Domtar CORP
Form DEF 14A
April 06, 2018
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

(Amendment No. ______)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

DOMTAR CORPORATION

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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Domtar Corporation

234 Kingsley Park Drive

Fort Mill, SC, 29715

April 6, 2018

Dear Fellow Stockholders:

You are cordially invited to attend the 2018 Annual Meeting of Stockholders of Domtar Corporation. The meeting this year will be held on May 8, 2018 at Domtar Corporation, 234 Kingsley Park Drive, Fort Mill, South Carolina, 29715, starting at 7:45 a.m. (ET). Whether or not you are able to attend in person, we invite you to read this year s proxy statement and accompanying materials that highlight many of our key activities and accomplishments in 2017 and present the matters for which we are seeking your vote at the 2018 Annual Meeting.

Domtar approaches our 2018 Annual Meeting of Stockholders as a leading innovative fiber-based products, technologies and services company. We turn sustainable wood fiber into useful products that people rely on every day. We are celebrating our 170th anniversary this year, proving our ability to successfully adapt to changing societal needs and expectations. Today, our products are used to improve health and wellness, to ensure product safety by keeping things sterile and fresh, to record history, and to support literacy.

We care about maintaining strong governance and take every opportunity to be a responsible steward of the environment and a leader in how we treat people. We achieved solid operating results in 2017, led by the strong performance of our papers business, higher sales of market pulp, and good productivity across our mill system. We remain on track to position Domtar for sustainable growth. In 2017, we did this by:

Achieving solid performance in Pulp and Paper. Our Pulp and Paper division is proving resilient year after year. We continue to adapt to the cyclicality in white paper by adjusting our capacity to meet customer demand while closely managing our costs. The global softwood pulp markets were strong in 2017, and we significantly improved results in our pulp business. Advancing our global position in market pulp was an important achievement, enabled by the execution of our growth plans in fluff and tissue-grade pulp, management of our Ashdown mill s ramp up and successful completion of our transition to fluff as well as enhancement of our customer value proposition.

Leveraging Domtar s expertise in wood fiber. Our expertise in fiber allows us to diversify and expand our footprint in growth markets and industries. This strategy has built a sizeable market pulp business in addition to a billion-dollar global Personal Care business with manufacturing locations in North America and Europe, and distribution to customers in approximately 50 countries. In 2017, sales in Personal Care increased by 10% helped by the Home Delivery Incontinent Supplies acquisition and new customer wins. As part of our paper transition strategy, we initiated a feasibility study for linerboard production at several pulp and paper mills after our internal analysis confirmed the suitability of several existing assets for this purpose. We expect to make a final decision during 2018.

Reducing costs to operate more efficiently. In the past year, we further drove cost saving initiatives and working capital reduction throughout our businesses. We did this by leveraging process improvement programs to deliver increased productivity and efficiency and by investing annually in our mills to sustain reliability and product quality.

Deploying a balanced approach to capital allocation. We continued to reward stockholders while maintaining financial flexibility. In 2017, we returned $104 million in dividends, and in early 2018, we increased our dividend by 4.8%, the seventh increase in the last eight years. We are proud to deliver on our promise to return the majority of cash to our stockholders; since 2011, we have returned more than $1.5 billion of capital through share buybacks and a growing dividend, which translated into 69% of our cumulative free cash flow over this period.

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2017 Stockholder Engagement

Our relationship with our stockholders is an integral part of our Company s success. We have benefited over the years from your feedback on our business strategy, executive compensation program, corporate governance, and sustainability initiatives. We believe that our programs and policies provide a solid foundation for our strategic journey in transforming Domtar from papermaker to fiber innovator and are consistent with prevalent market practices.

Continuing in 2017, in addition to our regular engagements by our Investor Relations team, and in line with our commitment to effectively engage with our stockholders on an ongoing basis, we reached out to our investors seeking feedback on our business strategy, our executive compensation program, our corporate governance, and our sustainability initiatives. Specifically, we contacted our 40 largest stockholders representing approximately 75% of Domtar s outstanding shares. Our senior executives held teleconference meetings with institutional stockholders holding in the aggregate approximately 32% of our outstanding shares. Stockholders holding approximately 11% of our shares responded that they did not engage with us either because they do not have concerns or they follow a proxy advisory firm, while stockholders holding approximately 32% of our shares did not respond.

The stockholders were generally supportive of our strategic initiatives and appreciative of our executive compensation program, as well as our corporate governance and sustainability efforts.

Sustainability

Domtar s commitment to sustainability has been advanced in several ways. We have instituted a programmatic approach to Continuous Improvement in our manufacturing facilities. This includes empowering our employees to optimize use of resources and improve operational and logistical efficiencies and then sharing their best practices across the Company.

We have elevated the attention paid to talent management and succession planning, the development and retention of key employees, and the advantages of bringing a diversity of perspectives and experiences to our decision making.

Our sustainability reporting has been recognized by independent experts as a model for corporations. The process of preparing our biennial sustainability report involves extensive stakeholder engagement both internal and external to the company. Through this process, we foster organizational alignment around our sustainability priorities, challenges and progress.

Our sustainability culture is reinforced through our organizational structure, which brings together leaders from research & development, manufacturing, marketing, supply chain, finance and human resources to develop a longer-term view of how our operations and products are connected to emerging opportunities and risks in the world around us.

We have maintained constructive partnerships with leading non-governmental organizations, which bring us new ideas and diverse perspectives.

Conclusion

We value your support and are committed to keeping an open dialogue with our stockholders. Please reach out with any questions on the above matters to c/o Domtar Corporate Secretary, at the following email address: razvan.theodoru@domtar.com.

Sincerely,

Robert E. Apple	John D. Williams
Chairman of the Board	President and Chief Executive Officer

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS OF DOMTAR CORPORATION

Time:	Tuesday, May 8, 2018, 7:45 a.m. (ET)
Place:	Domtar, 234 Kingsley Park Drive, Fort Mill, South Carolina, 29715
Proposals:	Stockholders will be asked to vote on the following matters:
	1. The election of the 9 members of our Board of Directors named in the Proxy Statement;
	2. The approval, by a non-binding advisory vote, of the compensation paid by the Corporation to its Named Executive Officers;
	3. The ratification of the appointment of PricewaterhouseCoopers LLP as the Corporation s independent registered public accounting firm for the 2018 fiscal year; and
	4. The transaction of any other business that may properly be brought before the annual meeting.
Who Can Vote:	The record date for the annual meeting is March 16, 2018. The only securities eligible to be voted at the annual meeting are the Corporation s common stock.
Date of Mailing:	This Proxy Statement and accompanying materials are being mailed to stockholders on or about April 6, 2018.

By Order of the Board of Directors

Razvan L. Theodoru

Vice-President, Corporate Law and Secretary

Fort Mill, South Carolina

April 6, 2018

NOTE: If you plan to attend the annual meeting, please note that registration and seating will begin at 7:00 a.m. Each stockholder will be asked to sign an admittance card and may be asked to present valid picture identification. Stockholders holding stock in brokerage accounts will need to bring a copy of a brokerage statement reflecting stock ownership as of the March 16, 2018 record date. Cameras and recording devices will not be permitted at the meeting.

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held on May 8, 2018:

The Proxy Statement and our 2017 Annual Report on Form 10-K are available at *www.edocumentview.com/ufs*.

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PROXY SUMMARY

This summary highlights information contained elsewhere in this Proxy Statement. This summary does not contain all of the information that you should consider and you should read the entire proxy statement before voting. For more complete information regarding the Corporation s 2017 performance, please review the Corporation s Annual Report on Form 10-K.

2018 Annual Meeting of Stockholders

Date and Time	Tuesday, May 8, 2018, 7:45 a.m. (ET)
Place	Domtar, 234 Kingsley Park Drive, Fort Mill, South Carolina, 29715
Record Date	March 16, 2018

Voting Matters and Board Recommendations

Voting Matters	Board Recommendation
1- Election of 9 Directors (page 6)	FOR each Director Nominee
2- Advisory Vote to Approve Executive Compensation (page 55)	FOR
3- Ratification of Auditors (page 60)	FOR

Important Dates for 2019 Annual Meeting of Stockholders

Stockholder proposals submitted for inclusion in our 2019 proxy statement pursuant to SEC Rule 14a-8 must be received by us by December 8, 2018.

Notice of stockholder proposals to be raised from the floor of the 2019 Annual Meeting of Stockholders outside of SEC Rule 14a-8 must be received by us by February 7, 2019.

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IMPORTANT INFORMATION ABOUT

ANNUAL MEETING AND PROXY PROCEDURES

The Board of Directors is soliciting proxies to be used at the annual meeting of stockholders to be held on Tuesday, May 8, 2018, beginning at 7:45 a.m. (ET) at Domtar, 234 Kingsley Park Drive, Fort Mill, South Carolina, 29715. This proxy statement and the accompanying materials are being mailed to stockholders beginning on or about April 6, 2018. We will bear the costs of the preparation, printing and distribution of the proxy statement and the accompanying materials.

Unless the context otherwise requires, in this proxy statement (i) Corporation , Company , Domtar , we , us and o mean Domtar Corporation, a Delaware corporation, and, unless the context requires otherwise, its subsidiaries; (ii) our Board or the Board means the Board of Directors of the Corporation; (iii) our common stock means the common stock of the Corporation; (iv) stockholders means holders of our common stock; and (v) all references herein are to U.S. dollars, unless otherwise indicated.

