Our world, connected.

Making it better, together.
Indeed, we have determined that our current competitive advantage will be enhanced by accelerating our greenhouse gas reduction efforts. Having already reduced these emissions nine percent from 2010 levels, we are now striving for the efficiency benefits that would be realized from a 15 percent reduction by 2020.

We are similarly determined to lower our capital and operating costs, not to mention environmental risk, by reducing the amount of material that we send to landfills by 40 percent. We are also equipping ourselves to make better water management decisions by examining the full cost of our water use, recognizing that the majority of this cost is from pumping, treating and heating the resource.

Our employees around the world are making positive connections between our economic interests, the ecosystems upon which we depend, and the communities of which Domtar is a part. Examining the sustainability of our decisions is now a natural step in our quest to optimize our performance and enhance long-term shareholder value.

Examples include:

- Connecting with tree farmers in candid conversations about the pros and cons of small, family-owned tree farms signing up for forest certification programs. The conversations created trust and confidence resulting in an increased supply of wood that meets the rigorous standards of the Forest Stewardship Council® (FSC®).

- Connecting with our customers and potential customers through an enhanced, interactive website, The Paper Trail®, which allows them to explore the sustainability tradeoffs of different paper choices. This has established a new standard of transparency, and it illustrates how Domtar serves as a trusted supply chain partner, helping advance other corporate sustainability programs.

- Connecting with community leaders in Ashdown, Arkansas, to discuss changing global market dynamics, a declining demand for paper and a growing demand for absorbent hygiene products. This generated community support for our plan to repurpose one of our largest paper machines in Ashdown to instead produce fluff pulp, preserving some North American manufacturing jobs.

- Connecting new talent to an old problem led a recent graduate student in sustainability from Duke University into a century-old labyrinth of pipes in one of our mills. The opportunities identified for improving our water efficiency were so compelling, that young person now works full-time in Domtar’s sustainability program.

But this report is more than a collection of anecdotes and a sampling of “best practices.” What I see, as Domtar’s chief executive, is evidence of a culture in which the benefit of connecting our business strategy to sustainability principles is instinctively understood. Our Board of Directors has made sustainability a central component of our corporate governance by establishing a permanent committee that routinely reviews and guides the development and execution of our sustainability agenda.

John Williams
President and Chief Executive Officer
OUR APPROACH TO SUSTAINABILITY

Sustainability at Domtar is our endeavor to take a longer-term view of creating and preserving shareholder value. We accomplish this by considering how we respond to and contribute to emerging opportunities and risks in the world around us.

Acting on the insights we gain begins with recognizing that each of our facilities has a unique operational context. That’s why we take an analytical approach to gain a systemic, holistic understanding of risks and opportunities at a facility level. This requires making informed assumptions about the future and understanding the dynamics of the surrounding ecosystems and community.

We acknowledge that our various goals can sometimes be divergent, requiring optimization decisions. Making good decisions requires quality data and a willingness to make tradeoffs that reflect our values.

Progress is realized by empowering employees with a license to lead and by establishing accountability for demonstrating performance.

CORPORATE SUSTAINABILITY REPORTING: WHY, AND TO WHAT END?

Addressing this question has, in a single generation, become its own discipline, with new institutions, new career paths, new consultancies and new arbiters of performance being established and competing for recognition and influence. Sustainability has become an industry unto itself.

This heightened awareness and more persistent consideration of sustainability is a generally positive development. Reflecting and reporting on the central role business plays in shaping the human condition beyond quarterly financial reporting provides benefits to shareholders, customers, employees and suppliers alike. When done well, a company’s sustainability reporting reinforces its commitments, provides a longer-term context for its decisions and activities, and reveals the connectivity between the two.

However, today’s commercialization of sustainability, rife with report cards and rankings, also presents the risk of disconnection between those in the business of sustainability and those seeking to make their business more sustainable. In the competitive quest to be recognized as a sustainability leader, we must not lose sight of the fact that there is no finish line. Indeed, there is not really even a race. The notion of sustainability more logically suggests that companies and communities are inseparably linked to one another in a web of interdependence.

Sustainability at Domtar is not simply about producing reports. It is an analytical framework for assessing opportunities, understanding the tradeoffs they entail and taking a precautionary approach to managing complex risks. It is a commitment to better using data to make decisions that preserve and enhance long-term shareholder value. It is a demonstration of our company values of agility, caring and innovation coming to life.

OUR GOALS

- Deliver between $300 million and $500 million of annual EBITDA from fiber-based businesses for which there is growing market demand.
- Continually reduce our recordable safety incident rate. The target for 2015 is 0.92.
- Establish EarthChoice Ambassador Teams in all our facilities by 2020, engaging our employees in our commitment to sustainability.
- Procure 100 percent of fiber for our pulp and paper mills from sources that are certified to the FSC standard. By 2020, increase the level of FSC certified fiber procured for our pulp and paper mills to 20 percent of total fiber used.
- Reduce total direct and indirect greenhouse gas emissions from purchased energy at pulp and paper mills 15 percent by 2020 from 2010 levels.
- Reduce total waste to landfill from pulp and paper mills 40 percent by 2020 from 2013 levels.
- Develop a model for our pulp and paper mills to measure and more strategically manage the full cost of using water.
CREATING VALUE IN OUR COMMUNITIES

MANAGEMENT CONSIDERATIONS

Domtar has been a centerpiece in some of our communities for more than a century. We depend on them, and they depend on us.

In some cases, shared infrastructure, such as roads, dams, water and wastewater treatment services, and volunteer fire departments, are physical reminders of how our connection goes beyond that of simply being a principal employer.

For every 100 jobs in one of our mills, an additional 325 jobs are created according to the Economic Policy Institute.* Maintaining an inviting, thriving community helps us recruit and retain the skilled employees we need.

At the same time, as a leader in our industry, we recognize that we’re also part of a global community. That’s why we have long partnered with organizations such as the World Wildlife Fund and the Rainforest Alliance. They remind us of the influence that we wield as we help set the standard for sustainability; they inform and challenge our thinking to help us grow in this area; and they highlight the differences between our performance and producers in other parts of the world.

It’s important to know where your paper comes from, and we urge customers to understand how their choices benefit not just our company, but entire communities. Besides the examples highlighted in this report, you can learn more about the positive social and economic impacts of our mills at: www.domtarpapertrail.com.


AGILITY + ADAPTABILITY = SUSTAINABILITY

What keeps a company sustainable for more than a century?

Many things, of course, but the common thread at Domtar: the agility to adapt to changing conditions.

Consider our mill in Ashdown, Arkansas, and how we are converting the largest paper machine at one of our largest mills.

Ashdown has a well-trained workforce, an abundant wood supply and a supportive community. So as the North American demand for paper declines, Domtar decided to make a $160 million investment. Instead of producing paper, this machine will produce fluff pulp, an increasingly important product needed to manufacture absorbent hygiene products.

When the job is done, Domtar will have an overall capacity to produce nearly one million metric tons of fluff pulp annually, establishing the company as a world leader in fluff pulp manufacturing. The conversion will cause some jobs to be lost, but it will keep a major regional employer sustainable for the long-term.

“Although any loss of jobs is a drawback to the community, forward-thinking and swift action can turn a short-term loss into a long-term gain,” said Little River County Judge Mike Cranford, who leads the county’s government body. “I’m very confident in the direction of Domtar’s Ashdown mill and believe it will continue to be in Little River County for many years to come. In this extremely tough economic climate, it is refreshing to see companies who can reposition themselves for longevity in the marketplace.”

Priorities

- Maintain the viability of our local manufacturing operations, critical to the well-being of our communities.
- Purchase the materials and services we need from domestic, local suppliers as much as possible.
- Position our assets to match changing market demand.
- Enhance long-term shareholder value by executing our growth strategy.
- Align our community investments with Domtar’s products and business interests: literacy, health and wellness, and sustainability.

Challenges

- Secular decline in printing and writing paper demand.
- Improving performance measures of our community investment initiatives to ensure we are delivering lasting benefits.

Progress

- Joined the United Steel Workers and other U.S. producers in filing a trade case to address foreign government subsidies and unfairly priced paper products that tilt the competitive scale in favor of imports.
- Initiated a $160 million capital project to repurpose our largest paper machine to meet growing global demand for fluff pulp.
- Donated more than $2 million to the World Wildlife Fund over the past decade, providing critical funding for conservation programs in those areas of the world that need it most.

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**150 YEARS TOGETHER**

William Angus and Thomas Logan chose Windsor, Quebec, as the site of Canada’s first wood-based pulp mill in 1864, and we agree it’s a near-perfect place for building a successful fiber business.

Paper production has shaped life in Windsor ever since, and Domtar is proud to be part of the story, and the fiber, of this beautiful community.

During the past century and a half, advances in technology and sustainability have dramatically changed the landscape of the industry and environment in Windsor and beyond.

