some cases, the water we return is cleaner and clearer than it was originally.

"While Domtar's mills operate in areas with ample water supplies – and in most locations, we pay little to no fees to withdraw water – we don't want to fall into the trap of taking this resource for granted," said Brian Kozlowski, senior manager for

sustainability performance optimization. "We understand water is a shared resource that we borrow from nature."

The cost to Domtar to pump, filter, demineralize, treat, heat, reuse and clean the water before returning it to the environment is anything but free. Water costs are complex, comprising long-term, short-term, fixed and variable costs. And they matter, both to the bottom line and to the communities where we operate.

Our 13 pulp and paper mills are located in watersheds with unique geographies and climates, from the southeastern United States to Canada. The land that surrounds our facilities may be forested, agricultural or urban, with a range of upstream and downstream water users, from manufacturers and farmers to cities and residential areas.

All of these factors affect the quantity, quality and availability of water. Our mills must be prepared to treat water in changing conditions, including:

Varying water temperatures and flows from season to season



Weather-related events, such as flooding, storm surges and drought



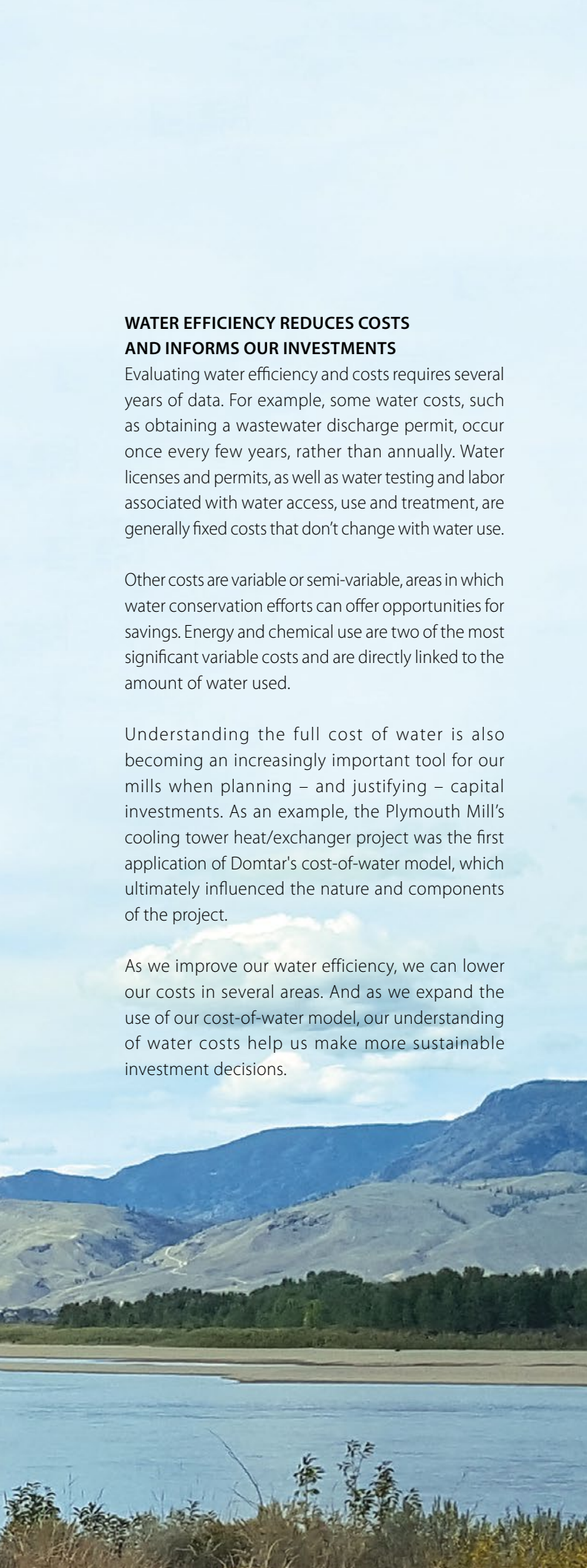
Turbidity resulting from runoff from the landscape



Algal blooms from upstream activities that enrich surface water with nutrients



"Developing our full-cost-of-water model has been a broad effort supported by colleagues in sustainability, energy and finance, in close partnership with our local manufacturing leaders," said Kozlowski. Domtar completed its model to quantify the full cost of water use for our pulp and paper mills and began adopting it in our mill system in 2018.



WATER EFFICIENCY REDUCES COSTS AND INFORMS OUR INVESTMENTS

Evaluating water efficiency and costs requires several years of data. For example, some water costs, such as obtaining a wastewater discharge permit, occur once every few years, rather than annually. Water licenses and permits, as well as water testing and labor associated with water access, use and treatment, are generally fixed costs that don't change with water use.

Other costs are variable or semi-variable, areas in which water conservation efforts can offer opportunities for savings. Energy and chemical use are two of the most significant variable costs and are directly linked to the amount of water used.