Q: Who may vote at the annual meeting?

A: Our Board has established the record date for the annual meeting as close of business on March 16, 2018. This proxy statement and the accompanying materials are being sent to holders of our common stock on the record date at the direction of the Board.

The only securities eligible to be voted at the annual meeting are the Corporation s common stock. You may vote all of the shares of our common stock that you owned on the record date. Each share of our common stock entitles you to one vote on each of the 9 director nominees and one vote on all other matters presented at the meeting. On the record date, we had 62,816,531 shares of common stock outstanding.

Q: What proposals will be voted on at the annual meeting?

A: At the annual meeting, stockholders will act upon the following matters:

1. The election of the 9 members of our Board of Directors named in the proxy statement;

2. The approval, by a non-binding advisory vote, of the compensation paid by the Corporation to its Named Executive Officers;

3. The ratification of the appointment of PricewaterhouseCoopers LLP as the Corporation s independent registered public accounting firm for the 2018 fiscal year; and

4. The transaction of any other business that may properly be brought before the annual meeting.
The Corporation s senior management also will answer questions from stockholders.

Q: How does the Board recommend I vote?

A: Our Board unanimously recommends that you vote FOR proposals 1, 2 and 3. Please see the information included in this proxy statement relating to each proposal.

Q: What happens if additional matters are presented at the annual meeting?

A: Other than the items of business described in this proxy statement, we are not aware of any other business to be acted upon at the annual meeting. However, if you grant a proxy with respect to shares of our common stock, the persons named as proxyholders will have the discretion to vote your shares on any additional matters properly presented for a vote at the meeting in accordance with Delaware law and our by-laws.

Q: What vote is required to approve each proposal?

A: Each share of our common stock is entitled to one vote on each of the 9 director nominees and one vote on all other matters presented at the meeting.

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With respect to Item 1, generally director nominees must receive a majority of the votes cast (the number of votes cast for a director nominee must exceed the number of votes cast against that nominee) in order to be elected or they will be subject to the resignation process described below.

The adoption of Item 2 Advisory Vote to Approve Named Executive Compensation , and Item 3 Ratification of Appointment of Independent Registered Public Accounting Firm require the affirmative vote of a majority of the voting power of the shares present in person or represented by proxy.

Q: What if a director nominee does not receive a majority of the votes cast?

A: In accordance with our Corporate Governance Guidelines, the Board will nominate for re-election as a director only candidates who agree to tender an irrevocable, contingent resignation that shall become effective only upon (i) the director s failure to receive a majority of the votes cast in an uncontested election of directors at any meeting of stockholders of the Corporation duly held for such purpose, and (ii) the Board s acceptance of such resignation. If an incumbent director fails to receive the required vote for re-election, then, within 90 days following the applicable stockholders meeting, the Nominating and Corporate Governance Committee will act to determine whether to accept the director s resignation and will submit the recommendation for prompt consideration by the Board, and the Board will act on the Committee s recommendation. Thereafter, the Board will promptly disclose publicly its determination whether to accept the director s resignation offer. No director may participate in the Nominating and Corporate Governance Committee recommendation or Board action regarding whether to accept such director s resignation offer.

Q: What is the difference between a stockholder of record and a street name holder?

A: These terms describe the manner in which your shares are held. If your shares are registered directly in your name through Computershare Trust Company, N.A., our transfer agent, you are a stockholder of record. If your shares are held in the name of a brokerage firm, bank, trust or other nominee as custodian on your behalf, you are a street name holder.

Q: How do I vote my shares?

A: Subject to the limitations described below, you may vote by proxy or provide your voting instructions:

1. by completing and signing each proxy card or voting instruction card provided to you and returning it to the address provided on the proxy card or voting instruction card;

2. over the telephone by calling a toll-free number provided on the proxy card provided to you; or

3. electronically through the internet as described on the proxy card provided to you.

Submitting a proxy card or voting instruction card. Each stockholder may grant a proxy to have his or her shares voted at the annual meeting by submitting the proxy card(s) or voting instruction card(s) provided to him or her. When you return a proxy card or voting instruction card that is properly signed and completed, the shares of common stock represented by that card will be voted as specified by you.

Submitting a proxy by telephone or through the internet. If you are a stockholder of record, you may also submit a proxy by telephone or through the internet. Please see the proxy card(s) provided to you for instruction on how to access the telephone and internet systems. If your shares are held in street name for your account, your broker or other nominee will advise you whether you may submit a proxy by telephone or through the internet. A number of banks and brokerage firms participate in programs that permit stockholders to submit a proxy by telephone or through the internet. If your shares are held by such a bank or brokerage firm, you may submit a proxy to have these shares voted at the annual meeting by telephone or internet by following the instructions on the voting instruction form accompanying this proxy statement.

Q: Can I vote my shares in person at the annual meeting?

A: If you are a holder of record of common stock, you may vote your shares in person at the annual meeting. If you hold your shares of common stock in street name, you must obtain a proxy or voting instruction card from your broker, banker, trustee or nominee, giving you the right to vote the shares at the annual meeting.

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Q: What constitutes a quorum, and why is a quorum required?

A: A quorum is required for the Corporation s stockholders to conduct business at a meeting of stockholders. The presence of the holders of one-third of the voting power of all outstanding shares of the Corporation entitled to vote generally in the election of directors, represented in person or by proxy, will constitute a quorum at the annual meeting.

Q: What if I don t vote or abstain from voting my shares of common stock? How are broker non-votes counted?
If my shares of common stock are held in street name by my broker, will my broker vote my shares for me?

A: Abstentions and broker non-votes are included in the determination of shares present for quorum purposes. Abstentions are not counted as a vote for or against the election of directors. If you abstain from voting for the proposal in Item 2, your abstention will have the same effect as a vote against that proposal. A broker non-vote occurs when a nominee, such as a broker, holding shares in street name for a beneficial owner, does not vote on a particular proposal because that nominee does not have discretionary voting power with respect to a proposal and has not received instructions from the beneficial owner. If you are a stockholder of shares held in street name, and you would like to instruct your broker how to vote your shares, you should follow the directions provided by your broker. Because the NYSE rules currently view the ratification of independent registered public accounting firms as a routine matter, your broker is permitted to vote on the proposal in Item 3 even if it does not receive instructions from you. **However, your broker does not have discretion to vote for or against the election of directors, nor to approve the compensation of the Named Executive Officers. In order to avoid a broker non-vote of your shares on these proposals, we encourage you to sign and return your proxy card or voting instruction card and vote your shares before the meeting so that your shares will be represented and voted at the meeting even if you cannot attend in person.**

Q: Can I change my vote after I have delivered my proxy or voting instruction card?

A: Yes. If you are a stockholder of record, you may revoke your proxy or voting instructions at any time before your voting rights are exercised at the annual meeting by delivering a signed revocation letter to the Vice-President, Corporate Law and Secretary of the Corporation, or by submitting a new proxy or voting instruction card, dated later than your first proxy card, in one of the ways described in this proxy statement. If you are attending in person and have previously mailed your proxy card, you may revoke your proxy and vote in person at the meeting. Your attendance at the annual meeting will not by itself revoke your proxy. If you are a holder of shares held in street name and you have directed your broker or other holder to vote your shares, you should instruct your broker to change your vote or obtain from it a proxy to vote your shares if you wish to cast your vote in person at the meeting.

Q: Will proxies be solicited in connection with the annual meeting?

A: Yes. Proxies may be solicited on behalf of our Board by mail, telephone, other electronic means or in person, and the Corporation will pay the solicitation costs. Copies of proxy materials and of our annual report to stockholders for 2017 will be supplied to brokers, dealers, banks and voting trustees, or their nominees for purposes of soliciting proxies from beneficial owners, and the Corporation will reimburse those holders for their reasonable expenses on behalf of the Corporation. Georgeson LLC has been retained by the Corporation to facilitate the distribution of proxy materials at a fee of approximately $32,000.

Q: Where can I find voting results of the annual meeting?

A: We will announce preliminary voting results at the meeting and publish final results in a Current Report on Form 8-K filed with the Securities and Exchange Commission (the SEC) within four business days following the meeting.

Q: How can I submit a proposal to the Corporation for inclusion in the 2019 proxy statement?

A: The Corporation will review for inclusion in next year s proxy statement stockholder proposals received by December 8, 2018. Proposals should be sent to Razvan L. Theodoru, Vice-President, Corporate Law and Secretary of the Corporation, at 234 Kingsley Park Drive, Fort Mill, South Carolina, 29715.

Stockholder proposals not included in next year s proxy statement may be brought before the 2019 annual meeting of stockholders by a stockholder of the Corporation who is entitled to vote at the meeting, has given a written notice to the

Secretary of the Corporation containing certain information specified in the by-laws and was a stockholder of record at the time such notice was given. Such notice must be delivered to or mailed and received at the address in the preceding paragraph no earlier than January 8, 2019 and no later than, February 7, 2019 except that if the 2019 annual meeting of stockholders is held before April 8, 2019 or after July 7, 2019 such notice must be delivered at the address in the preceding paragraph no earlier than 120 days prior to the new date of such annual meeting and not later than the 90th day prior to the new date of such annual meeting. In the event that less than 100 calendar days notice or prior public disclosure by the Corporation of the date of the meeting is given or made to stockholders, notice by the stockholder to be timely must be so received not later than the close of business on the 10th day following the day on which such notice of the date of the annual meeting was mailed or such public announcement was made by the Corporation, whichever occurs first.