But this region’s depth of experience in our craft has driven the success of what is now the Windsor Mill. The mill is the city’s largest employer, with about 800 workers, and touches almost every aspect of the town’s economy – family forest owners, chemical and fuel suppliers, trucking companies, restaurants and hotels.

Windsor’s mayor, Sylvie Bureau, said, “The Domtar Windsor Mill has been a source of pride for several generations and part of every family. Well-known as a leader in environment, forestry and quality of its products, Domtar stands out by its social involvement, creation of employment and partnership, for several years, allowing economic survival of the region.”

Additionally, in the past decade, Domtar and the Windsor Mill have helped preserve 12,000 acres of Quebec’s most prized forestlands in permanent conservation, ensuring these unique ecosystems remain well-preserved for future generations.

**COMMUNITY ECONOMIC IMPACT MULTIPLIER**

3.25x

For every 100 mill jobs, 325 jobs outside of the mill are created*


**DO YOU KNOW WHERE YOUR PAPER COMES FROM?**

Why does knowing where your paper comes from and a little about the people who make it matter?

Meet Russell Page.

Russell is a U.S. Marine Corps veteran. He left the military after his son was born with Down syndrome. The situation grew more concerning as his community in South Carolina saw the textile industry depart. People lost jobs, even homes.

But Russell was hired by the Domtar mill in Bennettsville, South Carolina, Marlboro County’s largest employer. He currently works as a Recovery and Utilities Technician.

“I knew nothing of electrical and instrumentation. But I had an older boss who had been in the field for probably 40 years, and he took me as his own son and taught me what I know today,” Russell said.

Russell appreciates Domtar’s care for the environment and commitment to safety. More importantly, though, he’s grateful for its investment in his community.

“You can’t measure what Domtar means to this area,” he said. “It’s also the answer for my child’s life.”

Russell knows the industry faces competition from imports and companies that don’t have the same environmental, economic and social obligations. He also knows, you get what you pay for.

THE POWER OF THE PEN

Despite significant findings that handwriting helps students learn, remember, express ideas and perform better, a growing number of schools no longer spend any time teaching it.

In the past couple of years, researchers at top universities from Vanderbilt to Princeton have examined the educational effects of handwriting versus typing. Here are just a couple of examples of what they found:

- A professor at the University of Washington studied children in grades two, four and six, finding they wrote more words, faster, and expressed more ideas when writing essays by hand and not with a keyboard.

- Psychologists at Princeton and UCLA have reported that in both laboratory settings and real classrooms, students learn better when they take notes by hand than when they type on a keyboard. Writing by hand allows students to process a lecture’s content and reframe it. This process of reflection and manipulation can lead to better understanding and memory encoding.

Domtar has made literacy a priority in community investments. And now we’re also focusing on the essential skill of handwriting. In the process, we are also making learning fun.

Through Project Learning Curve, we have partnered with software developers on an app that connects a digital pen to a computer, allowing teachers to measure students’ progress when they write.

“Project Learning Curve illustrates how print and pixels can complement each other in the classroom, giving students the best chance of success,” said Paige Goff, Domtar’s Vice President of Sustainability and Business Communications.

The teachers can track how long students spend on handwriting, or set classroom goals for students, such as writing enough characters to cover the distance between two cities.

It’s a fun way to encourage students to spend more time handwriting, to engage both students and parents, and to help teachers monitor the progress being made at home.

Learn more about Project Learning Curve and watch a short video at: www.paperbecause.com/projectlearningcurve.

DIRECT ECONOMIC VALUE CREATED BY DOMTAR’S OPERATIONS

MILLION (USD)

<table>
<thead>
<tr>
<th>STAKEHOLDERS</th>
<th>ECONOMIC VALUE GENERATED</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
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<tr>
<td>Customers</td>
<td>Sales Revenue</td>
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<td>5,563</td>
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<th>ECONOMIC VALUE DISTRIBUTED</th>
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<th>2013</th>
<th>2014</th>
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<td>Suppliers</td>
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<td>3,099</td>
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<tr>
<td></td>
<td>Capital Investments in Our Facilities</td>
<td>236</td>
<td>242</td>
<td>236</td>
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<tr>
<td></td>
<td>Research and Development</td>
<td>140</td>
<td>115</td>
<td>127</td>
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<tr>
<td>Employees</td>
<td>Salaries, Wages and Benefits Paid</td>
<td>924</td>
<td>977</td>
<td>985</td>
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<td>Shareholders</td>
<td>Returns to Shareholders</td>
<td>215</td>
<td>250</td>
<td>122</td>
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<tr>
<td>Capital Providers</td>
<td>Interest Paid to Debtholders</td>
<td>131</td>
<td>89</td>
<td>103</td>
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<tr>
<td>Communities</td>
<td>Taxes Paid</td>
<td>76</td>
<td>5</td>
<td>18</td>
</tr>
</tbody>
</table>
FORESTRY AND FIBER

MANAGEMENT CONSIDERATIONS

Our industry’s demand for renewable wood fiber creates a powerful incentive to keep forest lands forested, especially for small, family-owned forests.

However, “renewability” does not by itself make a resource sustainable. If wood is over-harvested, the forest resource base can be compromised. Given pressures on the world’s forests, particularly in Asia and Africa, we think this point needs to be emphasized. That is why Domtar was the first forest products company to publicly support the U.S. Environmental Protection Agency’s (EPA) proposal to make sustainable forest management a requirement for products company to publicly support the U.S. Environmental Protection Agency’s (EPA) proposal to make sustainable forest management a requirement for products.

Recyclability, like renewability, is also a highly desirable attribute, but not a guarantee of sustainable resource management. While paper continues its reign as one of the commodities with the highest rate of recycling in the U.S. (65.4 percent in 2014), the paper that is recovered does not always get used in a way that delivers the optimum environmental benefit. In fact, sometimes the most well intentioned efforts to increase recycled fiber content in one product can have unintended environmental consequences by limiting the availability of recycled fiber for other products.

Recovered paper fiber is a valuable, finite resource. In fact, in North America, as overall paper use declines, so too does the availability of paper to recycle. That is why it is important to develop a more sophisticated understanding of how virgin and recycled fiber actually cycles through the economy, and how these fiber flows change over time. This knowledge will help us make sure that the paper that is recovered is re-used in products where it delivers the greatest environmental benefits.

Domtar helped initiate a major university research project now underway to develop a system dynamics model of fiber flows. We believe greater transparency of the environmental tradeoffs of different uses for recovered paper fiber will lead to more informed choices, improving overall environmental efficiency.

Priorities

- Increase availability and utilization of Forest Stewardship Council® (FSC®) and other certified fiber sources in line with market demand.
- Promote the value of sustainable forest management and forest certification to small, private landowners and our customers.

Challenges

- Expanding small, private landowner participation in fiber certification programs given continuously changing and increasingly complex and costly certification standards.
- Optimizing the environmental benefits from using recycled fiber given growing competition for this finite resource.

Progress

- Increased our utilization of FSC certified fiber to 19.2 percent of total fiber use in 2014 from 16.9 percent in 2010, getting us closer to achieving our 2020 goal of 20 percent total FSC certified fiber use at our pulp and paper mills.
- Invested in several FSC group certification projects with small landowners in the U.S. Southeast, a key wood sourcing region for Domtar where FSC has had limited success on its own at expanding its market share.
- Partnered on a new project with the Rainforest Alliance and three other major forestry and paper goods companies to strengthen sustainable forest management with small, private landowners in the U.S. Southeast.
- Reduced the technical and financial barriers that discourage small, private landowners and loggers near our mills from participating in forest certification programs by supporting the University of Kentucky’s Center for Forest and Wood Certification.

Certification A ‘Tip of the Hat’ to Freeman Family’s Heritage

Dusty Freeman didn’t care much about forest certification when he took over his family’s land in Chesterfield, South Carolina. Like his father – and many timber farmers in the southeast United States – he already worked sustainably and didn’t need anyone telling him it was the right thing to do.

But over the years, the benefits of certification became clearer, including access to a wider range of companies that prefer to purchase certified fiber. Despite that, the process itself seemed unmanageable and costly.

That’s where Domtar came in. By working with Milliken Forestry Company, Domtar helped fund the FSC certification process, which involves comprehensive auditing and recording to account for a wide variety of environmental factors, such as carbon sequestration, topsoil quality and the protection of animal habitat.

Today, Dusty sells FSC certified fiber to Domtar’s mill in nearby Bennettsville, South Carolina.

“We always wanted to do the right thing,” Freeman said. “We yearned to do the right thing. It’s a tip of the hat – getting certified, and getting a premium on our product through Domtar.”
BIODIVERSITY

Domtar recognizes the critical role that sustainably managed forests play in protecting and enhancing the landscape’s biodiversity. All forests managed by Domtar are third-party certified to meet internationally recognized forest certification standards to enhance biodiversity. This can range from total protection of an area to implementing carefully planned management activities. Our foresters prescribe both, but only after a thorough review of the conditions and needs of the forest management unit and surrounding areas. For more information about our forest certificates and management activities on the lands we own and manage in Canada, please visit: www.domtar.com/sustainability.