Understanding the full cost of water is also becoming an increasingly important tool for our mills when planning – and justifying – capital investments. As an example, the Plymouth Mill's cooling tower heat/exchanger project was the first application of Domtar's cost-of-water model, which ultimately influenced the nature and components of the project.

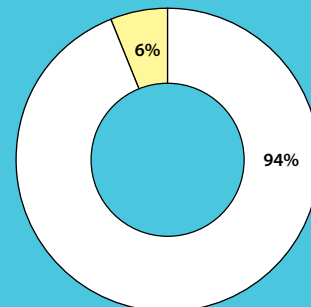
As we improve our water efficiency, we can lower our costs in several areas. And as we expand the use of our cost-of-water model, our understanding of water costs help us make more sustainable investment decisions.

EFFICIENCY WATER

A LOOK AT WATER USAGE IN OUR PULP AND PAPER MILLS

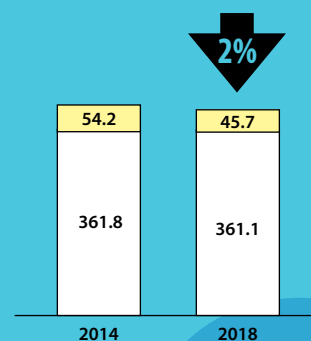
WATER SOURCES - 2018

- Surface Water
- Groundwater



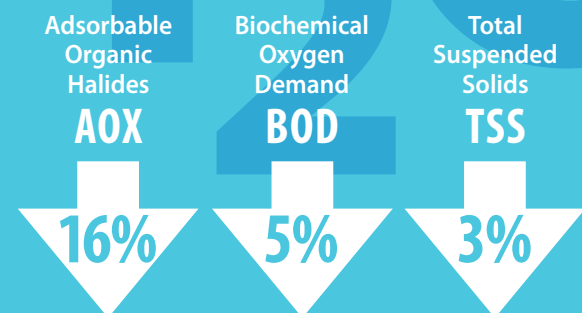
TOTAL WATER USE* (Million Cubic Meters)

- Process Water
- Non-contact Cooling Water



*Measured as final effluent plus non-contact cooling water volume.

REDUCTION IN DISCHARGES TO WATER FROM OUR PULP AND PAPER MILLS SINCE 2014



THE RIGHT CHEMISTRY TO SUCCEED

**WHAT DO YOU GET WHEN YOU DO WELL
FINANCIALLY AND GOOD ENVIRONMENTALLY?
HAPPY SHAREHOLDERS AND A HEALTHIER PLANET.**

There's no shame in admitting that the primary motivation for most of our Continuous Improvement (CI) initiatives is improving our bottom line. In a competitive environment, maximizing our efficiencies and reducing our costs are part of the job. But oftentimes, lowering costs and improving environmental performance go hand in hand – that's called sustainability.



**WE ARE NOW PRODUCING
THE SAME AMOUNT
OF PULP WITH LESS
CHEMICALS –**
an environmental and
economic win-win.



Several years ago, Domtar embarked on a major CI initiative to reduce bleaching chemical usage in the pulp-making process. Our CI Team and mill operations worked with suppliers to improve our bleaching chemical efficiency and pulp-making processes across our mill system. After much work and fine-tuning, we are now producing the same amount of pulp with less chemicals – an environmental and economic win-win.

HOW DID WE DO IT?

By expanding our data collection capabilities and using real-time data visualization tools, we have gained better insight into our consumption of pulping chemicals. This allows us to track, control, and ultimately reduce variability of the pulp digester and bleach plant processes, and final pulp brightness.



Through these efforts, our mills were able to reduce overall bleaching chemical usage (sodium chlorate, hydrogen peroxide, sodium hydroxide and sulfuric acid) per unit of pulp by over 7 percent since 2015. "The mills did a great job of identifying and capturing opportunities. Each mill team leveraged information from other Domtar mills, suppliers and our Continuous Improvement specialists to achieve these results," said John O'Donnell, director of fiberline optimization.

To sustain these improvements, Domtar's fiberline functional team works with the mills to monitor key performance indicators and report the data as part of each mill's monthly business review. This ensures chemical usage stays front and center with our managers. Within the mill, chemical usage is discussed daily with the operators, who have their hands on the chemical dials. This keeps them actively engaged and questioning how we can further reduce chemical use and process variability.

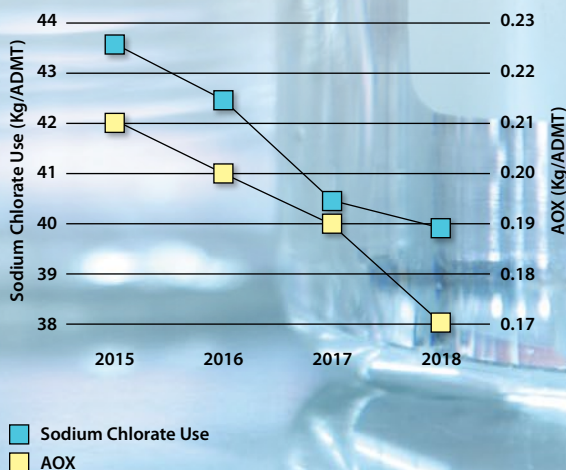
AND WE GOT MORE THAN WE BARGAINED FOR...