Q: How can I obtain additional information about the Corporation?

A: General information about the Corporation is available on our website at *www.domtar.com*. You may view the investor relations section of our website for additional copies of this proxy statement and filings we have made with the SEC, which are also available in print, without charge, to any stockholder who requests them. In addition, the corporate section of our website contains the Corporation s corporate governance documents, as adopted by our Board, including committee charters, the Corporate Governance Guidelines, the Code of Business Conduct and Ethics and Director Independence Standards.

Requests for print copies of any of the above-listed documents should be addressed to Domtar Corporation, 395 de Maisonneuve Blvd. West, Montreal, Quebec, Canada, H3A 1L6, Attention: Director, Corporate Law and Assistant Secretary.

For further information, you may also contact the Corporation s Investor Relations Department at the following address: Domtar Corporation, 395 de Maisonneuve Blvd. West, Montreal, Quebec, Canada, H3A 1L6.

This proxy statement may contain forward-looking statements relating to expectations concerning matters that are not historical facts including but not limited to performance goals. These forward-looking statements are generally denoted by the use of words such as anticipate, believe, expect, intend, aim, target, plan, continue, est may, will, should and similar expressions. These forward-looking statements are subject to certain risks and uncertainties, including but not limited to the factors described in our 2017 Annual Report on Form 10-K under the heading Item 1 Business Forward-Looking Statements, that could cause actual results to differ materially from historical results or those anticipated. Accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will occur, or if any occurs, what effect they will have on Domtar Corporation s results of operations or financial condition. Except to the extent required by law, we expressly disclaim any obligation to update or revise these forward-looking statements to reflect new events or circumstances or otherwise.

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PROXY STATEMENT

ITEM 1 ELECTION OF DIRECTORS

Election

Pursuant to our by-laws, our Board of Directors has set the size of our Board at 9 members and has approved the nomination of the persons named in this proxy statement for election at this year s annual meeting, by unanimous vote.

The 9 nominees for election as directors are listed below. If elected, the nominees for election as directors will serve for a term of one year that will expire at our 2019 annual meeting or until their successors are elected and qualify.

Unless you instruct us via proxy to vote differently, we will vote valid proxies FOR the election of such nominees. *If for any reason any nominee cannot or will not serve as a director, we may vote such proxies for the election of a substitute nominee designated by the Board of Directors.*

Please note that if you hold your shares in street name, your broker is not able to vote on your behalf with respect to the election of directors without specific voting instructions from you. As a result, if you are a stockholder in street name it is important that you provide instructions to your broker or vote your shares as provided in this proxy statement.

Selection of Nominees for Election to the Board and Diversity Initiatives

The Board believes that in fulfilling its overall stewardship responsibility to the Corporation and its stockholders, it is of utmost importance that the Board functions effectively as a team and that this requires the experience, qualifications and skills of each Board member to complement those of the others. The Nominating and Corporate Governance Committee (NCGC or Committee) reviews and updates a Board skills matrix on an ongoing basis in light of current business conditions and the evolving trends and challenges of both the industry and the Corporation. The comments that follow reflect the process and factors taken into account by the NCGC in recommending to the Board the Board nominees described in this proxy statement, bearing in mind both the Corporation s Corporate Governance Guidelines and the skills matrix.

The NCGC considers potential nominees for Board membership suggested by its members and other Board members, by members of management and stockholders, as well as by recruitment consultants who may be retained by the Committee to source potential candidates meeting the nomination criteria. As noted above, the NCGC evaluates prospective nominees against the skills matrix as well as the personal and other qualifications set out in the Corporation s Corporate Governance Guidelines.

In seeking to maintain an engaged, independent Board with broad experience and judgment that is committed to representing the long-term interests of our stockholders, the Committee considers the need for the Board, as a whole, to consist of a diverse group of individuals:

with relevant career experience and technical skills, industry knowledge and experience, financial and capital markets expertise, international business experience, and senior executive management experience, together with valuable individual personal qualifications, including strength of character, mature judgment, independence of thought and an ability to work collegially.

In assessing Board composition and selecting and recruiting director candidates, the Committee believes it is important for the Board to be diverse in the broadest sense, and to have a balance between experienced directors with a deep institutional knowledge of the Corporation and directors with knowledge relevant to the Corporation s strategic goals and challenges who can bring a renewed perspective in the boardroom. In this regard, the Committee has recruited and recommended for election to the Board five new directors over the last seven years. The NCGC makes a recommendation to the full Board as to the persons who should be nominated by the Board, and the Board determines the nominees after considering the report and recommendations of the NCGC.

Consistently with its ongoing initiatives to promote diversity in the workplace, Domtar joined in 2015 *The 30% Club*, a global not-for-profit organization promoting diversity in the boardroom. Domtar shares *The 30% Club s* vision that gender balance on boards not only encourages better leadership and governance, but diversity further contributes to better all-round board performance, and ultimately increased corporate performance for both companies and their shareholders. Women represent 33% of our Board of Directors.

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The NCGC will consider director candidates recommended by stockholders in accordance with the procedures set forth in the Corporation s by-laws, available on the Company s website at *www.domtar.com*.

Proxy Access

In 2016, we voluntarily amended our by-laws to include so-called proxy access. Under our by-laws, an eligible holder generally a person or group of up to 20 persons that has continually held 3% or more of the Corporation s common stock for three or more years may nominate up to 20% of the total number of directors. The notice and other procedures set forth in the by-laws in order to nominate a director candidate must be strictly complied with, and stockholders are encouraged to review those procedures carefully if they are interested in utilizing that process. Where a candidate has been properly nominated, the Corporation will include his or her name and biography in the proxy statement and on the proxy card for the annual meeting.

Nominees

Our by-laws provide a majority vote standard for uncontested elections of directors. The majority vote standard means that the number of shares voted for a director nominee must exceed the number of votes cast against that nominee, and, if they do not, the Board will consider whether to accept the nominee s resignation. There are no other nominees competing for these seats on the Board of Directors, which means that we have uncontested elections.

Following is certain information about each director nominee, including information regarding each nominee s specific experience, qualifications, attributes and skills that led our Board to the conclusion that he or she should serve as a director.

Nominee	Business experience
Giannella Alvarez Chief Executive Officer, Beanitos, Inc. Austin, Texas **Age:** 58	Ms. Alvarez is the chief executive officer of Beanitos, Inc., a privately held leader in bean-based snacking, headquartered in Austin, Texas. She served until January 2018 as chief executive officer of Harmless Harvest, Inc. She held the position of executive vice-president and general manager of the Pet Business Unit at Del Monte Corporation, between July 2013 and February 2014. From 2011 to 2013, Ms. Alvarez served as group president and chief executive officer for Barilla Americas, where she was responsible for North, Central and South America s operations of Barilla S.p.A., a global food and beverages company headquartered in Parma, Italy. From 2006 to 2010, she held senior global management positions at The Coca-Cola Company as vice-president & general manager for the Active Lifestyle businesses and as global vice-president for the Hydration, Sports, Energy and New Beverages businesses. Prior to that, Ms. Alvarez served in a number of increasingly senior positions in marketing and general management spanning several global locations in personal care

and in consumer products with Kimberly-Clark Corporation, and The Procter and Gamble Company.

Director Since: 2012

2017 Meeting Attendance: 100%

Committee Memberships: Human Resources, Environmental, Health, Safety and Sustainability

Independent: Yes

We believe that Ms. Alvarez extensive managerial and executive experience in international consumer product markets, including her knowledge of the personal care and paper products businesses, her consumer and branding experience gained through executive positions with global brand leaders, as well as her strategic abilities, brings a unique contribution to our Board and the committees on which she serves.

Other Board Service:

Ruth s Hospitality Group, Inc. (audit committee)

Harmless Harvest, Inc. (until 2017)

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Nominee	Business experience
Robert E. Apple Chief Operating Officer, MasTec, Inc. Miami, Florida Chairman of the Board **Age:** 68 **Director Since:** 2012 **2017 Meeting Attendance:** 92% **Committee Memberships:** Nominating and Corporate Governance (Chair)	Mr. Apple is the chief operating officer of MasTec, Inc., a national infrastructure construction company active in the engineering, building, installation, maintenance and upgrade of energy, communication and utility infrastructure. He held that position since 2006. During 2005 and 2006, he also served as president of the MasTec Energy Group. Prior to that, he was the senior vice-president of operations for the DIRECTV Group, Inc. Mr. Apple also served in various senior executive capacities from 1989 to 2001 within the Hughes Electronics and Telefonica S.A. organizations in Europe, including as chief executive officer of Hughes Electronics-Spain. We believe that Mr. Apple s significant senior executive leadership experience, managerial know-how and in-depth knowledge of project management in capital-intensive industries, as well as his international experience, qualify him as Chairman of our Board and of the Nominating and Corporate Governance Committee.