We also recognize the impact of our decision to buy fiber from other forests. While we do not have the ability to direct specific management activities on these lands, we do implement a due diligence program to avoid sourcing material from areas of high conservation value and high biodiversity. All the fiber we purchase is evaluated for risk using the criteria for FSC Controlled Wood and PEFC Avoidance of Controversial Sources.

**FORESTRY AND FIBER 15**

All fiber, including the non-certified share, comes from legal sources and does not come from High Conservation Value Forests.

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

**Source: 2014 American Forest & Paper Association Sustainability Report.**

CONVINCING SKEPTICAL LANDOWNERS TO ACQUIRE FSC CERTIFICATION

Convincing many of Domtar’s suppliers in the southeastern United States to get their land FSC certified can be daunting. The hurdles may be economic, bureaucratic or just cultural.

“They don’t want somebody coming in and telling them how to run their business,” said Ched Kearse of GreenLink Forest Resources. “They take pride in doing the right thing, but don’t necessarily want to deal with audits, paperwork or increased cost.”

Ched understands. He’s owned and managed timberland in South Carolina for decades. But in 2000, a customer asked him for FSC certified wood. He looked into the program and decided to go through the process, believing it would give him a competitive advantage and ideas for improving forest management.

Since that time, Ched has persuaded other landowners to do the same.

He now leads GreenLink Forest Resources, a member organization that helps private landowners in the Carolinas and Georgia achieve certification in a cost-effective way. Domtar has financially supported the initiative, and it’s been successful.

As the market for certified wood expands, Ched shares his experience with the standards and audits. By the end of 2014, he enlisted 10 landowners who own a total of 18,930 acres, and interest keeps growing.

“What I bring is credibility,” he said. “I have knowledge of the marketplace and knowledge of their situation. I’m able to show them that this probably won’t mean many changes to their management, but can actually help them improve their business.”

**FORESTRY AND FIBER 15**

WOOD AND FIBER PURCHASES

<table>
<thead>
<tr>
<th>FIBER TYPE</th>
<th>UNITS</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
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<tbody>
<tr>
<td>Wood*</td>
<td>Green Metric Tons Chips</td>
<td>15,367,000</td>
<td>15,454,000</td>
<td>15,453,000</td>
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<tr>
<td>Purchased Pulp</td>
<td>Air Dry Metric Tons</td>
<td>129,000</td>
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<td>129,000</td>
</tr>
</tbody>
</table>

*Includes roundwood and chips.
The prevalence of forest certification systems in North America is closely linked to the prevailing land ownership pattern, geography and demand from local markets for certified products.

In the U.S., about 56 percent of the total forested area is owned and managed by 11 million private land owners—a large group consists of individuals and families, the backbone of the forest products supply chain for many of Domtar’s U.S. mills. Corporations, institutional investors, Native American tribes, conservation organizations and clubs own the balance of the private forest lands.

The remaining 44 percent of the forest land in the U.S. is publicly owned and managed by government agencies. These lands are mainly located in the western and northern U.S.

In Canada, the opposite is true. With over 80 percent of the land owned by government agencies, public lands provide the vast majority of sustainably harvested fiber needed by the forest products industry. These public lands are often in management units that are several million acres in size.

While the 20-year history of forest certification has seen impressive growth through certification of hundreds of millions of acres in North America, the rate of growth has substantially slowed. The next increment of growth in certification will be achieved on lands that have greater technical and financial barriers for their owners. Commitments from forest products manufacturers and consumers will be needed to drive growth plans.

The state of forest certification in our key wood sourcing regions:

- **British Columbia**: 124.1 MM Acres
- **Ontario**: 35.6 MM Acres
- **Quebec**: 45.1 MM Acres

**Private land ownership**

- **> 95%**
- **90% - 95%**
- **85% - 90%**
- **80% - 85%**
- **< 80%**

**FSC certified land**

- **< 0.1 MILLION ACRES**
- **0.1 – 1.0 MILLION ACRES**
- **1.0 – 3.0 MILLION ACRES**
- **3.0 – 5.0 MILLION ACRES**
- **> 5.0 MILLION ACRES**

**PEFC endorsed certified land (ATFS, CSA and SFI)**

- **< 0.1 MILLION ACRES**
- **0.1 – 1.0 MILLION ACRES**
- **1.0 – 3.0 MILLION ACRES**
- **3.0 – 5.0 MILLION ACRES**
- **> 5.0 MILLION ACRES**


*Source 1:  www.summitpost.org/public-and-private-land-percentages-by-us-states/186111

*Source 1: Forest Stewardship Council U.S., March 2015

*Regions from which Domtar sources little to no fiber*
Energy used in our pulp and paper manufacturing

From renewable energy sources

75%

ENERGY SOURCES
PULP AND PAPER MILLS 2014*

Biomass (Black Liquor, Bark, Wood Residuals and Biofuels)
Natural Gas
Coal
Net Purchased Electricity and Steam
Other Fossil Fuels (Oil, TDF, Pet Coke and Propane)
Hydropower

Priorities

■ Optimize our cogeneration of steam and electricity using renewable fuels.
■ Advocate the sustainable use of biomass fuels as a carbon-neutral energy source.
■ Benchmark our carbon footprint against other manufacturers around the world.
■ Execute efficiency opportunities identified in our comprehensive energy audit program.

Challenges

■ Competition from overseas manufacturers that do not have to meet equally stringent air quality performance standards.
■ Diminishing environmental and health benefits from additional investments in air quality improvements in North America.
■ Improving metering and analytics to make better, real-time energy utilization and generation decisions.

Progress

■ Reduced total direct and indirect greenhouse gas emissions from purchased energy at our pulp and paper mills by nine percent since 2010.
■ Reduced sulfur dioxide (SO2) and nitrogen oxide (NOx) emissions by 48 percent and eight percent respectively since 2011 as a result of fuel conversions and energy conservation.
■ Reduced total particulate matter (TPM) emissions by 17 percent since 2012, mainly due to investments in control technology at our Kamloops, British Columbia, mill and fuel conversions at several mills.

■ Avoided $29 million in energy costs in 2013 and 2014 by completing nearly 100 energy efficiency projects in our pulp and paper mills.

Manufacturing pulp and paper is an energy-intensive process. We self-generate nearly two-thirds of the energy we use from renewable fuel derived from our virtually closed-loop, pulping chemical recovery process and from wood residuals left over from log debarking. We also generate nearly three-fourths of the electricity consumed by our pulp and paper mills through efficient cogeneration technologies and hydropower.

In addition to maximizing the amount of energy we generate from renewable sources, Domtar is firmly committed to using less energy wherever possible. Detailed, independent energy efficiency audits across most of our pulp and paper mills recently revealed more than 480 opportunities for energy conservation. We have already implemented many of the recommendations and have realized environmental benefits and energy cost savings.

We also recognize that better data can lead to better management. That is why we tackled the complicated, but important task, of establishing a more consistent, company-wide approach to defining, measuring and reporting energy data. While we plan to make further improvements, we now have a firmer basis to make more data-driven energy choices.

We support regulatory policies that: 1) recognize the substantial energy efficiency and environmental benefits from the use of cogeneration technologies; 2) promote the long-term carbon-neutrality benefits of sustainable biomass energy sources; and, 3) recognize the benefits of utilizing biomass residuals, including manufacturing byproducts, for energy generation.
Domtar’s efforts to improve energy efficiency don’t stop at the boundaries of our manufacturing facilities. One creative example of sustainability teamwork is our connection to the district heating system in Aneby, Sweden.

In Aneby, the city uses 100 percent renewable, carbon-neutral biomass fuel to create hot water in a central plant that distributes heat to 250 connected homes and businesses, including our personal care manufacturing facility. Our facility brings hot water in from the district heating system through a heat exchanger to warm the buildings. We then return the warm water to the district so it can be used again, reducing the amount of energy required for the boiler to produce hot water.

District heating systems distribute hot water to all of the connected buildings, enabling those buildings to reduce or eliminate their use of individual fossil-fueled boilers and heating systems. This is significantly more efficient than using 250 individual heating units.

Since connecting to the district heating system and investing in heat recycling projects, our Aneby facility has been able to reduce fuel oil use in its boiler by over 80 percent annually, contributing to reductions in greenhouse gas and other air emissions. The boiler is now only needed to provide supplementary heat during the coldest winter months. These reductions were accomplished while our Aneby facility installed additional production lines and built a new warehouse building, increasing the facility footprint requiring heating.

### Energy Management and Emissions

**Sources:**
THE LIGHT BULB MOMENT THAT SAVED ENERGY

Domtar’s progress in energy efficiency often involves multi-million dollar investments in complex equipment.

But sometimes, it’s as simple as changing a light bulb.

Thanks to a lighting-replacement project last year, our Personal Care facility in Waco, Texas, has reduced its environmental footprint, and its electric bill.