"With greater visibility and control of our processes, we saw another beneficial trend that the chemical cost reduction team had not originally focused on," said Kathy Collins, director of environment. "Where there were reductions in sodium chlorate usage, we also saw similar reductions in Adsorbable Organic Halide (AOX) discharges in our final wastewater effluent." Sodium chlorate is used to generate chlorine dioxide at our mills to bleach pulp and make it white. Chemical residuals from the bleaching process are the primary contributor to AOX in a mill's final effluent.

Since 2015, Domtar has reduced sodium chlorate use 9 percent per ton of pulp, which resulted in cost savings and reducing AOX discharges in our mills' final effluent by 17 percent over the same period.

Now that's a win for the wallet and the environment.

**SODIUM CHLORATE USE AND AOX DISCHARGES
PER AIR-DRIED METRIC TON BLEACHED PULP**



WHAT IS AOX?

AOX IS A TEST-DEFINED PARAMETER, RATHER THAN AN ACTUAL CHEMICAL, THAT MEASURES THE TOTAL AMOUNT OF HALOGEN ATOMS BOUND TO ORGANIC MATTER IN WATER.

For mills manufacturing bleached pulps, AOX is used as a surrogate measure of chlorinated organics in wastewater or treated effluent. Some chlorinated organics may be a concern for some aquatic organisms. Therefore, reducing AOX discharges provides an additional margin of safety for aquatic organisms.

EFFICIENCY BYPRODUCTS



A CIRCULAR ECONOMY

Our business has long relied on renewable and recyclable resources to make our products. We are building on that experience to broaden the circle – from the raw materials we use, to how we make our products, to how they are managed at the end of their useful life. Our industrial processes benefit from mimicking the closed-loop flow of materials of natural ecosystems.

We are increasingly designing our production and materials management systems to

ALIGN WITH CIRCULAR ECONOMY PRINCIPLES.



This includes minimizing the amount of resources we use, keeping them in use for as long as possible and extracting maximum value from them.

These efforts are enhanced through our continuous improvement initiatives and engineering innovations focused on increasing our manufacturing efficiencies and turning more of the materials we handle into saleable products.

Our progress in finding recycling and beneficial-use options for our byproducts has accelerated over the past few years, driven by a more consistent, disciplined, companywide approach to defining, measuring and reporting byproduct streams. We are also sharing best practices across our manufacturing facilities to build on our success. Together with external experts and partners, we continue to evaluate opportunities to redirect additional byproducts to beneficial, higher value products.

PRIORITIES

- › Improving resource efficiency in our manufacturing processes to minimize waste.
- › Minimizing the amount of waste we send to landfills.
- › Finding beneficial, higher value uses for our manufacturing byproducts.

CHALLENGES

- › Increasing the amount of reused or recycled materials in our manufacturing processes while still meeting customer specifications.
- › Finding economically viable markets for our byproducts near our facilities so that transportation costs are lower than the cost to landfill them.
- › Minimizing byproducts generated due to equipment failures and operational challenges.



WHAT WASTE?

When Mark Clack joined Domtar in 2016 as the manager of the Delaware, Ohio, personal care facility, he noted that an impressive 80 percent of the manufacturing byproducts was being beneficially used or recycled. "Given Domtar's commitment to sustainability, and my experience helping a microbrewery I previously worked at in California achieve zero waste to the landfill, I saw the opportunity to do the same in Delaware."

In 2018, Clack's goal for the Delaware facility became a reality. Delaware became the second Domtar manufacturing facility to reach the enviable milestone of sending zero waste to the landfill. Our facility in Aneby, Sweden, was the first.

From 2016 to 2018, the Delaware plant made the journey
FROM 80 TO 100 PERCENT
beneficial reuse of its manufacturing byproducts.



This began with source reduction and keeping the recycling stream clean. Repurposing, recycling and waste-to-energy took care of the rest.

A key step was the reduction of scrap being generated by switching to larger-diameter rolls of raw material. The larger rolls run longer on the machine, resulting in fewer roll cores for disposal, saving time and improving efficiency of the line.

"Another important step was making it easier for colleagues to separate materials for recycling," said administrative assistant, Vickie Bowles. Recovery stations were positioned closer to work areas so that sorting and recycling require less physical effort. Better signage and education also helped encourage participation.

Spent cores with remaining unusable raw material are now collected and shipped to InRETURN, an Ohio non-profit that employs people with traumatic brain injuries. Employees there reuse the material to make absorbent products such as dog beds, packaging materials, and more.



Non-woven materials, super absorbent polymer, paper, plastic and metal are separated at the facility and sent to specialized recycling facilities in the state.

86%
Beneficially used or recycled 86 percent of the 19,812 metric tons of manufacturing byproducts generated at our personal care facilities in 2018.

The remaining residuals, including organic materials, are sent to a facility that generates clean energy for Indianapolis, Indiana.