Independent: Yes

David J. Illingworth

Corporate Director

Orchid, Florida

Age: 64

Director Since: 2013

2017 Meeting Attendance: 95%

Committee

Memberships: Audit; Environmental, Health,

Safety and Sustainability

Independent: Yes

Mr. Illingworth was the chief executive officer and a director of Smith & Nephew plc, a leading global orthopedics devices public company, from 2007 until his retirement in 2011. Prior to 2007, he served as Smith & Nephew s chief operating officer in 2006 and as president of the orthopedics business from 2002 to 2006. Prior to his tenure with Smith & Nephew, Mr. Illingworth was chairman and chief executive officer of VidaMed, Inc., President of Nellcor Puritan Bennett LLC, Managing Director of GE Medical Systems-Asia, and held senior management positions with GE Medical Systems Inc.

We believe that Mr. Illingworth s extensive senior business leadership experience in the area of healthcare and medical products, as well as in-depth international knowledge of the life sciences and institutional healthcare sectors, provide him with a unique perspective that significantly contributes to our Board and the committees on which he serves.

Other Board Service:

Varian Medical Systems, Inc. (ethics and compliance committee chair; nominating and governance committee chair; audit committee)

Universal Hospital Services, Inc. (until 2015)

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Nominee	Business experience
Brian M. Levitt Chairman of the Board, The Toronto-Dominion Bank Montreal, Quebec **Age:** 70 **Director Since:** 2007 **2017 Meeting Attendance:** 100% **Committee** **Memberships:** Finance (Chair); Human Resources; Nominating and Corporate Governance	Mr. Levitt is the chairman of the board of The Toronto-Dominion Bank. From 2001 to 2017, he was co-chair and then vice-chair of Osler, Hoskin & Harcourt LLP, a major Canadian law firm, and, prior to his tenure at Imasco Limited, he was a partner in the firm. From 1991 to 2000, Mr. Levitt was president and then chief executive officer of Imasco Limited, a public consumer products and services company. Mr. Levitt has served on boards of directors of public companies since 1987. He is an Officer of the Order of Canada and a Fellow of the Institute of Corporate Directors. We believe that Mr. Levitt s extensive experience as chief executive officer of a large public company, as a board member and chair, and as a legal advisor to boards of directors of various public companies, in addition to his experience with, and understanding of the workings of, financial markets, corporate governance practices and regulatory matters make him a valuable member to our Board of Directors and the committees on which he serves. Other Board Service: The Toronto-Dominion Bank (chairman of the board; corporate governance committee chair; human resources committee) TD Ameritrade Holding Corporation (human resources committee) Stelco Holdings Inc. (lead director and chair, corporate governance and compensation committee) Talisman Energy Inc. (until 2015)

Independent: Yes

David G. Maffucci

Corporate Director

Isle of Palms, South Carolina

Age: 67

Director Since: 2011

2017 Meeting Attendance: 100%

Committee

Memberships: Audit (Chair); Finance; Nominating and Corporate Governance

Independent: Yes

From 2005 to 2006, Mr. Maffucci served as executive vice-president of Bowater Incorporated and president of its newsprint division. He served as chief financial officer of Bowater Incorporated from 1995 to 2005 and held a variety of positions in its finance organization throughout much of his career. Mr. Maffucci served on the board of directors of Xerium Technologies, Inc., a manufacturer and supplier of consumable products used in paper production, from November 2008 to August 2010. From June 2009 to August 2010, he also served as executive vice-president and chief financial officer of Xerium and helped guide Xerium through a pre-packaged Chapter 11 bankruptcy. Xerium filed a voluntary petition for relief under Chapter 11 of the federal bankruptcy law as part of a pre-arranged restructuring plan with the support of its lenders on March 30, 2010 and emerged from Chapter 11 protection on May 25, 2010. Mr. Maffucci previously worked at KPMG and is a Certified Public Accountant (CPA).

We believe that Mr. Maffucci s extensive financial and operating experience, his knowledge and understanding of corporate finance, strategic planning and risk management processes as well as his experience with a large public accounting firm make him a valuable contributor to our Board and the committees on which he serves, notably as Chair of our Audit Committee.

Other Board Service:

Martin Marietta Materials Inc. (audit committee chair; ethics, environment, safety and health committee)

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Nominee	Business experience
Pamela B. Strobel Corporate Director Chicago, Illinois **Age:** 65 **Director Since:** 2007 **2017 Meeting Attendance:** 100% **Committee** **Memberships:** Human Resources (Chair); Nominating and Corporate Governance **Independent:** Yes	In 2005, Ms. Strobel retired as an executive vice-president and chief administrative officer of Exelon Corporation, one of the largest U.S. electric utilities. During her tenure with Exelon and its predecessor companies, starting in 1993, Ms. Strobel served as an executive vice-president and chief administrative officer and as chief executive officer of Commonwealth Edison Company, as an executive vice-president and general counsel of Unicom Corporation and Commonwealth Edison Company, as president of Exelon s Business Services Company, and as chairman and chief executive officer of Exelon Energy Delivery, the holding company for Exelon s energy delivery business. Prior to her career at Exelon, she was a partner with Sidley, Austin, LLP. Ms. Strobel was named as one of Fortune Magazine s Top 50 Women in Business in 2002. We believe that Ms. Strobel s extensive experience in senior executive positions and her in-depth knowledge and understanding of the energy sector provide a unique contribution to our Board and the committees on which she serves. Other Board Service: State Farm Mutual Automobile Insurance Company (compensation committee; nominating and governance committee) Illinois Tool Works, Inc. (audit committee chair; executive committee; nominating and governance committee)

Denis Turcotte

Managing Partner, Brookfield Asset Management Inc.

Toronto, Ontario

Age: 56

Director Since: 2007

2017 Meeting Attendance: 96%

Committee Memberships: Environmental, Health, Safety and Sustainability (Chair); Human Resources; Finance

Independent: Yes

Mr. Turcotte is currently managing partner at Brookfield Asset Management Inc., an alternative asset management company focused on real estate, infrastructure, renewable energy, and private equity. He was formerly the president and chief executive officer of North Channel Management Inc., and from 2002 to 2008, Mr. Turcotte was the president and chief executive officer and a director of Algoma Steel Inc., a publicly listed North American steel company. From 1992 to 2002 Mr. Turcotte held a number of senior executive positions with companies in the pulp and paper industry, including president of the paper group and executive vice-president of corporate development and strategy of Tembec Inc., a leading integrated forest products company with operations in North America and France.

We believe that Mr. Turcotte brings to the Board and the committees on which he serves his extensive experience as a senior executive of capital intensive and commodity-based industries, together with his in-depth knowledge of capital markets and organizational development.

Other Board Service:

Norbord Inc. (audit committee; human resources committee; health, safety and environment committee)

Brookfield Business Partners L.P. (until 2017)

Coalspur Mines, Ltd. (until 2015)

John D. Williams

Mr. Williams has been the President and Chief Executive Officer and a director of the Corporation since joining Domtar on January 1, 2009. Mr. Williams served in senior executive positions for over eight years with SCA Packaging Ltd. and SCA Packaging Europe, Europe s second largest producer of containerboard paper used for the manufacturing of corrugated box products. He served as president of SCA Packaging

President and CEO, Domtar Corporation

Charlotte, North Carolina

Age: 63

Director Since: 2009

2017 Meeting Attendance: 100%

Independent: No

Europe, from 2005 to December 2008, where he assumed leadership over sales, marketing, finance, operations, manufacturing, distribution, supply chain and human resources. Prior to joining SCA Packaging, Mr. Williams held a number of increasingly senior positions in sales, marketing, management and operational roles, with Rexam PLC, Packaging Resources, Inc., Huhtamaki, Alberto Culver UK Ltd., and MARS Group.

We believe that Mr. Williams extensive international experience in key leadership roles in our industry, combined with his knowledge and understanding of global risks, challenges and opportunities facing our business, in addition to his outstanding leadership skills, are invaluable assets to our Board and our Corporation.

Other Board Service:

Owens Corning (lead independent director; chair, governance and nominating committee; executive committee)

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Nominee	Business experience
Mary A. Winston President, WinsCo Enterprises Inc. Charlotte, North Carolina **Age:** 56 **Director Since:** 2015 **2017 Meeting Attendance:** 93% **Memberships:** Audit; Finance **Independent:** Yes	Ms. Winston is currently president of WinsCo Enterprises Inc., a consulting firm providing financial and board governance advisory services. From 2012 until August 2015, Ms. Winston served as the executive vice president and chief financial officer of Family Dollar Stores, Inc., a leading retailer which was acquired by Dollar Tree in July 2015. Before joining Family Dollar, Ms. Winston served as senior vice president and chief financial officer of Giant Eagle, Inc., a leading grocery and fuel retailer. Prior to that, she served as executive vice president and chief financial officer of Scholastic Corporation, a global leader in publishing, education and media. Ms. Winston has also held executive-level positions with Visteon Corporation, a global automotive supplier, and with Pfizer, Inc. She started her career as a Certified Public Accountant (CPA) with a global public accounting firm. We believe that Ms. Winston s extensive experience in the retail, manufacturing, publishing and healthcare markets, combined with her financial acumen, make her a valuable addition to our Board and the committees on which she serves. Other Board Service: Dover Corporation (chair, audit committee) Supervalu, Inc. (audit committee; leadership development & compensation committee) Acuity Brands, Inc. (compensation committee; governance committee) Plexus Corporation (until 2016)

The Board of Directors unanimously recommends a vote FOR the election of each of the 9 director nominees.

Director Compensation

Process and Objectives

The Board of Directors, on the recommendation of the NCGC, is responsible for setting director compensation. Management is not involved in the process, and directors who are Domtar Corporation employees do not receive compensation for their service as directors.