Four manufacturing lines, with a total of about 110 lights, now use light-emitting diode (LED) bulbs instead of high-intensity discharge (HID) lamps.

In addition to energy savings, other benefits of LED lighting include:
- Less maintenance and fewer replacements.
- More accurate reproductions of color.
- A higher conversion rate of electrical energy to light instead of heat. This reduces the burden on air conditioning, further reducing energy use.

Other Domtar facilities have completed or are considering similar changes. The new lighting has illuminated a sustainable path across our company.

EVAPORATION DRIVES A VIRTUOUS CYCLE

During an energy audit, one of the evaporator trains at the Ashdown, Arkansas, mill was identified as a good candidate for a capital investment to improve energy efficiency.

An evaporator train is a central component of our virtually closed-loop process of recovering both chemicals and valuable renewable energy. The evaporator train lives up to its name—it uses steam to evaporate water from residual pulping chemicals, leaving behind inorganic chemicals that are re-used in our pulping process and organic material that is used to generate renewable energy for the mill’s operations.

So, the more efficient our evaporator train, the more efficient we become at evaporating water from our chemical and energy recovery processes. The investment to upgrade this single piece of equipment is projected to save enough steam to allow the mill to shut down a package boiler and transition another boiler to operate only intermittently during the winter months.

The benefits from this are numerous...

Reducing demand for boiler steam will further reduce our fuel consumption, which in turn will reduce the mill’s air emissions. Efficiency gains from this project will also reduce the use of freshwater for making steam, lowering our costs for pumping, heating and treating water. And, lastly, the upgraded evaporator train will enable the mill to recover pulping chemicals and produce renewable energy more efficiently, driving a virtuous cycle of sustainability.

Projects such as this reinforce why Domtar views sustainability as a mindset for finding and making connections that lead to better economic and environmental results.
Domtar has been a leading voice in calling on policymakers to recognize that just because forests are renewable does not automatically mean that harvesting them is sustainable. Nearly 20 percent of the world’s greenhouse gas emissions come from deforestation and forest degradation activities, according to the United Nations REDD Programme. That includes clearing natural forests for agricultural crops and livestock pastureland, and destructive logging practices such as forest fires and the draining of deep peat soils in tropical regions of the world.

At Domtar, things are different. Our mills are located in regions where forest growth exceeds harvest, maintaining the balance of the natural carbon cycle. In addition to modelling sustainable forest management and wood procurement practices, Domtar is also leading with early action to reduce greenhouse gas emissions from our manufacturing operations.

Consider an analysis using independent data from Fisher International’s global database of mills comparing Domtar to Asian producers. The analysis found that when looking at producing a ton of pulp and paper products, Domtar has less than one-half the direct greenhouse gas emissions from fossil fuel combustion than the average of Asian producers.

How has Domtar achieved such a record? Domtar’s pulp and paper production system is highly integrated, allowing us to capture synergies and efficiencies. We have invested in maintaining and modernizing our assets, including our energy systems. Today, 75 percent of the energy used in our pulp and paper manufacturing processes comes from carbon-neutral biomass sources. In addition, the fossil fuels we continue to use have become less carbon intensive as we have converted several boilers and other process equipment from coal and oil to natural gas over the past five years.

To further enhance our competitive advantage, we have recently increased our ambitions to reduce our direct and indirect greenhouse gas emissions from purchased energy 15 percent by 2020 from a 2010 baseline.

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

Go beyond compliance
Delivers a sustainable synergy

Conventional solutions to comply with environmental regulations are not always sustainable. That proved to be the case when designing a new air pollution control strategy for our mill in Nekoosa, Wisconsin.

New EPA regulations for industrial boilers would have required substantial capital investments and increased operating costs, including using more energy and chemicals. Making such an investment would have compromised the competitiveness of the mill, jeopardizing its long-term viability.

After a careful study, we came up with a better idea. If we made investments to improve the mill’s energy efficiency and converted three power boilers from coal to natural gas, it would be more beneficial for our business, the Wisconsin economy and environmental quality. Wisconsin’s regulators approved our plan.

As we turned the mill’s immediate compliance challenge into a longer-term, sustainable solution, we also provided another important benefit. Conversion of the boilers at Nekoosa to burn only natural gas prevents the mill from using wood residuals as an energy source. Instead, that renewable fuel is now sent a short distance to an electric utility cogeneration plant located at Domtar’s mill in Rothschild, Wisconsin.

The result: More renewable electricity for Wisconsin residents and renewable steam for our Rothschild mill.
Water management is a local resource. It can only be managed well by using site-specific strategies. This is why water goals are best set at the local facility level. By understanding the unique challenges and opportunities in the watersheds where we operate, we can be better stewards of the resource upon which we depend, making our business more sustainable.

Nearly all the water we use comes from surface water sources – lakes, rivers and streams – and once we use it, we treat it and return approximately 90 percent of it to the original source. Most of the water that does not get returned has evaporated, with smaller amounts going out with our products and manufacturing byproducts.

All our mills are located in watersheds with ample water supplies, but we continue to look for opportunities to reduce water use. We know this will, in turn, reduce energy and other costs associated with filtering, pumping, heating and treating the water.

**Priorities**

- Manage our use of water in a way that helps maintain the quantity, quality, timing and distribution of local water resources.
- Align our water and energy management strategies to optimize overall efficiency.

**Challenges**

- Understanding the full cost of water utilization to make more informed business decisions.
- Bringing all water users together to develop a more integrated and equitable approach to improving and protecting water quality at the watershed level.
- Maintaining performance in the face of operational challenges at a few facilities and capacity constraints in several of our wastewater treatment systems. These challenges contributed to a 16 percent increase in biochemical oxygen demand (BOD) discharges year-over-year, which is being addressed through lagoon dredging to increase BOD removal capacity.

**Progress**

- Total water use in our pulp and paper mills decreased in 2014, largely due to good progress at our mill in Plymouth, North Carolina, at reducing non-contact cooling water use by increased water re-use and steam optimization projects.
- Our mill in Kingsport, Tennessee, achieved its best water utilization performance per unit of production in 2014, establishing a new benchmark for Domtar’s manufacturing facilities.
- Decreased discharges of total adsorbable organic halides (AOX) and total suspended solids (TSS) by 13 percent and eight percent respectively since 2011.
AMERICA’S HARDEST WORKING RIVER

With more than 25 dams over its length, the Wisconsin River lives up to its billing as “America’s hardest working river.” But hard work can mean getting dirty. Fifty years ago the river was so polluted that it could barely support aquatic life. Today the river is still working hard, but the water quality has improved, making it a favorite place to play and a popular destination for fishing and recreation.

However, there are still occasional algae blooms resulting from elevated phosphorus levels. How can this be? According to the U.S. Environmental Protection Agency, “unfortunately, we did not do enough to control pollution from diffuse, or nonpoint, sources. Today, nonpoint source (NPS) pollution remains the Nation’s largest source of water quality problems. It’s the main reason that approximately 40 percent of our surveyed rivers, lakes, and estuaries are not clean enough to meet basic uses such as fishing or swimming.”

The Wisconsin Department of Natural Resources (DNR) estimates that 80 percent of the phosphorus loadings into the Wisconsin River basin come from nonpoint sources of pollution, such as runoff from agricultural land and developed urban areas.

Yet our political and regulatory systems continue to push for more reductions from point source dischargers, including pulp and paper mills, to try to solve this complex problem. Our Nekoosa, Wisconsin, mill has already reduced phosphorus discharges 40 percent since 2006. Future limits being developed by the Wisconsin DNR could require the mill to reduce phosphorus discharges by an additional 85 percent or more.

With point sources contributing just 20 percent of the total phosphorus load to the Wisconsin River, the expected millions of dollars of additional capital and operating cost could put the financial viability of Wisconsin’s pulp and paper mills in jeopardy without actually solving the river’s water quality issues. While Domtar is willing to do its part to improve water quality in the Wisconsin River, drastic reductions in point sources alone is not the answer. We are actively engaged with the Wisconsin DNR and other stakeholders to try to address this complex problem effectively and equitably.

*U.S. Environmental Protection Agency Fact Sheet, “Nonpoint Source Pollution: The Nation’s Largest Water Quality Problem” (Number EPA-841-F-96-004A).
FROM TRASH TO TREASURE

Chris LeFever farms corn, wheat, soybeans and rapeseed on about 900 acres in eastern North Carolina. He's found a new fertilizing option that helps him grow higher yields, produce better-looking crops and even save $35 an acre. His secret?

A new product from Domtar’s nearby Plymouth mill.

For years, the mill’s byproducts had been landfilled, even though they contained potash and lime nutrients that would be useful in an area that heavily agricultural. The problem? The mill’s byproducts were not in the right concentrations to make an effective fertilizer.

That changed when Domtar’s focus on reducing waste to landfill prompted resourceful managers at the mill to recognize the opportunity of blending several byproducts to create a nutrient-balanced soil amendment.

The result? Plymouth K-Lime, a potash and lime fertilizer that is now registered with the North Carolina Department of Agriculture. Chris and other local farmers love it.