Now all byproducts have found a second calling, keeping valuable resources cycling through the economy. Working together, our colleagues in Delaware have reduced the facility's environmental footprint, doing their part to ensure a better future.

"TEEMING" FOR WILDLIFE IN PENNSYLVANIA

For decades, Elk County, Pennsylvania, supplied coal to power the region and beyond, including to Domtar's local mill in Johnsonburg. But strip mining has left behind a legacy of scarred land, marked by acidic soils devoid of organic matter and nutrients – conditions not suitable for growing vegetation.

Driven by the need to find a new home for its manufacturing byproducts, a passion for wildlife, and a desire to leave a different kind of legacy, the Johnsonburg Mill found the perfect solution.

For more than 20 years, the mill has been using organic and nutrient-rich wastewater treatment residuals and acid-balancing lime residuals to rejuvenate old mine sites.

The benefits are wide-reaching: regional water quality has been improved by more effectively treating acid mine drainage; lush vegetation has returned, providing valuable food and cover for wildlife; and the mill has found a long-term, cost-effective solution to divert more than 95 percent of its byproducts from the landfill to more beneficial uses.

.....

Today the
**RESTORATION
EFFORT**
is blossoming, literally,
with sunflowers and more.

.....



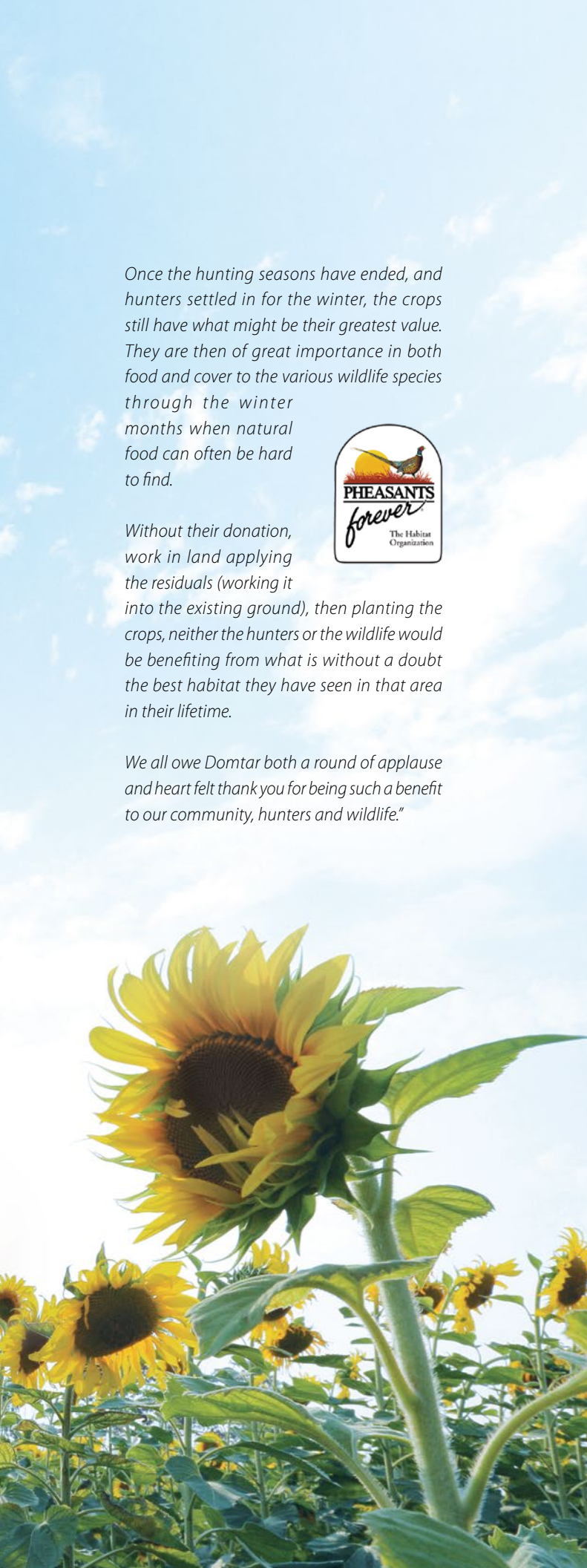
The success of these efforts would not have been possible without teaming up with equally determined public and private non-profit wildlife groups, such as the Pennsylvania Game Commission, Rocky Mountain Elk Foundation and Pheasants Forever.

While the mill converted both its power boilers from coal to cleaner burning natural gas in late 2016, it is important we continue helping restore the land from which we once sourced fuel.

It's just one example of how Domtar has enhanced the land, making it more attractive to wildlife, more valuable to the community and more enjoyable for hunters and nature lovers. Don't take it from us. Here's what Richard S. Bodenhorn, president of North Central Pennsylvania Pheasants Forever, had to say in a letter to Domtar in March 2019:

"With the 2018 pheasant season fully behind us, I would like to thank the Domtar – Johnsonburg Mill for once again providing the habitat that made state game lands 44 the prime place in Pennsylvania for pheasant hunting.