The objectives of the NCGC and the Board in setting director compensation are to:

- attract highly qualified candidates to serve on the Board by remaining competitive with compensation paid to outside directors of comparable companies;
- align the interests of directors with the interests of stockholders by fostering a long-term commitment to Corporation stock ownership; and
- establish total compensation on a simple, easy to understand flat fee basis with appropriate differentiation between levels of responsibility (such as serving as a committee chair).

Components of Director Compensation

Our non-employee directors receive an annual cash retainer fee of $107,500 and annual equity-based compensation of equal value. The Chairman receives an annual cash retainer of $182,500 and annual equity-based compensation of equal value. Members of the Audit Committee are paid an additional cash retainer of $10,000. The Chair of the Audit Committee receives an additional cash retainer of $30,000, and the Chair of the Human Resources Committee receives an additional cash retainer of $25,000. Each other committee Chair receives an additional cash retainer of $20,000. The Chairman is not eligible for any of the committee retainers described above.

There will generally be no Board or committee meeting fees; however, if more than 10 Board meetings are held in a calendar year, directors may be paid Board meeting fees of $1,500 per additional meeting attended. In addition, each non-executive director traveling over three or more time zones from his or her residence in connection with his or her duties as a Board member is entitled to an annual travel fee of $15,000 to compensate him or her for substantial additional travel time.

The equity portion of the directors fees is paid in deferred share units granted under the Corporation s Omnibus Incentive Plan (Omnibus Plan). The value of equity incentive awards made pursuant to the Omnibus Plan is limited to $500,000 by director, for any given year. A non-employee director may elect to defer receipt of the cash portion of his or her annual retainer fee into deferred share units, subject to compliance with applicable tax requirements and rules established by the Human Resources Committee (HRC). Deferred share units are paid quarterly in arrears, with the number of deferred share units to be paid to be determined by dividing the dollar amount of the portion of that quarter s retainer fees to be paid in deferred share units by the closing market price of a share of Domtar common stock on the last day of the quarter. Dividends, when declared, on Domtar s common stock are notionally invested in additional deferred share units based on the closing share price on the dividend payment date. Deferred share units are generally settled in cash or shares of our common stock, as determined by the director, upon termination of his or her Board service as an eligible Director.

Directors who have achieved 100% of their stock ownership requirements may elect to receive the equity component of their annual retainer in deferred share units that may be settled in either cash or stock one year after the grant date. The grants of this category of deferred share units are made at the same time as the other deferred share units, and generally subject to the same terms and conditions pursuant to the Corporation s Omnibus Plan.

The NCGC assessed the independence of its compensation advisor, Hugessen, including the potential for conflicts of interest in light of the NYSE listing standards. Based on its assessment, the NCGC concluded that its advisor was appropriately independent and free from potential conflicts of interest.

Director Stock Ownership Requirements

In order to align the long-term financial interest of our directors with those of our stockholders, directors are required to own a significant equity stake in the Corporation having a value of at least $537,500, which is equivalent to five times the annual cash retainer, valued at the greater of cost or market value. Directors must meet this requirement within five years of becoming a director. All shares owned outright, as well as all deferred share units, are taken into consideration in determining compliance with these ownership guidelines. As of the date of this proxy statement, all current directors who joined our Board before 2013 have reached the stock ownership requirements.

Director Compensation Table

Name	Fees Earned or Paid in Cash ($)	Stock Awards(1) ($)	All Other Compensation(2) ($)	Total ($)
Giannella Alvarez	122,500	107,500	22,777	252,777
Robert E. Apple	166,250	163,750	21,228	351,228
David J. Illingworth	117,500	107,500	16,379	241,379
Brian M. Levitt	127,500	107,500	69,723	304,723
David G. Maffucci	137,500	107,500	26,827	271,827
Pamela B. Strobel	136,250	107,500	52,876	296,626
Denis Turcotte	127,500	107,500	62,577	297,577
Mary A. Winston	119,000	107,500	7,046	233,546

(1) The amounts in this column represent the grant date fair value of the deferred share units granted under the Omnibus Incentive Plan in 2017. The fair value of the awards was determined using the valuation methodology and assumptions set forth in Note 5 to the Corporation s financial statements included in the Corporation s annual report on Form 10-K for the fiscal year ended December 31, 2017, which are incorporated by reference herein.

The amounts in the table do not reflect the value, if any, that ultimately may be realized by the directors. As described above, the number of deferred share units to be paid under the Omnibus Incentive Plan is determined by dividing the dollar amount of the portion of that quarter s retainer fees to be paid in deferred share units by the closing market price of a share of Domtar common stock on the last day of the quarter.

(2) The amounts in this column represent the grant date fair value of additional deferred share units granted as dividend equivalents for 2017 on the directors deferred share units, in accordance with the Omnibus Incentive Plan. The fair value of the awards was determined using the valuation methodology and assumptions set forth in Note 5 to the Corporation s financial statements included in the Corporation s annual report on Form 10-K for the fiscal year ended December 31, 2017, which are incorporated by reference herein. These dividend equivalents were credited at the same time as dividends were paid to stockholders, *i.e.* on January 17, 2017, April 17, 2017, July 17, 2017 and October 16, 2017.

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The following table sets forth, by grant date, the number of deferred share units credited to each director and the grant date fair value of each award with respect to service as a director in 2017. All deferred share units were vested upon grant.

Equity Awards for Service as a Director of Domtar Corporation

	March 31, 2017		June 30, 2017		September 30, 2017		December 31, 2017	
Name	Units (#)	Grant Date Fair Value ($)	Units (#)	Grant Date Fair Value ($)	Units (#)	Grant Date Fair Value ($)	Units (#)	Grant Date Fair Value ($)
Giannella Alvarez	736	26,875	700	26,875	619	26,875	543	26,875
Robert E. Apple	736	26,875	1188	45,625	1052	45,625	921	45,625
David J. Illingworth	736	26,875	700	26,875	619	26,875	543	26,875
Brian M. Levitt	736	26,875	700	26,875	619	26,875	543	26,875
David G. Maffucci	736	26,875	700	26,875	619	26,875	543	26,875
Pamela B. Strobel	736	26,875	700	26,875	619	26,875	543	26,875
Denis Turcotte	736	26,875	700	26,875	619	26,875	543	26,875
Mary A. Winston	736	26,875	700	26,875	619	26,875	543	26,875

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS, DIRECTORS AND OFFICERS

Domtar Corporation had a total of 62,695,685 shares of common stock issued and outstanding as of December 31, 2017. Based upon Schedule 13D or 13G filings with the SEC, as of March 9, 2018 there were four beneficial owners of more than 5% of the common stock of the Corporation:

BlackRock, Inc., 55 East 52nd Street, New York, NY 10055, beneficially owns 9,589,319 shares or 15.3% of the Corporation s common stock.

The Vanguard Group, Inc., 100 Vanguard Blvd., Malvern, PA 19355, beneficially owns 5,865,670 shares or 9.35% of the Corporation s common stock.

Dimensional Fund Advisors, L.P. Building One, 6300 Bee Cave Road, Austin, Texas, 78746, beneficially owns 5,293,743 shares or 8.44% of the Corporation s common stock.

Fairpointe Capital LLC, One N Franklin, Ste 3300 Chicago, IL 60606 beneficially owns 3,426,727 shares or 5.5% of the Corporation s common stock.

The amounts and percentages of shares beneficially owned are reported on the basis of SEC regulations governing the determination of beneficial ownership of securities. Under SEC rules, a person is deemed to be a beneficial owner of a security if that person has or shares voting power or investment power, which includes the power to dispose of or to direct the disposition of such security. A person is also deemed to be a beneficial owner of any securities of which that person has a right to acquire beneficial ownership within 60 days. Securities that can be so acquired are deemed to be outstanding for purposes of computing such person s ownership percentage, but not for purposes of computing any other person s percentage. Under these rules, more than one person may be deemed to be a beneficial owner of the same securities and a person may be deemed to be a beneficial owner of securities as to which such person has no economic interest.

The following table sets forth the number of shares of the Corporation s common stock beneficially owned by each of the Corporation s directors and executive officers, and all directors and executive officers as a group based upon information available to the Corporation as at March 16, 2018. None of the shares indicated below are subject to hedging or pledge. The mailing address of each of these individuals is c/o Domtar Corporation, 234 Kingsley Park Drive, Fort Mill, SC, 29715.