“I like that it’s all natural, and the particle size is really good,” he said. “It’s clean, it breaks down well and the roots get at it right away. With commodity prices going down and so much cost going up, the savings really help.”

Progress

- Beneficially re-used 69 percent of the manufacturing byproducts generated by our pulp and paper mills in 2014, up from 58 percent in 2013.
- Reduced the amount of waste sent to landfills from our pulp and paper mills by 23 percent since 2013 through source reduction and beneficial re-use programs.
- Since implementing the K-Lime beneficial re-use program in 2013 at our mill in Plymouth, North Carolina, landfilling has gone from being a five-day-per-week operation to a one-day-per-week operation. This reduced annual landfill operating costs and avoided capital expense by eliminating the need to expand the mill’s landfill every five years.
- Implemented a new landfill application program in 2014 at our mill in Windsor, Quebec, using custom-blended wood ash and causticizing residuals to create a soil amendment for forest lands. This brings the mill very close to “landfill free” status.

Priorities

- Improve resource efficiency in our manufacturing processes.
- Minimize waste.
- Capture the value of byproducts.

Challenges

- Find or create local markets that recognize the value of our byproducts.
- Manage transportation costs to move byproducts for beneficial re-use, which can be higher than our current costs to landfill the materials.
- Maintain consistent quality of our byproducts, as we do for our core products.

MANAGEMENT OF BYPRODUCTS

Our pulp and paper mills generate several hundred thousand metric tons of byproducts annually that, for decades, were destined for landfills. Today, data-driven management techniques enable us to envision a future with virtually zero waste to landfills.

By improving the accuracy and specificity of our data, we’ve now able to identify, document and share best practices and replicate them, resulting in waste disposal reductions that have set Domtar apart from North American industry averages. The benefits are economic and environmental.

We have set a new goal to reduce total solid waste sent to landfills 40 percent by 2020 from 2013 levels. How? Three ways:

1. Implementing source reduction programs.
2. Expanding our success in finding innovative, “next life” uses for our byproducts.
3. Developing creative strategies to meet safety and regulatory requirements that often were not designed for selling and beneficially re-using byproducts in the marketplace.
WHAT’S BETTER THAN RECYCLING? REDUCING.

The ideal approach to reducing manufacturing waste is to avoid creating it in the first place. That’s what Domtar’s Personal Care business has done through a technology we developed. It changes the way personal care products are made. Not only does the equipment help the environment, but it also reduces safety risks and increases production.

Previously, the equipment cut the leg holes out of non-woven materials, and the scrap that remained was gathered and shipped off-site for recycling.

That changed in 2014. Domtar teams from the engineering and product development departments studied the process and developed what’s called “near zero scrap” technology. It sonically welds diaper components together, leaving little residual scrap.

Environmentally, this reduces the amount of waste being created that needs to be recycled or landfilled. The products can now be produced with larger rolls of material, reducing the safety risks of pushing and pulling rolls. And the machines also can run faster, increasing production.

Crews have already installed this new technology at facilities in Greenville, North Carolina, and Waco, Texas, with plans to install it at our other facilities in the coming years.

DOMTAR PERSONAL CARE MANUFACTURING FACILITIES BENEFICIALLY RE-USED OR RECYCLED

81%

OF THE 16,312 METRIC TONS OF MANUFACTURING BYPRODUCTS GENERATED IN 2014

MANAGEMENT OF BYPRODUCTS IN 2014

<table>
<thead>
<tr>
<th>BYPRODUCTS</th>
<th>TOTAL BENEFICIALLY RE-USED (DRY METRIC TONS)</th>
<th>TOTAL LANDFILLED (DRY METRIC TONS)</th>
<th>TOTAL GENERATED (DRY METRIC TONS)</th>
<th>% BENEFICIALLY RE-USED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boiler Ash</td>
<td>104,961</td>
<td>11,170</td>
<td>116,131</td>
<td>89%</td>
</tr>
<tr>
<td>Wastewater Treatment Residuals</td>
<td>97,774</td>
<td>24,264</td>
<td>122,038</td>
<td>80%</td>
</tr>
<tr>
<td>Coating Residuals</td>
<td>63,429</td>
<td>24,770</td>
<td>88,199</td>
<td>72%</td>
</tr>
<tr>
<td>Bark and Wood Residuals</td>
<td>46,598</td>
<td>7,911</td>
<td>54,509</td>
<td>85%</td>
</tr>
<tr>
<td>Lagoon Dredgings</td>
<td>1,073</td>
<td>13,957</td>
<td>15,030</td>
<td>7%</td>
</tr>
<tr>
<td>Other Manufacturing Residuals</td>
<td>212</td>
<td>2,609</td>
<td>2,821</td>
<td>8%</td>
</tr>
<tr>
<td>General Trash</td>
<td>*</td>
<td>22,339</td>
<td>22,339</td>
<td>*</td>
</tr>
<tr>
<td>TOTAL</td>
<td>318,047</td>
<td>141,210</td>
<td>459,257</td>
<td>69%</td>
</tr>
</tbody>
</table>

Our beneficial re-use rate of byproducts generated from our pulp and paper manufacturing processes was 81 percent in 2014, appreciably better than the U.S. industry average of 67 percent, according to the American Forest & Paper Association 2014 Sustainability Report.

* Not yet tracked corporately.
BRINGING THE ELK BACK TO ELK COUNTY

The successful re-establishment of a viable elk herd in the eastern United States is an example of what can be accomplished with innovative thinking.

Utilizing manufacturing byproducts, our Johnsonburg mill in Elk County, Pennsylvania, is playing a part in rehabilitating land scarred by decades of coal mining and making that land attractive to wildlife again.

This restoration effort, undertaken in partnership with the Rocky Mountain Elk Foundation and state and local environmental and game agencies, has enriched the region’s wildlife population and diversity, enhancing nature tourism, which plays an important role in the area’s economy.

Since 1997, the mill has provided more than 200,000 metric tons of byproducts from the mill’s operation to be applied to land in the region. In this application, the organics found in the pulp fiber and pH neutralizing properties of lime help restore topsoil that was degraded by acidic materials left behind in the mining process.

This treatment balances the soil’s chemistry so that clovers, grasses and grain crops can grow and feed elk and other wildlife.

“Elk, wild turkeys, whitetail deer and black bear heavily use these sites,” Dennis Dusza, a retired game commissioner, said of this work. “Small game including cottontail rabbits and numerous species of fur bearers and non-game wildlife, such as songbirds, other mammals and even aquatic life and reptiles and amphibians, benefit from these improved soils.”
A significant portion of our colleagues are, or soon will be, eligible for retirement. This is an issue many manufacturers face as baby boomers get older. It’s often called the “silver tsunami.” We’re prepared to attract, train and retain new graduates to sustain our business.

We have built partnerships with technical and trade schools to introduce students to advanced manufacturing technology and processes. We’ve also enhanced our Associate Engineers program to ensure that new hires receive a variety of manufacturing experiences, gain knowledge from a dedicated mentor and learn skills that will enhance their careers.

The pace of change at Domtar – in both Pulp and Paper and in our growing Personal Care consumer products business – requires us to advance our culture of innovation. We’re enhancing the diversity of our workforce by hiring talented people who have experience in different industries and who come from different backgrounds. We’re also investing in state-of-the-art laboratories to help these imaginative, creative professionals develop new fiber-based products and technologies.

We consider our high employee retention rate to be a strategic advantage. Domtar’s voluntary employee turnover rate was three percent in 2014 in our North American region compared to an 8.6 percent voluntary turnover rate for the U.S. Manufacturing & Distribution Industry in 2014.* We maintain this advantage by providing our employees pathways for professional growth, and by offering them resources to expand and enhance their skills, knowledge and management capabilities.

COURSES WITH EXPERTS AVAILABLE 24/7

Training in 2014

680

INDIVIDUAL USERS PER WEEK

1000+

COURSES WITH EXPERTS AVAILABLE 24/7

25 hrs

OF TRAINING PER EMPLOYEE IN 2014

Only a year after its launch as an online learning tool for our workers, My Knowledge Tree is averaging 680 users per week. That means that each week, seven percent of Domtar’s employees are learning something new, refreshing skills, pursuing a certification or preparing to advance their careers.

The site hosts courses in multiple languages on dozens of topics – finance, communication, project management and more, including some topics specific to Domtar. Many of the courses are accredited and linked to certifications recognized in our industry or in the business community, such as Six Sigma.

My Knowledge Tree is available 24/7 on any Internet-enabled device, including smartphones and tablets. By offering relevant courses whenever and wherever employees find it most convenient, we think our new system reinforces that we care about our employees’ growth and development, and that we appreciate they have busy lives.

We also think it makes good business sense. Learning unlocks potential, and realizing the full potential of our people helps us with recruitment, retention and succession planning – all critical to keep Domtar sustainable.