I heard nothing but praise for the habitat hunters found again this year... absolutely beautiful fields of corn, soybean, sorghum and sunflower. What is even better, if you are a pheasant hunter, is the fields not only look like good habitat, but they are also harboring pheasants and better hunting opportunities for a wide range of wildlife species. The deer, bears, raccoon and other wildlife greatly enjoyed the corn, but still left the fields valuable to the pheasants and other smaller species well into the fall and winter.



Once the hunting seasons have ended, and hunters settled in for the winter, the crops still have what might be their greatest value. They are then of great importance in both food and cover to the various wildlife species through the winter months when natural food can often be hard to find.



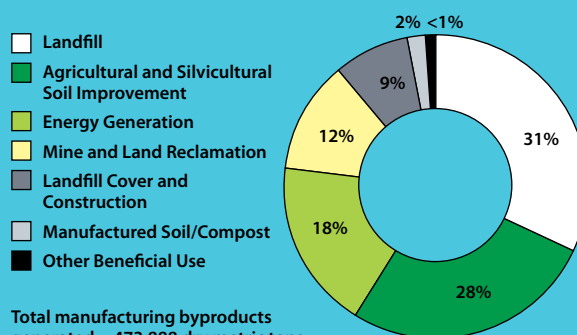
Without their donation, work in land applying the residuals (working it into the existing ground), then planting the crops, neither the hunters or the wildlife would be benefiting from what is without a doubt the best habitat they have seen in that area in their lifetime.

We all owe Domtar both a round of applause and heart felt thank you for being such a benefit to our community, hunters and wildlife."

EFFICIENCY BYPRODUCTS

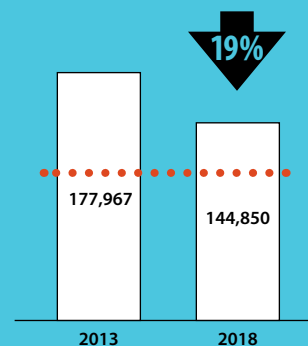
A LOOK AT BYPRODUCTS MANAGEMENT IN OUR PULP AND PAPER MILLS

DISPOSITION OF MANUFACTURING BYPRODUCTS - 2018



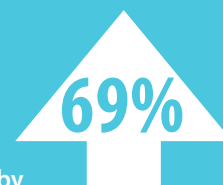
WASTE TO LANDFILL (Dry Metric Tons)

Domtar Goal
(40% reduction from 2013
by the end of 2020)



BENEFICIALLY USED 69 PERCENT OF MANUFACTURING BYPRODUCTS

generated by our pulp and paper mills in 2018, up from 59 percent in 2013. This compares to an U.S. industry average of 43 percent beneficial use.*



*2018 American Forest & Paper Association Sustainability Report, Additional Environmental Indicators.

SHAPING OUR SUSTAINABILITY AGENDA

Domtar's sustainability agenda benefits from regular interaction with our key stakeholders. Gathering diverse perspectives from our customers, employees, shareholders, communities and advocacy organizations provides us with insight and opportunities to recognize emerging trends and identify market expectations in a timely manner.

Since our last Sustainability Report was published in 2017, we have broadened our stakeholder engagement. These efforts included:

Conducting a survey of more than 100 stakeholders to rate the importance of various sustainability topics for coverage in our reporting. This exercise revealed the similarities and differences among our key stakeholder groups when prioritizing topics of greatest importance to them. The priority topics included economic performance, sustainable forestry, safety and security of facilities and property, responsible sourcing of raw materials, air quality, health and safety, climate change, equality, and inclusion and diversity.



Gathering information from our business partners to better understand consumer perceptions and behaviors related to the sustainability of our pulp, paper and personal care products. Results show that 71 percent of American consumers feel a responsibility to make their daily product purchase decisions in a way that positively impacts the environment and ensures a safe, healthy quality of life in their homes.* Household paper items and copy/printer paper are among the products consumers consider priorities when selecting goods that meet those goals. These drivers have fine-tuned the way we communicate to our B2B customers and consumers about the work we do to promote responsible forest management and manufacture our products as efficiently as possible.



Engaging with NGOs to understand their expectations from businesses on sustainability. This engagement has revealed that a company's environmental performance is of primary importance as it shapes the public's perception of the corporation.

Surveying our sales teams in our pulp, paper and personal care businesses regarding their customers' interests in sustainability and our sustainability reporting materials. Results indicate changes we recently made to our sustainability reporting help them better engage customers on sustainability.



Discussing sustainability issues with our shareholders. These conversations have reinforced that Domtar's approach to sustainability and sustainability reporting are aligned with their long-term investment goals.

Researching investor interest in Environmental, Social and Governance (ESG) issues. Domtar evaluated seven ESG rating and ranking firms to better understand opportunities to meet the evolving disclosure and reporting expectations for ESG issues. This work revealed ESG analysis is too often opaque, and that there are misleading inconsistencies between how rating and ranking firms judge a company's sustainability performance. As a result of this consultation, Domtar is disclosing more information related to climate change, water management, inclusion and diversity, employee training and development, and raw material sourcing.