Name of Beneficial Owner	Number of Shares of Common Stock Beneficially Owned[(1)]	Percent of Outstanding Common Stock
Non-Executive Directors		
Giannella Alvarez	16,172	*
Robert E. Apple	15,743	*
David J. Illingworth	11,764	*
Brian M. Levitt	43,109	*
David G. Maffucci	18,272	*
Pamela B. Strobel	32,615	*

Denis Turcotte	41,386	*
Mary A. Winston	5,950	*

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Name of Beneficial Owner	Number of Shares of Common Stock Beneficially Owned[(1)]	Percent of Outstanding Common Stock
Executive Officers		
John D. Williams	181,204	*
Daniel Buron	54,520	*
Michael Fagan	14,397	*
Michael D. Garcia	53,455	*
Zygmunt Jablonski	56,172	*
Patrick Loulou	52,913	*
All Directors and Executive Officers as a group	**597,672**	*****

* Less than 1%

(1) Includes the following shares subject to stock options, restricted stock units or deferred stock units exercisable, vested or vesting within 60 days of March 16, 2018:

Name	Stock Options	Restricted Stock Units	Deferred Stock Units
Non-Executive Directors			
Giannella Alvarez			15,750
Robert E. Apple			15,743
David J. Illingworth			11,764
Brian M. Levitt			43,109
David G. Maffucci			18,272
Pamela B. Strobel			32,615
Denis Turcotte			38,658
Mary A. Winston			5,950
Executive Officers			
John D. Williams	113,913		67,291
Daniel Buron	43,538		
Michael Fagan	11,660		
Michael D. Garcia	42,183		
Zygmunt Jablonski	33,180		
Patrick Loulou	28,191		

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GOVERNANCE OF THE CORPORATION

Corporate Governance Highlights

We are committed to the highest standards of corporate governance and believe that sound corporate governance is critical to the Corporation s long-term success and the protection of the interest of its many stakeholders. The following table sets forth our key governance practices, which are detailed in this Governance section:

The positions of Chairman of the Board and Chief Executive Officer are separate
The Board has adopted a charter of the Chairman of the Board
All our directors are independent with the exception of our CEO
The Board committees have independent Chairs and are entirely composed of independent directors
Our CEO only serves on one outside public company board
None of our directors serves on more than three outside public company boards
All directors are elected annually
We have a majority vote standard for directors election with a director resignation policy
We have a proxy access by-law
Directors are subject to robust stock ownership guidelines 5x cash portion of annual retainer
We have a robust annual Board, committee and individual director evaluation process
Average director tenure is 7.5 years
Mandatory retirement of directors at age 75
We promote diversity in the boardroom
Women represent 33% of our directors
We have comprehensive Corporate Governance Guidelines
We have a Code of Business Conduct and Ethics that applies worldwide to our directors, executive officers and employees
We have a robust Compliance Program
We have an Enterprise Risk Management System
We do not have a shareholders rights plan
We hold executive sessions at all regular Board and committee meetings presided by the Chairman of the Board, or committee Chair
We have an ongoing stockholder engagement program

Board Governance

Our Board has adopted written Corporate Governance Guidelines that comply with the listing standards of the NYSE (the Guidelines). The Guidelines set forth requirements relating to director responsibilities, director qualification standards, including director independence, director compensation, our director resignation policy with respect to majority voting in uncontested elections, director retirement age, director orientation and continuing education, CEO succession planning, and assessment of the Board s performance, among other matters.

Copies of our Corporate Governance Guidelines are available without charge on the corporate governance portion of our website at *www.domtar.com* or upon request in writing to Domtar Corporation, 395 de Maisonneuve Blvd. West, Montreal (Quebec) Canada, H3A 1L6, Attention: Director, Corporate Law and Assistant Secretary. The Corporation also complies with the listing standards of the TSX.

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Current Members of Our Board of Directors

The members of the Board on the date of this proxy statement, and the committees of the Board on which they serve, are identified below.

Director	Audit Committee	Nominating and Corporate Governance Committee	Human Resources Committee	Environmental, Health, Safety and Sustainability Committee	Finance Committee
Giannella Alvarez			*	*	
Robert E. Apple		Chair			
David J. Illingworth	*			*	
Brian M. Levitt		*	*		Chair
David G. Maffucci	Chair	*			*
Pamela B. Strobel		*	Chair		
Denis Turcotte			*	Chair	*
John D. Williams					
Mary A. Winston	*				*

Board and Committee Meetings

During 2017, our Board held 6 meetings and the committees of the Board held 31 meetings. Each of our directors attended 92% or more of the aggregate of the total number of meetings of the Board and the Board committees on which the director served.

Board Committees

As of the date of this Proxy Statement, the Board has five standing committees: Audit; Human Resources; Nominating and Corporate Governance; Environmental, Health, Safety and Sustainability; and Finance.

Audit Committee

Three members

David G. Maffucci, Chair David J. Illingworth Mary A. Winston	The Audit Committee is composed solely of directors who meet the independence requirements of the NYSE and the rules under the Securities Exchange Act of 1934, as amended (the Exchange Act) for audit committee members and are financially literate, as required by the NYSE. In addition, the Board has determined that Mr. Maffucci and Ms. Winston qualify as audit committee financial experts and have accounting and related financial management expertise within the meaning of the listing standards of the NYSE.

Meetings During 2017: Nine

Key Responsibilities:

- Provide assistance to the Board of Directors with respect to its oversight of:
  - The quality and integrity of the Corporation s financial statements;
  - The Corporation s compliance with legal and regulatory requirements;
  - The independent auditor s qualifications and independence;
  - The Corporation s Enterprise Risk Management (ERM) process;
  - The performance of the Corporation s internal audit function and independent auditors; and
  - The risks associated with matters within the Committee s responsibilities and duties;
- Appoint, retain, compensate and oversee the Corporation s independent auditors;
- Review, at least annually, the qualifications, performance and independence of the independent auditors;
- Review and discuss with management and the independent auditors, the Corporation s quarterly earnings press releases, as well as the quarterly financial statements, including the disclosures under Management s Discussion and Analysis, and their inclusion in Form 10-Qs;

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- Review and discuss with management and the independent auditors the Corporation s annual audited financial statements, including the disclosures under Management s Discussion and Analysis and recommend to the Board their approval and whether they should be included in the Corporation s Form10-K;
- In consultation with the independent auditors, management and the Corporation s internal auditors, review the integrity of the Corporation s financial reporting processes, both internal and external;
- Discuss with the independent auditor and the Corporation s internal auditors the scope and plans for their respective audits;
- Review the assessment by the Corporation s officers of the effectiveness of the Corporation s disclosure controls and procedures and internal controls over financial reporting and the evaluations thereof by the independent auditors;
- Discuss with management and the independent auditors the Corporation s guidelines and policies with respect to risk assessment and risk management, including the Corporation s major financial risk exposures, and risks associated with the financial reporting system, financial information and financial statements, and the steps management has taken to monitor and control such exposure and to preserve the integrity of the system;
- Oversee the application of the whistleblower policy;
- Review periodically the Code of Ethics of the Corporation and the adherence thereto by management; and
- Review periodically with the Board, the external and internal auditors and management, the Corporation s anti-fraud program and practices.

Charter:

The Audit Committee is governed by the Audit Committee Charter, which is available on the Corporation s website at *www.domtar.com.* A copy of the charter will be provided without charge to any stockholder who requests it in writing.

Human Resources Committee

Four members

Pamela B. Strobel, Chair Giannella Alvarez Brian M. Levitt Denis Turcotte	The Human Resources Committee (HRC) is composed solely of directors who meet the independence requirements of the NYSE, the requirements for a non-employee director under the rules under the Exchange Act, and the requirements for an outside director under the Internal Revenue Code of 1986, as amended (the Code).

Meetings During 2017: Five

Key Responsibilities:

- Provide oversight in respect of the risks associated with matters within the Committee s responsibilities and duties;
- Review and approve the philosophy and design of the Corporation s compensation and benefits systems in light of the Corporation s objectives;
- Review and make recommendations to the Board with respect to incentive compensation and equity-based plans;
- Monitor the financial effect of the Corporation s compensation programs and their success in achieving the Corporation s objectives;
- Manage the processes used by the Board to evaluate the Corporation s chief executive officer;
- Review the compensation of the Corporation s chief executive officer, and review and approve the compensation of the other executive officers;
- Administer the Corporation s equity-based and cash incentive compensation plans;

Provide oversight in respect of the Corporation s compliance with legal and regulatory requirements in the areas of the Committee s responsibilities and duties;

In coordination with the Nominating and Corporate Governance Committee, make recommendations to the Board with respect to the selection of a CEO of the Corporation.

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Charter:

The Human Resources Committee is governed by the Human Resources Committee Charter, which is available on the Corporation s website at *www.domtar.com*. A copy of the charter will be provided without charge to any stockholder who requests it in writing.

Additional information about our Human Resources Committee s responsibilities and its processes and procedures for consideration and determination of executive compensation is included in our Compensation Discussion and Analysis.

Nominating and Corporate Governance Committee

Four members

Robert E. Apple, Chair Brian M. Levitt David G. Maffucci Pamela B. Strobel	The Nominating and Corporate Governance Committee is composed solely of directors who meet the independence requirements of the NYSE.

Meetings During 2017: Five

Key Responsibilities:

Review the risks associated with matters within the Committee s responsibilities and duties;
Leadership role in shaping the governance of the Corporation;
Review and recommend to the Board the compensation of the Corporation s directors;
Provide oversight and direction regarding the functioning and operation of the Board of Directors;
Review and recommend to the Board of Directors candidates for election as directors;
Oversee the relationship between the Corporation and its stockholders;
Provide oversight in respect of the Corporation s compliance with legal and regulatory requirements, and corporate governance standards in the areas of the Committee s responsibilities and duties;
Oversee the process for, and in coordination with, the Human Resources Committee, make recommendations to the Board with respect to the selection of a CEO of the Corporation.

Charter:

The Nominating and Corporate Governance Committee is governed by the Nominating and Corporate Governance Committee Charter, which is available on the Corporation s website at *www.domtar.com*. A copy of the charter will be provided without charge to any stockholder who requests it in writing.