Michael Adams, a Sales Service Representative based in Fort Mill, South Carolina, is one user of the new system. “I’ve taken a dozen courses, from strategic sales planning to customer-focused interaction,” he said. “I’ve also taken classes on Excel, which gave me a good refresher on easily manipulating data.”

That’s what Sarah Waltman, Senior Manager for Training and Development, envisioned when she helped design and launch My Knowledge Tree. “People are naturally more engaged when they’re learning,” she said. “It’s attractive to potential employees to see this is a place where people are growing their careers.”
A significant portion of the highly skilled employees in our Pulp and Paper division are, or soon will be, eligible for retirement, and in 2014, almost half of our employees were at least 50 years old.

That’s why our mill in Kamloops, British Columbia, is launching a collaborative partnership with Unifor Local 10B, Canada’s largest private sector union, and the nearby Thompson River University’s School of Trades and Technology to recruit and develop new talent.

The partnership will assist students across the region to explore trades careers with Domtar and other industrial companies, even giving the school’s foundation trades program students a chance to gain hands-on experience at the mill. The school is only a five-minute drive to the mill so proximity is a huge asset to this partnership where students will apply the theory and skills they learn in the classroom in a manufacturing environment.

“We are hiring the next generation of manufacturers,” said Tim Healey, Vice President of Human Resources for the Pulp and Paper Division at Domtar.

“We understand that manufacturing may not always be top of mind for new entrants into the workforce. However, we are showing young people that there are great opportunities in modern manufacturing today.”

The Kamloops partnership is similar to one the company has in Kingsport, Tennessee, and supports other recruitment efforts to attract the next generation of line operators, salespeople, managers, engineers and more to Domtar.
We’ve made our manufacturing facilities cleaner, quieter and safer. Domtar’s recordable incident rate has been lowered by 52 percent since 2008, thanks to investments in safety systems, heightened attention to work procedures and improvements to personal protective equipment.

But data does more than just help tell our story. It helps drive our progress.

For the first time, Domtar is publicizing its “next step” safety improvement objective. To be clear, our ultimate goal remains unchanged: to eliminate workplace injuries. But we think we can reach that long-term goal by focusing on the short-term. In other words, by benchmarking against what’s clearly possible, it becomes far more probable.

Domtar’s next safety objective is to achieve a total frequency rate of 0.92 in 2015.

We also understand that different types of data serve different purposes in helping us achieve this objective. Traditional safety metrics, such as recordable injury rates, reveal what has already happened. If that’s all we considered, it would be like driving forward using only a rearview mirror. Such lagging performance indicators must be used in concert with data that signal where issues are emerging before they become problems.

Of course, realizing the full potential of data requires a strong culture of learning. That’s why Domtar has introduced a new systemic approach to investigating any incidents that occur. It’s called the Human Performance Improvement (HPI) system, and it digs deeper than conventional incident investigations. It moves beyond assigning blame and instead focuses on learning what causes people to make errors in the first place. This helps develop solutions to avoid repeat incidents.

Finally, our caring for the safety and health of our employees doesn’t stop at the factory gate or the office door. Our sustainability as a company depends on sustaining a safe, healthy workforce. That’s why so many of our safety and wellness efforts are geared to promote best practices both at work and at home.
 While there’s never a good time to have an accident, one incident in 2014 at our facility in Jesup, Georgia, actually helped Bryant Tanner, the site’s Safety Coordinator.

Bryant was learning about the principles of Human Performance Improvement (HPI), a new approach to managing safety that’s being introduced at all of Domtar’s manufacturing facilities. As Bryant launched his investigation of the accident, HPI prompted him to try a new approach.

Bryant realized the Jesup employee hurt his foot after pressing an “up” button on a machine interface instead of “down.” The employee acknowledged his error, but Bryant moved beyond blame, asking the employee to show him the interface.

“I could see how the buttons were so close together and you could easily ‘fat finger’ the wrong button,” Bryant said.

Thanks to the deeper investigation, the interface was changed to leave more room between the “up” and “down” buttons, reducing the chances of similar accidents.

Bryant said it hasn’t been just a one-time benefit. Workers now see leaders’ interest in identifying the causes of a problem and potential solutions, spurring employees to suggest new ideas for improvements.

“HPI training really changed my view on human mistakes, and how we can learn from them,” Bryant said.
Four Domtar mills in the Great Lakes region have much in common.

The mills – located in Espanola, Ontario; Port Huron, Michigan; and Rothschild and Nekoosa, Wisconsin – were built in the same era. Their workforces have similar demographics, with many longtime operators.

And in 2014, the four sites accounted for about half of the OSHA recordable injuries at our pulp and paper mills.

The relatively high number and similarity of injuries led the mills’ leaders to unite to resolve common safety challenges.

They formed the Great Lakes Safety Initiative, agreeing to meet quarterly to share best practices and to set goals for reducing injuries. The group includes five to eight managers and union representatives from each site.

“Sometimes you feel you’re walking that union-company line and it can be tricky, but with safety, we don’t draw those lines,” said Jeff Smith, who has worked at Port Huron for more than 20 years and serves as a union representative. “We’re united in this, and when we take new ideas to the floor now, we’re able to answer questions that workers may have. People are feeling more comfortable to take an active role,” said Jeff.

John Harnish, Safety Manager at Port Huron, agreed.

“Having all of these people as part of the decision making, and sharing what we know about our facilities and challenges, is what will make this work,” he said. “We’re learning from each other and have real goals to work toward.”

**BODY PARTS INJURED**

<table>
<thead>
<tr>
<th>Body Part</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hand/Wrist/Finger</td>
<td>21%</td>
</tr>
<tr>
<td>Back/Shoulder/Neck</td>
<td>29%</td>
</tr>
<tr>
<td>Eye/Head/Face</td>
<td>17%</td>
</tr>
<tr>
<td>Leg/Knee/Quot</td>
<td>19%</td>
</tr>
<tr>
<td>Arm/Elbow</td>
<td>21%</td>
</tr>
<tr>
<td>Other</td>
<td>7%</td>
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</tbody>
</table>

**INJURY TYPES**

<table>
<thead>
<tr>
<th>Injury Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cut/Laceration</td>
<td>19%</td>
</tr>
<tr>
<td>Strain/Sprain</td>
<td>14%</td>
</tr>
<tr>
<td>Break/Fracture</td>
<td>7%</td>
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<tr>
<td>Bruise/Contusion</td>
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<tr>
<td>Foreign Object</td>
<td>7%</td>
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<tr>
<td>Inflammation/Irritation</td>
<td>6%</td>
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<tr>
<td>Avulsion/Amputation</td>
<td>6%</td>
</tr>
<tr>
<td>Other</td>
<td>14%</td>
</tr>
</tbody>
</table>

**CONTRACTOR SAFETY**

Domtar requires contractors working at our facilities to make the same commitments to safety as employees. Prior to starting, all contractors go through a comprehensive safety orientation and training so they understand our rules, expectations and potential hazards. Despite the training we do and safety precautions we take, serious and even fatal accidents can occur. Very regrettably, we experienced a contractor fatality at our mill in Plymouth, North Carolina, in May 2014 during work performed as part of the mill’s annual shutdown. Domtar takes this very seriously, and we have shared learnings from this incident across the company to help ensure this doesn’t happen again.
We operate a sophisticated, efficient distribution network to move millions of tons of pulp, paper and personal care products to some 50 countries using third-party truck, rail, intermodal and vessel transport providers. Our top priorities are to serve customers, manage costs and reduce environmental emissions. Unfortunately, we currently face challenges that limit our options.

Capacity constraints on North America’s rail system limit our access to the full potential of the economic and environmental benefits of rail, forcing us to increase our reliance on trucking. But the trucking industry has struggled to recruit and retain qualified drivers, leading to potential trucking capacity constraints in the future.

That’s why Domtar supports public policies that would 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 can utilize existing space in their trailers that they are currently required to leave empty.

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 designs to get more products on a truck, improving our economics and our environmental footprint.

Priorities
- Optimize available transportation modes to most efficiently move our products.
- Improve transportation efficiency by utilizing safer trucks with greater payloads.
- Optimize product packaging to maximize truck volumes, especially for lighter and bulkier personal care products.

Challenges
- Railroads operating near capacity, decreasing our ability to move inbound raw materials and finished products to market via rail.
- North American trucking capacity constraints caused in part by a lack of drivers.
- Convincing policymakers to increase truck weight limits where studies demonstrate no additional impact or concerns to safety and infrastructure.

Progress
- Eliminated 54,000 wood chip delivery truck trips annually, substantially reducing traffic congestion, wear on roads and air emissions, by investing in a mile-long conveyor belt system to transport chips from barges on the Ohio River directly to our mill in Hawesville, Kentucky.
- Avoided nearly 68,000 metric tons of greenhouse gas emissions in 2014 as a result of shipping products via rail and intermodal.
- In 2014, 56 percent of our active transport carriers were SmartWay® Program partners, a public-private initiative between the U.S. EPA and transport providers, designed to improve fuel efficiency and reduce air and greenhouse gas emissions.
While some trucks filled with dense pulp and paper products struggle with weight restrictions, Domtar’s Personal Care business has the opposite problem. Lightweight personal care products usually fill all the room in a trailer, but regulations would still allow the truck to carry more weight. In this situation, less packaging means more products in every shipment.