We believe the diversity of perspectives provided by our stakeholder engagement helps to shape our sustainability agenda and enables us to prepare a more relevant and useful report.

*Shelton Group Eco Pulse Study released April 19, 2019.

OUR SUSTAINABILITY REPORTING

As a publicly traded U.S. company, Domtar discloses issues deemed material in our reports to the U.S. Securities and Exchange Commission. Issues deemed important in the context of sustainability reporting should not be inadvertently confused with materiality in the context of a regulatory reporting standard. Voluntary sustainability reporting is an opportunity to go beyond the materiality tests of a regulatory report and present a more holistic perspective of our priorities, challenges and opportunities.

This report was prepared in accordance with the “core option” of the Global Reporting Initiative’s (GRI) Sustainability Reporting Standards. This framework encourages companies to thoughtfully focus their sustainability reports on relevant issues that matter most to their customers, employees, shareholders, communities, advocacy groups and other stakeholders. For Domtar, these include:



Domtar routinely shares information about our sustainability efforts and performance at: www.domtar.com/en/how-we-work/sustainability-domtar. We also publish printed reports on a biennial basis to effectively expand our audience and share more details about our work. Domtar’s last report was published in 2017.



The data contained in this report cover all of our operations and include the most current annual data available. Baseline years for presenting historical data and trends have been selected to account for changing regulatory definitions and reporting methods to provide the truest perspective on our performance.

Some of the data contained in this report may be slightly different than what has been previously reported. This is due to adjustments resulting from additional data verification, ongoing efforts to standardize and improve performance indicators across the company, and changes to reporting methods (e.g., adjustments for the sale of renewable energy credits to other electricity users).

The data contained in this report have gone through a rigorous internal verification process. Given the nature and purpose of this voluntary report, we do not engage an external auditor.

For additional facility-specific environmental, social and economic information about our pulp and paper mills, please visit Domtar’s web-based, interactive transparency tool, The Paper Trail®, at: www.domtarpapertrail.com.

The GRI content index can be found on our website at: www.domtar.com/en/how-we-work/sustainability-domtar. For more information about this report or to share your comments, please contact Paige Goff, vice president of sustainability, at: sustainability@domtar.com, or call us at: 803-802-8001.

SUSTAINABILITY PERFORMANCE INDICATORS

WOOD AND FIBER PURCHASES (Thousand Metric Tons)					
<i>Pulp and Paper Mills</i>	2014	2015	2016	2017	2018
Wood Purchases (As Received in Chip Equivalents) ¹⁾	15,453	15,856	15,463	15,586	15,178
Virgin Pulp Purchases (Air Dry)	35	33	22	41	58
Recycled Pulp Purchases (Air Dry)	67	74	66	68	75

CERTIFIED WOOD (% of Total Wood Deliveries)					
<i>Pulp and Paper Mills</i>	2014	2015	2016	2017	2018
TOTAL CERTIFIED WOOD	33%	30%	34%	41%	38%
Forest Stewardship Council (FSC)	19%	18%	19%	22%	21%
Programme for the Endorsement of Forest Certification (PEFC) ²⁾	14%	12%	15%	19%	17%

DIRECT ECONOMIC VALUE CREATED BY OPERATIONS (Million U.S. Dollars) ³⁾					
<i>All Domtar Operations</i>	2014	2015	2016	2017	2018
ECONOMIC VALUE GENERATED					
Sales Revenue	5,555	5,257	5,090	5,148	5,455
ECONOMIC VALUE DISTRIBUTED					
Materials and Services Purchased	3,691	3,471	3,407	3,445	3,612
Capital Investments in our Facilities	236	289	347	182	195
Research and Development	127	139	129	141	150
Salaries, Wages and Benefits Paid	985	938	954	993	978
Returns to Shareholders	122	150	112	104	108
Interest Paid to Debtholders	92	133	64	58	57
Taxes Paid	18	34	40	33	71

OUR WORKFORCE (% Unless Otherwise Noted)					
<i>All Domtar Operations</i>	2014	2015	2016 ⁴⁾	2017	2018
Number of Employees as of December 31 st Each Year	9,759	9,792	9,983	9,899	9,784
BY REGION					
Asia	<0.1%	<0.1%	<0.1%	<0.1%	<0.1%
Europe	11%	11%	11%	12%	12%
North America	89%	89%	89%	88%	88%
BY GENDER					
Female	21%	21%	22%	22%	22%
Male	79%	79%	78%	78%	78%
BY AGE					
≤ 29	8%	9%	10%	9%	12%
30-39	16%	17%	18%	17%	18%
40-49	27%	26%	26%	25%	25%
50-59	36%	35%	34%	33%	33%
60-69	13%	13%	12%	15%	12%
≥ 70	<1%	<1%	<1%	1%	<1%
BY EMPLOYMENT TYPE ⁵⁾					
Union	47%	47%	48%	48%	44%
Non-Union	53%	53%	52%	52%	56%
TURNOVER					
Voluntary Turnover Rate	3.2%	3.4%	3.9%	3.6%	4.2%