Environmental, Health, Safety and Sustainability Committee

Three members

Denis Turcotte, Chair Giannella Alvarez David J. Illingworth	The Environmental, Health, Safety and Sustainability Committee is composed solely of independent directors.

Meetings During 2017: Five

Key Responsibilities:

- Generally review the effectiveness of the Corporation s policies, programs and practices at optimizing its efforts to maintain sustainable ecosystems, safe and healthy employees, and vital communities as integral elements of its commitment to create long-term stockholder value;
- Provide oversight of the sustainability systems and performance of the Corporation that are integral components of the Corporation s business strategy;
- Provide oversight of the Corporation s response to public policy, legislative, regulatory, political and social issues and trends related to environmental, health and safety, and sustainability (EHSS) performance that may significantly affect the business operations, financial performance or public image of the Corporation or the industry;
- Provide oversight of the risks and opportunities associated with matters within the Committee s responsibilities and duties;

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- Provide oversight of the Corporation s compliance with legal and regulatory requirements in the areas of the Committee s responsibilities and duties;
- Review environmental, health and safety and sustainability policies regarding significant EHSS audit and monitoring systems as well as related reports from management;
- Review EHSS standards, procedures and practices against applicable regulatory requirements and oversee compliance therewith;
- Review objectives and plans for implementing policies, procedures, practices, compliance measures and risk management programs regarding environmental protection and occupational health and safety;
- Discuss with management the scope and plans for the conduct of audits of EHSS performance, significant results of audits, and pending or threatened material proceedings or complaints relating to EHSS.

Charter:
The Environmental, Health, Safety and Sustainability Committee is governed by the Environmental, Health, Safety and Sustainability Committee Charter, which is available on the Corporation s website at *www.domtar.com*. A copy of the charter will be provided without charge to any stockholder who requests it in writing.

Finance Committee

Four members

Brian M. Levitt, Chair David G. Maffucci Denis Turcotte Mary A. Winston	The Finance Committee is composed solely of independent directors.

Meetings During 2017: Seven

Key Responsibilities:

- Review the Corporation s:
  - Capital structure and capital allocation;
  - Significant financing transactions;
  - Mergers, acquisitions and divestitures;
  - Insurance coverage and programs;
  - Jointly with the HRC, oversee the work of the Pension Administration Committee with respect to the financial aspects of the PAC s annual report;
- Approve the Funding Policy for Defined Benefit Pension Plans and additional contributions to pension plans;
- Generally assist the Board of Directors in the oversight of financial resource strategies and policies, including oversight of the risks associated with matters within the Committee s responsibilities and duties.

Charter:
The Finance Committee is governed by the Finance Committee Charter, which is available on the Corporation s website at *www.domtar.com*. A copy of the charter will be provided without charge to any stockholder who requests it in writing.

Board of Directors Leadership Structure

In accordance with our Corporate Governance Guidelines, the positions of Chairman of the Board and Chief Executive Officer are separate and distinct. We believe that this structure recognizes the time and effort that our CEO is required to devote to his position, while facilitating the independent functioning of the Board, thus enhancing the fulfillment of its oversight responsibilities, and setting the tone for the Board in fostering ethical and responsible decision-making and sound corporate governance practices.

Currently, the position of Chairman of the Board is held by Mr. Robert E. Apple, and the position of CEO is held by Mr. John D. Williams. Separating these positions allows our CEO to focus on the management of the Corporation, while allowing our Chairman to lead the Board in its role of providing advice to, and independent oversight of, management.

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Charter of the Chairman of the Board

The Board has a charter outlining the qualifications and key responsibilities of the Chairman of the Board that include board management, board independence and governance, interactions with the President and Chief Executive Officer and management, and stockholder relations. The charter is available on the Corporation s website at *www.domtar.com*.

Board of Directors Role in Risk Oversight

Our Corporate Governance Guidelines explicitly recognize that it is the responsibility of the Board to assess risks facing the Corporation and to review strategies for risk mitigation. Areas of material risk to the Corporation include economic and strategic factors (such as those related to making the right strategic choices, innovation in product and process development, customer demand, and competition), operational matters (such as project management, cost control, cybersecurity, and protection infrastructure), and regulatory matters (such as those relating to environment, and workplace health and safety).

Our Board committees assist the Board in fulfilling its risk oversight responsibilities in certain areas of risk, including the following:

- the Audit Committee has primary oversight over the Corporation s enterprise risk management (ERM) process and cybersecurity, as well as primary oversight responsibility to review financial statements, financial disclosures and internal controls and procedures;

- the Human Resources Committee has responsibilities related to succession planning risks and the business risk implications of our compensation policies and programs;

- the Nominating and Corporate Governance Committee is responsible for addressing questions and risks related to Board organization, membership, corporate governance, and compliance;

- the Environmental, Health, Safety and Sustainability Committee reviews operational risk issues related to environmental protection, occupational health and safety and sustainability; and

- the Finance Committee reviews the Corporation s major financial risk exposures and the steps management has taken to monitor and control such exposures, the Corporation s risks related to capital structure, financing, insurance and pension.

Our Board committees fulfill these duties through their regularly scheduled and special meetings with members of management (and other parties as appropriate) responsible for specific areas of risk, including in the case of the Audit Committee, the internal auditors and the independent auditors, and the committees regularly report back to the Board.

Our Board and our Audit Committee work closely with management to oversee the Corporation s ERM process, and to identify and prioritize key risks faced by the Corporation. As part of its ongoing risk oversight duties, the Board implemented the Corporation s ERM Governance Policy which establishes the fundamental principles of risk accountability and risk management as integral parts of our enterprise culture and day-to-day business activities. In addition, the Board performs detailed periodic reviews of key identified risks as part of its regular meeting agenda. It is the policy of the Corporation to pursue the opportunities to achieve its strategic, business and operational objectives in a manner that involves an acceptable level of risk.

The Board has also formally adopted the Corporation s Compliance Program, centralizing in a single source of reference a program statement and a framework for oversight of key compliance policies covering the various areas of the Corporation s activities, intending to reflect best practices in the context of the Corporation s particular circumstances and needs. The Program requires the Board of Directors, management and employees to act in a consistently ethical and legal manner and, as a consequence, to minimize the risk that conduct by employees will provide the basis for legal actions, civil penalties or criminal sanctions against them or the Corporation, or damage the Corporation s reputation, and takes into account the principles and criteria developed by the U.S. Federal Sentencing Guidelines for the implementation of effective compliance and ethics programs. The Program is integrated with the Corporation s ERM program.

Board Oversight of the Corporation s Strategy

Our Board is actively involved in the development and implementation of Domtar s long-term strategy. The strategic plan is developed through interactive dialogue between directors and management, and the Board exercises regular oversight on key strategic choices. The Board and management hold an annual strategic planning retreat to develop/re-calibrate the long-term strategic plan. Strategic updates are reviewed and discussed with the Board at each meeting.

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Director Independence and Other Determinations

Pursuant to the Corporation s Corporate Governance Guidelines, the Board undertook its annual review of director independence in February 2018. During annual reviews, the Board considers any transactions and relationships between each director or any member of his or her immediate family and the Corporation. The Board also examines any transactions and relationships between directors or their affiliates and members of the Corporation s senior management or their affiliates. The purpose of this review is to determine whether any such relationships or transactions were inconsistent with a determination that a director is independent.

In connection with the 2018 annual review of director independence, the Board considered the business services and products supplied to, or purchased from, the Corporation in the ordinary course by companies where Mses. Strobel and Winston and Mr. Levitt serve as directors, and Mr. Turcotte as managing partner. The Board concluded that these transactions do not affect the independence of any of these directors, and, therefore, upon recommendation by the NCGC, has affirmatively determined that each of our directors, other than Mr. John D. Williams, who is the President and Chief Executive Officer of the Corporation, has no material relationship with us, and is independent under the independence requirements of the listing standards of the NYSE and TSX, the Corporation s Corporate Governance Guidelines, and our Director Independence Standards that are available on the Corporation s website at *www.domtar.com*.

In addition, the Board, upon recommendation of the NCGC, considered and affirmatively determined that Ms. Winston and Messrs. Illingworth and Maffucci meet the independence requirements of the SEC and the NYSE rules for Audit Committee members, and that the members of the Human Resources Committee, Mses. Strobel and Alvarez and Messrs. Levitt and Turcotte, meet the independence requirements of the SEC, of the NYSE rules and the Internal Revenue Code for compensation committee members.

Board Refreshment and Evaluation Process

Our Board believes it is important to have a balance between experienced directors with a deep institutional knowledge of the Corporation and directors with knowledge relevant to the Corporation s strategic goals and challenges who can bring a renewed perspective in the boardroom. In this regard, the Committee has recruited and recommended for election to the Board five new directors over the last seven years. The average director tenure is 7.5 years. The Corporate Governance Guidelines also provide for mandatory retirement of directors at age 75.

The Board and NCGC also believe that a robust and constructive evaluation process is an essential component of good corporate governance, and encourages refreshment. Through this annual process, directors provide feedback and assess Board, committee and director performance, including areas where the board believes it is functioning effectively and areas where the Board believes it can improve.

Evaluation Components:

The Board conducts an annual self-evaluation

Each committee conducts an annual self-evaluation

Topics covered include Board and committee priorities, areas for improvement, fulfilment of respective responsibilities, composition and mix of skills, structure and organization of meetings, level and quality of interaction with management

Individual director evaluations conducted annually by the Chairman of the Board in one-on-one meetings with each director covering a wide range of topics that include Board priorities and processes, as well as individual effectiveness and contribution.