At Domtar’s Indas facility in Toledo, Spain, engineers and the research and development team have designed a high-compression packaging system for incontinence products. This innovation reduced the packaging volume by an average of 30 percent. That minimized the space and materials needed for packaging, and, in turn, it maximized the volume of product that can be loaded on each truck.

The results? Each year, the facility saves:

- 54 metric tons of plastic residues
- 390 metric tons of corrugated packaging
- 79,000 pallets
- 1,200 truck trips
- 194 metric tons of greenhouse gas emissions

The solution was so effective that it won an award for “Best Corporate Initiative in Eco-Design” from ECOEMBES, a Spanish non-profit organization focused on sustainable packaging and recycling.

CLEARLY, LESS IS MORE

LESS IS MORE

With Domtar’s support, Arrow Transportation, the primary chip hauler to our mill in Kamloops, British Columbia, has retro-fitted 16 trucks to use liquefied natural gas (LNG) rather than diesel fuel.

LNG provides environmental benefits, including reductions in fine particulate emissions and greenhouse gases. LNG is also taxed at a lower rate than diesel in British Columbia. “Given today’s relatively low diesel fuel prices, the investment in this LNG solution is not as financially attractive as it was when first made. However, Arrow Transport and Domtar have decided to stay the course. Diesel fuel prices won’t be low forever, and we are making our business sustainable for the long term by ensuring that infrastructure for clean fuel options is in place,” said Jim Atkinson, Domtar’s Director of Warehouse Operations.

Arrow Transportation’s General Manager, Tim Bell, added, “We are committed to the long-term success of the program. We are extremely pleased that converting the fleet of trucks from diesel to LNG has realized a reduction in annual greenhouse gas emissions by 20-25 percent.”

ARROW POINTS THE WAY TO SUSTAINABLE TRANSPORTATION

With Domtar’s support, Arrow Transportation, the primary chip hauler to our mill in Kamloops, British Columbia, has retro-fitted 16 trucks to use liquefied natural gas (LNG) rather than diesel fuel.

SILENCE IS PROGRESS

Several Domtar Regional Replenishment Center (RRC) managers gathered for an annual meeting at our personal care facility in Waco, Texas. What they heard soon inspired an idea that helped save money on fuel, equipment leases and maintenance.

Actually, the inspiration sprang from what they did not hear. The group noticed the quieter, cleaner workspace. The reason? The facility had switched from forklifts with propane-burning engines to electric models, eliminating exhaust residue and noise.

“People initially had concerns about whether the electric forklifts would be powerful enough to do the job,” said Jim Atkinson, Domtar’s Director of Warehouse Operations. “But after learning that the power issues have been solved, several of our facilities have changed to electric forklifts, and others are currently evaluating the option.” In fact, half of Domtar’s RRCs now use electric forklifts.

Employees at the warehouses, meanwhile, benefit from cleaner indoor air. And customers benefit from having less dust settle on their products.

To us, it all sounds good.
Next time you’re stuck in traffic, think about this: How much faster would you move if there were fewer large trucks on the road?

Domtar is trying to eliminate some of those trucks. But while we’ve improved transportation and logistical efficiencies, we, too, are stuck in traffic. And, without a change in public policy, the situation will only worsen.

A forecast by the Federal Highway Administration calls for trucks in the U.S. to haul 22.8 billion tons of freight in 2035. That’s nearly double the 11.5 billion tons carried in 2002. Clearly our nation must upgrade its transportation infrastructure, but that takes time and money.

In the meantime, there’s a simple, obvious solution that could provide immediate benefits: Make better use of the trucks already hauling that freight, and you’ll reduce the total number of trucks needed.

Take dense products such as pulp and paper, for example. Shippers currently cannot use all of the available space in trailers because of road weight restrictions set by regulations. That forces companies to make more truck trips than are physically necessary to move products to customers.

The solution is not bigger trucks. It’s giving truck owners the flexibility to equip existing trucks to better use empty space in their trailers. By adding a sixth axle to what’s now a five-axle truck, gross vehicle weight limits can be safely increased, allowing Domtar to ship as many as eight additional pallets of paper.

Studies have also shown the addition of a sixth axle would improve road safety, cut fuel use and air pollution emissions, and reduce wear and tear on roads.

This is why Domtar supports the Coalition for Transportation Productivity and its work to promote federal legislation to safely increase the hauling capacity of the nation’s existing truck fleet.

To learn more, please visit: www.transportationproductivity.org.

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Our supply chain

Our work with major suppliers to reduce raw material consumption, increase filler content to minimize fiber consumption, increase recycling, and replace synthetic brighteners, dyes and aluminum sulfate.

Our engineers are constantly working with suppliers to test and optimize our adhesives. This resulted in reduced adhesive-related line stoppages by 70%, reducing waste to landfill and raw material use.

We manufacture pulp at 12 of our 13 mills, supplying most of our Canadian fiber comes from public Crown lands; in the U.S., it’s mostly from small, privately owned forests.

The primary chemicals we use in paper manufacturing include: starch, precipitated calcium carbonate, optical brighteners, dyes and aluminum sulfate.

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We sell softwood, fluff and hardwood pulp in excess to our customers within one day.

The primary source of energy for our personal care products is wood chips and oil for heating.

Our engineers are constantly working with suppliers to test and optimize our adhesives. This resulted in reduced adhesive-related line stoppages by 70%, reducing waste to landfill and raw material use.

We are one of the largest manufacturers of private label baby diapers in North America.

Some of our facilities use small amounts of natural gas compared to individual heating systems.

We are one of the largest manufacturers of private label baby diapers in North America.

The main residual byproducts generated in our personal care products manufacturing include: nonwoven scrap and trim, and production dust. 11% of residual byproducts were beneficially re-used in 2014.

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Our Attends brand was among the first disposable adult incontinence products, first introduced in the 1980s. It’s estimated that approximately 5% of the world’s population (~400 million people) is incontinent. After age 65, nearly 1 in 3 people are estimated to suffer from incontinence.

We are investing in our facilities to meet growing demand for incontinence products for an aging population.

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Domtar makes products that people across the world rely on every day. Using wood from sustainably managed forests, Domtar’s two divisions design, manufacture, market and distribute a variety of pulp, paper and personal care products.

Pulp and Paper Division
Domtar is the largest integrated marketer and manufacturer of uncoated freesheet paper in North America. We sell a combination of private labels and well-recognized branded products, such as Cougar®, Lynx® Opalite Ultra, Husky® Opalite Offset, First Choice®, Xerox® Paper and Specialty Media and the Domtar EarthChoice® product lines of environmentally and socially responsible papers. Domtar also owns and operates Ariva®, a network of strategically located paper and printing supply distribution facilities in Canada.

Our communication, specialty and packing papers are sold to a variety of customers in the United States, Canada and overseas, including merchants, retailers, stationers, printers, publishers, converters and end users.

We sell softwood, fluff and hardwood market pulp produced in excess of our internal needs. This pulp is marketed and sold overseas, in the United States and in Canada. Sales to overseas customers are made directly or through commission agents, while North American customers are served mainly through our own sales force. Domtar is the fourth-largest chemical market pulp producer in North America.

Personal Care Division
Domtar is a leading marketer and producer of a complete line of absorbent hygiene products marketed primarily under the Attends®, IncoPack® and Indasec® brand names. We launched several new branded products with a growing list of retail partners in Baby and Adult Incontinence (AI) markets, including Comfees in North America, as well as absorbent-core innovations from our Materials Group in our new Attends-branded premium underpads for the healthcare channel.

Our personal care products are primarily distributed in North America and Europe, where we supply AI products in the healthcare channel and have a growing presence in retail. Our 2014 acquisition of Indas, Spain’s largest branded AI supplier, increased our AI position in southern Europe in both healthcare and retail channels and established our position in infant care in European retail. In North America, we continue to increase our presence in retail channels from our acquisition of AHP in 2013, a leading store-brand manufacturer of infant diapers. We also expanded our global footprint into new areas, including the Australian pharmacy channel, with our Attends brand through a local distribution partnership.

A few things to note about our product sustainability efforts:

- We selected UPM as the exclusive European distributor of our BioChoice™ lignin product, made at our mill in Plymouth, North Carolina. BioChoice is a 100 percent bio-based, sustainable alternative to fossil fuels and other hydrocarbon-based feedstocks. It holds the United States Department of Agriculture Bio-Preferred product certification, and it was developed after Domtar won a federal grant that recognized our integration of science and engineering research towards bio-based product development.