SAFETY INCIDENTS					
<i>All Domtar Operations</i>	2014	2015	2016	2017	2018
Total Frequency Rate (# Recordable Incidents/200,000 Hours Worked)	0.97	0.99	0.82	0.78	0.74
Lost Time Frequency Rate (# Lost Time Recordable Incidents/200,000 Hours Worked)	0.38	0.43	0.33	0.38	0.35
Lost Time Severity Rate (# Lost Days * 200,000)/# Hours Worked)	26.03	25.18	32.44	16.87	18.63
Fatalities (Number) ⁶⁾	0	1	0	1	0

1) Includes roundwood and chips.

2) Includes fiber inputs from the American Tree Farm System (ATFS), Canadian Standards Association (CSA) and Sustainable Forestry Initiative (SFI). PEFC endorses these and other national forest certification standards.

3) Sales Revenue and Materials and Services Purchased, years 2014-2017, were adjusted to reflect the retrospective application of ASU 2014-09 "Revenue from contracts with customers," adopted on January 1, 2018.

4) Includes acquisition of Home Delivery Incontinent Supplies Co. (HDIS).

5) The employment type for some of our employees at our European operations were categorized differently beginning in 2018.

6) Ashdown, Arkansas, September 2015 and Kamloops, British Columbia, June 2017.

SUSTAINABILITY PERFORMANCE INDICATORS

ENERGY USE (Million Gigajoules Unless Otherwise Noted)					
<i>All Manufacturing Facilities</i>	2014	2015	2016	2017	2018
TOTAL ENERGY USE FOR MANUFACTURING	169.65	170.98	164.51	169.06	165.83
Biomass (Black Liquor, Bark, Wood Residuals and Biofuels)	76.6%	76.8%	76.9%	77.0%	74.7%
Natural Gas	12.7%	14.7%	15.6%	16.9%	19.1%
Purchased Electricity (net)	3.3%	3.5%	3.6%	3.7%	3.6%
Coal	5.7%	3.6%	2.5%	1.0%	1.1%
Purchased Steam and Heat (net)	0.7%	0.7%	0.6%	0.7%	0.7%
Other (Hydropower, Oil, Pet Coke, Propane, Tire-derived Fuel)	1.0%	0.7%	0.8%	0.7%	0.8%
TOTAL ENERGY USE FOR ON-SITE MOBILE EQUIPMENT	0.35	0.35	0.34	0.32	0.33
Diesel	62.5%	64.3%	66.5%	66.7%	66.4%
Propane	27.5%	25.6%	24.0%	23.8%	23.4%
Gasoline	10.0%	10.1%	9.5%	9.5%	10.2%

AIR EMISSIONS (Metric Tons)					
<i>Pulp and Paper Mills</i>	2014	2015	2016	2017	2018
Nitrogen Oxides (NO _x)	13,652	12,776	12,038	11,706	11,260
Sulfur Dioxide (SO ₂)	5,883	3,617	3,150	3,203	2,896
Total Particulate Matter (PM)	3,228	3,415	3,158	3,140	2,877
Volatile Organic Compounds (VOC)	5,708	5,596	4,435	4,612	4,741

GREENHOUSE GAS EMISSIONS (Million Metric Tons CO ₂ e)					
<i>All Manufacturing Facilities</i>	2014	2015	2016	2017	2018
TOTAL GREENHOUSE GAS EMISSIONS	3.53	3.28	3.17	3.03	3.15
Direct Emissions (Scope 1)	2.19	2.03	1.85	1.77	1.94
Indirect Emissions from Purchased Electricity and Steam (Scope 2)	0.70	0.67	0.67	0.60	0.59
Indirect Emissions from Sale of Renewable Electricity Attributes (Scope 2)	0.64	0.58	0.65	0.66	0.62

WATER USE AND DISCHARGES					
<i>Pulp and Paper Mills</i>	2014	2015	2016	2017	2018
TOTAL WATER USE (Million Cubic Meters) ⁷⁾	416.0	405.9	405.5	410.4	406.8
Process Water Use	365.6	367.9	363.3	365.9	361.1
Non-contact Cooling Water Use	50.4	38.0	42.2	44.5	45.7
WATER SOURCES (%)					
Surface Water	93%	93%	94%	94%	94%
Groundwater	7%	7%	6%	6%	6%
DISCHARGES TO WATER (Metric Tons)					
Adsorbable Organic Halides (AOX)	798	830	766	749	670
Biochemical Oxygen Demand (BOD)	9,933	10,045	8,570	8,990	9,435
Total Suspended Solids (TSS)	13,068	11,823	11,981	11,483	12,729

MANAGEMENT OF MANUFACTURING BYPRODUCTS (Dry Metric Tons Unless Otherwise Noted)					
<i>Pulp and Paper Mills and Personal Care Facilities</i>	2014	2015	2016	2017	2018
TOTAL BYPRODUCTS GENERATED	473,013	493,690	470,872	475,527	493,701
To Landfill	139,202	137,337	119,998	113,874	147,548
To Beneficial Use or Recycling	333,811	356,353	350,874	361,653	346,153
Beneficial Use and Recycling Rate	71%	72%	75%	76%	70%

HAZARDOUS WASTE (Metric Tons)					
<i>Pulp and Paper Mills and Personal Care Facilities</i>	2014	2015	2016	2017	2018
Total Hazardous Waste Manifested ⁸⁾	751	385	457	501	370

7) Measured as water volume discharged.

8) Reported according to national jurisdictional regulations and requirements. In Canada, facilities are required to manifest used oil as hazardous waste even when recycled. Of the total hazardous waste manifested, used oil represented a low of 40% in 2016 to a high of 80% in 2014.

Some of the data contained in these tables may be slightly different than what has been previously reported. This is due to adjustments resulting from additional data verification, ongoing efforts to standardize and improve performance indicators across the company, and changes to reporting methods.

PRODUCTION NOTES

Pictures

Front Cover

Terri Tischler and nephews Gabriel and Solomon Wong participate in an EarthChoice Ambassadors' event at Kamloops Wildlife Park near our mill in British Columbia.

Inside Cover

The next generation observes nature's mysteries near our Marlboro Mill in Bennettsville, South Carolina (left to right): Layson Mitchell, son of Robert Mitchell; Emmie Rogers, granddaughter of Bob Whiteman; Coby Collins, grandson of Tammy Gathings; Kayti Adams, daughter of Will Adams; Abel Rowe, son of Joni Rowe; and Kameron Virgous, stepson of Kenneth Augustus.

Page 10

Eric Lapointe scans the forest canopy near our Windsor Mill in Quebec.

Page 18

Loading bales of pulp at our Dryden Mill in Ontario into rail cars for shipping to customers.

Page 22

A student discovers new worlds through the pages of a book at a Ben Carson reading room dedication sponsored by Domtar at Foust Elementary School in Owensboro, Kentucky.

Page 24

Andre West and Sonica Speight oversee operations at our personal care facility in Greenville, North Carolina.

Page 25

Lonnie Seamster supervises paper machine operations via multiple screens in the wet-end control room at our Ashdown Mill in Arkansas.

Page 25

Randa Bangart inspects our premium Cougar® paper before it ships from our Rothschild Mill in Wisconsin to customers.

Page 25

Randy Meverden keeps our Rothschild Mill in Wisconsin well maintained.

Page 25

Yannick Melancon verifies the quality and sheeting precision of paper produced at our Windsor Mill in Quebec.

Page 25

Ann Walker and Tammy Waters (left to right) conversing at our Ashdown Mill in Arkansas.

Page 30

Colleagues at Domtar's corporate offices in Fort Mill, South Carolina, stroll around the campus lake in celebration of National Walking Day.

Page 33

Colleagues at our Dryden Mill in Ontario discuss which pulp bales need priority loading.

Page 35

Jonathan Laliberte enjoys a bike ride to our Windsor Mill in Quebec on a community-forest trail.

Page 36

As part of the Adopt-A-Highway program, Nekoosa Mill's EarthChoice Ambassadors pick up litter along a stretch of road bordering the Wisconsin River.

Page 37

Domtar Personal Care staff and local residents participate in a community run in Frankfurt, Germany.

Page 37

Children from Washington Elementary School visit our Nekoosa Mill in Wisconsin to get a hands-on lesson in papermaking.

Page 37

Angela Madussi from our Dryden Mill in Ontario, helps revitalize a local park near the mill with our partners at the Student Conservation Association.

Page 40

Rachel Hui-Hubbard, program coordinator of the Early Learning Partnership of York County, South Carolina, shops for books at a recent Truck of Books event.

Page 42

Brandon Ayers inspects a water sample at our Ashdown Mill in Arkansas.

Page 52

Brady Conroy runs an Atomic Absorption Spectrophotometer at our Kamloops Mill in British Columbia to maintain quality control.

Page 55

Angie Smith takes sorting and recycling seriously at our personal care facility in Delaware, Ohio.

Back Cover

Children and grandchildren of colleagues at our Marlboro Mill in Bennettsville, South Carolina, look for wildlife in a nearby forested area.

Paper

Cover printed on 80 lb. Cougar® Cover, Super Smooth Finish. Insert printed on 80 lb. Cougar® Text, Super Smooth Finish.

Printing

Cover and insert printed using a 4-color process with low VOC, HUV inks on a Komori GL 640 press with in-line coating and an extended delivery, HUV drying system.



\$425,000

Donated to World Wildlife Fund each year from the sale of FSC® Certified products.

Domtar is pleased to make this annual contribution to support the organization's efforts to protect forests and other critical ecosystems.

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Cougar® paper contains 10% post-consumer fiber



The mark of responsible forestry



Learn the environmental, social and economic impacts of Domtar products at domtarpapertrail.com.



DOMTAR.COM