- We sold our five-millionth ton of Forest Stewardship Council (FSC) certified paper, a first for the North American market, and it was another milestone in our long commitment to sustainability. In 2000, Domtar became the first North American forest products company to achieve FSC certification of its forestlands. Further progress was made in 2005, when we launched EarthChoice®, which has grown into the widest range of environmentally responsible products in the marketplace and now accounts for nearly 30 percent of Domtar’s total paper sales.

- We updated our award-winning, interactive website, The Paper Trail®, to now include social and economic impact data, along with expanded environmental information about our pulp and paper mills and the products they produce. To learn more, go to: www.domtarpapertrail.com.
OUR LOCATIONS

Ariva – Canada
Halifax, Nova Scotia
Ottawa, Ontario
Quebec City, Quebec
Toronto, Ontario

Enterprise Group – Canada
Calgary, Alberta
Longueil, Quebec
Mississauga, Ontario
Richmond, Quebec

Regional Replenishment Centers (RRC) – United States
Addison, Illinois
Albuquerque, New Mexico
Alhambra, California
Atlanta, Georgia
Birmingham, Alabama
Buffalo, New York
Charlotte, North Carolina
Cincinnati, Ohio
Dallas, Texas
Danville, Virginia
Denver, Colorado
Garland, Texas
Hoboken, New Jersey
Houston, Texas
Indianapolis, Indiana
Jackson,Mississippi
Jacksonville, Florida
Kansas City, Kansas
Kent, Washington
Lakeville, Florida
Lexington, Kentucky
Louisville, Kentucky
Mansfield, Massachusetts
Medley, Florida
Memphis, Tennessee
Mira Loma, California
Omaha, Nebraska
Phoenix, Arizona
Pittsburgh, Pennsylvania
Plain City, Ohio
Richmond, Virginia
Salt Lake City, Utah
San Antonio, Texas
San Lorenzo, California
St. Louis, Missouri
Wayland, Michigan
Wayne, Michigan

Regional Replenishment Centers (RRC) – Canada
Mississauga, Ontario
Richmond, Quebec
Winnipeg, Manitoba

Representative Office – International
Hong Kong, China

PERSONAL CARE DIVISION HEADQUARTERS
Raleigh, North Carolina

NORTH AMERICA

Attends – Manufacturing and Distribution
Greensville, North Carolina

AHP – Manufacturing and Distribution
Deerfield, Ohio

EAM Corporation – Manufacturing and Distribution
Jesup, Georgia

EUROPEAN HEADQUARTERS
Madrid, Spain

Attends – Manufacturing and Distribution
Ankara, Sweden

Direct Sales Organizations
Ennekamp, The Netherlands
Espoo, Finland
Kaarlebergen, Belgium
Oslo, Norway
Pasing, Austria
Rhamfelden, Switzerland
Schweibarch am Taunus, Germany
Wakefield, United Kingdom

Indus – Manufacturing and Distribution
Sant Vicens de Castelllet, Spain
Toledo (Novés), Spain

Direct Sales Organizations
Casablanca, Morocco
Domtar considers stakeholder engagement to be a two-way street. We benefit from frequent conversations with customers, advocacy organizations, employees and our communities, gaining diverse perspectives on emerging trends and opportunities. We hope they feel the same way about the perspectives we share with them.

In 2014, we conducted a comprehensive analysis and stakeholder survey to identify sustainability opportunities and risks for our growing Personal Care division. The results are now the basis for sustainability planning in this division.

We also engaged other stakeholders to gain a diverse set of perspectives on how we can make our sustainability reporting more interesting and useful. The results are summarized below:

### Advice from Stakeholders

<table>
<thead>
<tr>
<th>Advice from Stakeholders</th>
<th>Our Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Move beyond leadership positioning with Forest Stewardship Council as the company’s central sustainability focal point.</td>
<td>We agree. Regardless of whether they have FSC certification, the North American forests on which we rely make our products as managed far more sustainably than many parts of the world, particularly Asia and Africa. We will not shun our leadership in advancing forest certification programs, but we want to shift the public’s focus to other areas of opportunity and progress, such as the environmental and energy efficiency of our manufacturing operations.</td>
</tr>
<tr>
<td>Proactively address and take positions on hot-button sustainability issues such as climate and water.</td>
<td>We agree. We were the first forest products company to publicly support the US Environmental Protection Agency’s call to consider the long-term sustainability of forests that provide greenhouse gas neutral biomass fuels.</td>
</tr>
<tr>
<td>Routinely report metrics, targets and trends for priority sustainability issues.</td>
<td>We agree. Domtar routinely publishes progress toward specific, measurable, achievable, realistic and time-bound performance goals. It is important to remember, though, that just as sustainability is about the long-term, so too is much of our progress. Quarterly and annual updates are often not the best way to discern performance trends. That is why we supplement our quantitative reporting with stories about the changes occurring across our Company.</td>
</tr>
<tr>
<td>Include benchmark information on how well we compare to other companies, including outside industry.</td>
<td>We agree. It is more useful for us and for our stakeholders when we can place our performance in context. We have added some new performance comparisons in this report, but this remains a challenge. Publicly available data is often not directly comparable, and trade association data is often proprietary.</td>
</tr>
<tr>
<td>Tell our sustainability story by using more graphics and less text.</td>
<td>We agree. This feedback from readers of our reports has prompted us to incorporate more “infographics” in this report. We think this helps make information more accessible and interesting. However, we also believe that maintaining Domtar’s role as a thought leader on sustainability issues demands not shying away from complexity when it is necessary.</td>
</tr>
<tr>
<td>Use the web to better leverage our report and focus on most relevant issues in the report.</td>
<td>We agree. We have placed additional content on our website to keep this printed report focused on the most relevant issues. Please visit: <a href="http://www.domtar.com/sustainability">www.domtar.com/sustainability</a>.</td>
</tr>
<tr>
<td>Acknowledge and report on challenges and how we are addressing them.</td>
<td>We agree. In this report, we have highlighted our challenges in the same way we have highlighted our priorities and progress.</td>
</tr>
<tr>
<td>Share more about how you are introducing sustainability into your growing Personal Care business.</td>
<td>We agree. In 2014, Domtar completed a comprehensive assessment of sustainability risks and opportunities in our Personal Care division. This report shares some insights into work that is now underway. We will share more in future reports.</td>
</tr>
</tbody>
</table>

### OUR REPORT CONTENT

We are pleased that the Global Reporting Initiative (GRI), a not-for-profit organization that offers guidelines to corporations on sustainability reporting, has responded positively to suggestions from many companies, including Domtar, that their emphasis on comprehensiveness was making sustainability reporting less relevant to most readers. GRI has recently offered a new reporting framework to companies (version G4) that takes the sensible step of encouraging reports such as this to focus on the issues that matter most to our customers, employees, shareholders and other stakeholders. This report was developed using the new G4 framework.

To be clear, Domtar is continuing its comprehensive approach to sustainability. The 35 key performance indicators that we developed around previous GRI reporting frameworks continue to be used as a valuable internal management tool for staying focused on a wide variety of performance targets. However, we agree with GRI that everyone benefits when companies address their greatest sustainability opportunities and risks in their public reports.

Of course, determining what to include in a report requires thoughtful consideration. As a publicly traded U.S. company, issues deemed material are already included in our reports to the U.S. Securities and Exchange Commission. It is important that the concept of “materiality” in the context of sustainability reporting is not 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.

We believe accomplishing this requires gaining the perspectives of our stakeholders. That is why, in 2014, Domtar interviewed a sampling of customers, employees and advocacy organizations to learn their thoughts regarding our sustainability reporting. The results from these surveys allowed us to plot various issues on a matrix representing their relative importance to surveyed stakeholders vis-à-vis their importance to Domtar. The issues that emerged as shared priorities include:

- Air and Greenhouse Gas Emissions
- Biodiversity
- Compliance
- Diversity and Equal Opportunity
- Economic Performance
- Employment
- Energy
- Fiber Procurement
- Forest Management
- Local Communities
- Occupational Health and Safety
- Training and Education
- Transportation
- Waste Management
- Water and Effluents
About This Report

Domtar routinely shares information about its sustainability efforts at www.domtar.com/sustainability. 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 2013.

This report covers all of our operations, and reflects the growth of Domtar’s Personal Care division. We do not report sustainability data on joint ventures in which we do not have a controlling interest.

The environmental data in this report, unless otherwise noted, is from Domtar’s pulp and paper manufacturing operations, as they represent the company’s most significant environmental footprint. It includes 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 in order 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 non-financial data contained in this report has gone through an internal audit process. Given the nature and purpose of this voluntary report, we do not engage an external auditor. This report was prepared in accordance with the “core option” of the Global Reporting Initiative’s (GRI) G4 Sustainability Reporting Guidelines. The GRI content index can be found on our website at: www.domtar.com/sustainability.

We also publish printed reports on a biennial basis to effectively expand our audience and share more details about our work.

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.

For more information about this report or to share your comments, please contact Brian Kozlowski, Senior Manager for Sustainability Performance Optimization, at: sustainability@domtar.com, or call us at 803-802-8001.
Our world, connected.

Making it better, together.