The findings are discussed at the February meetings of the NCGC and the Board, and matters that have been identified as requiring a follow-up are dealt with accordingly.

Board Oversight of Succession Planning

The Nominating and Corporate Governance Committee and the Human Resources Committee oversee the succession planning for the President and CEO and the other members of the Management Committee of the Corporation, and regularly report to the Board.

Code of Business Conduct and Ethics

The Corporation has adopted a Code of Business Conduct and Ethics that is applicable to its directors and all employees, including the principal executive officer, the principal financial officer and the principal accounting officer, and which is available on the Corporation s

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website at *www.domtar.com*. Directors and employees are required to complete annually a mandatory online training program that includes a certification attesting of their adherence to the Code. Copies of the Code will be provided without charge to any stockholder who requests it in writing.

Related Person Transaction Policy

Our Board has also adopted written Procedures for Review of Related Person Transactions. These procedures cover transactions in which the Corporation or any subsidiary was or is to be a participant, the amount exceeds $120,000, and a related person , as defined in Item 404(a) of Regulation S-K under the Exchange Act, has or will have a direct or indirect material interest. Each director, director nominee and executive officer of the Corporation must notify the Vice-President, Corporate Law and Secretary in writing of any such related person transaction. The Vice-President, Corporate Law and Secretary provides a copy of the notice to the Audit Committee, which reviews such transaction and approves it if the Audit Committee determines the transaction is fair and reasonable to the Corporation and consistent with the Corporation s best interest. No such transactions were identified in 2017.

Stakeholders Communications with the Board

Stockholders and other interested parties who wish to contact the Chairman of the Board, our non-management directors as a group or any committee chairperson may send written correspondence, in care of the Vice-President, Corporate Law and Secretary, to Domtar Corporation, 234 Kingsley Park Drive, Fort Mill, SC, 29715. The procedures for the submission of such communications, including any complaints or concerns regarding accounting issues or other compliance matters, are contained in our Policy on Stakeholders Communications with the Board of Directors, which is available on the Corporation s website at *www.domtar.com*.

Communications addressed to directors that discuss business or other matters relevant to the activities of our Board will be preliminarily reviewed by the Office of the Secretary and then distributed either in summary form or by delivering a copy of the communication. Communications will be distributed to the director, or group of directors, to whom they are addressed. Other correspondence received by the Corporation that is addressed to one or more directors, such as subscription offers, conference invitations, media inquiries and requests for contributions, will be directed to the Office of the Secretary and treated according to our Policy on Stakeholders Communications with the Board of Directors.

Exemption from Toronto Stock Exchange (TSX) Rules

In reliance on Section 401.1 of the TSX Company Manual, the Corporation has sought and been granted an exemption from the requirements of Section 461.4 of the TSX Company Manual, the effect of which is that the Corporation will not have to issue a news release announcing the results of the vote following the stockholders meeting. The Corporation will publish final results of the vote in a Current Report on Form 8-K filed with the Securities and Exchange Commission (the SEC) within four business days following the meeting.

The Corporation sought the exemption on the basis that (i) the Corporation s primary listing is the New York Stock Exchange; (ii) the Corporation is incorporated in the State of Delaware; and (iii) less than 25% of trading volume in the Corporation s shares was on Canadian marketplaces. The Corporation will be required to notify the TSX of its continued reliance on the exemption before each successive annual meeting of stockholders.

Board Attendance at Stockholder Meetings

The Corporation expects its directors to attend the annual meeting of stockholders.

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COMPENSATION DISCUSSION

AND ANALYSIS (CD&A)

Executive Summary

2017 Business Highlights

Our pulp shipments increased 14% primarily due to improved productivity at a number of our mills in addition to new volume resulting from the conversion of a paper machine to a fluff pulp line. Our manufactured paper shipments decreased 4% compared to prior year, in line with the North American uncoated freesheet market. Our financial performance in the Pulp and Paper segment receded when compared to 2016, driven mostly by lower average selling prices and volume in paper.

While we reported strong sales for Personal Care, the business has become increasingly competitive, with pressure in both the healthcare and retail markets with no signs of those market pressures abating in the foreseeable future. As a result, as part of our annual goodwill impairment testing process, we recorded a non-cash goodwill impairment charge.

We had a net loss of $258 million ($4.11 per share on a diluted basis) due mostly to the non-cash goodwill impairment charge, partially offset by a deferred tax benefit from the U.S. Tax Cuts and Jobs Act of 2017. Cash flow from operating activities amounted to $449 million for 2017. In addition, EBITDA before items[1] and free cash flow[1] amounted to $569 million and $267 million, respectively, while net debt-to-total capitalization ratio stood at 29% at December 31, 2017.

Our 2017 accomplishments include:

Cash generation and returning capital to stockholders:

- Generated $267 million of free cash flow, with $104 million returned to shareholders.
- Announced a 4.8% increase to annual dividend.

Transitioning assets:

- Commissioned a 3rd party to conduct a feasibility study for linerboard production at several pulp and paper mills
- Completed the installation of a turbine generator at the Windsor mill, improving energy efficiency and reducing production costs
- Achieved favorable power generation and sales as a result of improved efficiency, and monetized more green power attributes.

Growing our market pulp position:

Advanced our global position in market pulp, through executing growth plans in fluff and softwood and managing the Ashdown mill ramp-up and transition to fluff

Improved productivity while reducing inventory levels by 46,000 metric tonnes.

Building on our solid foundation in Personal Care:

Delivered on new customer win commitments; grew sales by 10%, including sales from the Home Delivery Incontinence Supplies acquisition

Continued cost saving initiatives and working capital reduction throughout the business.

Fiber innovation:

Advanced our bio-materials portfolio by further monetizing by-products, improved lignin production and engaged in new partnerships with our Celluforce joint venture.

2017 CEO Compensation

There were no changes to our CEO s compensation mix from 2016. After reviewing Domtar s 2017 performance and the results of our Annual Incentive Plan (AIP) scorecard, the Human Resources Committee (HRC) approved an AIP payout to our CEO of 100% of target (or $1.4 million), resulting in total cash compensation of $2.6 million for the year. Under our AIP, based on 2017 EBITDA and company operating performance, Mr. Williams was eligible for a bonus payout of 120.74% of target. However, in view of lower than

(1) EBITDA before items and Free Cash Flow are non-GAAP financial measures. Please refer to the Reconciliation of Non-GAAP Measures on page 62 of this Proxy Statement.

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expected results in Personal Care and in the context of Domtar s pay-for-performance philosophy, Mr. Williams offered to reduce the portion of his bonus amount in excess of target. The HRC accepted his proposal and recommended to the Board that the bonus payout be reduced from 120.74% to 100%, and the Board accepted. Further, based on performance against our goals, the HRC approved a payout to our CEO under the Performance Share Unit cycle for 2015 2017 of 79.41% of target ($1,628,261).

To illustrate the real effect of our executive compensation plans as they relate to the performance of the Company, we have included a realizable pay analysis on page 27 to provide an enhanced perspective on the amounts reported in the Summary Compensation Table. We believe that this analysis reflects our ongoing commitment to our pay-for-performance philosophy. Note that while our CEO s target pay in 2017 was $6.17 million, his realizable pay at the end of 2017 was $6.93 million.

Philosophy and Goals of Executive Compensation Programs

Our executive compensation program is designed to attract, retain and motivate talented key executives who are critical to Domtar s success over the long term, consistent with the interests of our stockholders in driving both short and long-term performance of our company. Our program is built around the following principles:

Emphasize variable pay: We place greater emphasis and focus on compensation that is linked to company performance, rather than on fixed compensation;

Pay for performance: Our goal is that the majority of executive compensation is earned only when we achieve our financial, operating and strategic goals; and

Align executive interests to stockholder interests: A significant portion of the total compensation opportunity for our senior executives is directly linked to the performance of our stock.

Summary of our Executive Compensation Practices

The following discussion details the key executive compensation practices that we believe drive performance and are in the interests of our stockholders. It also lists practices we have not adopted because we believe they would not support our goals and are not in our stockholders interests.

What We Do	What We Don t Do
Retain independent compensation advisors engaged by, and reporting directly to, the HRC	× Give excessive perquisites or other benefits
Maintain a pay mix that emphasizes variable and performance-based compensation rather than focusing on fixed pay	× Approve excise or other tax gross-ups (other than for relocation benefits)
Use multiple performance measures in both the annual and long-term incentive programs (LTIP), to recognize that our success is based on performance	

across a wide spectrum of financial and operating measures		Backdate or reprice stock options
Benchmark pay based on the size-adjusted median of companies with which we compete for business and for talent, with the ability for actual pay to vary above or below target based on performance	×	Pay dividends on performance-based stock awards
Fully disclose the financial performance drivers used in our incentives, in numeric terms	×	
Periodically assess the relationship between executive pay and company performance, both in absolute terms and relative to peers	×	Recycle shares for stock options and/or stock appreciation rights in stockholder approved incentive plan
Maintain stock ownership guidelines for executives, and require specific holding periods for awards earned		
Review tally sheets regularly		
Regularly review share utilization levels	×	Allow short sales, public trading of puts, calls or other derivatives, hedging or pledging of our stock by executives or directors
Maintain clawback provisions to recoup pay in select circumstances		
Consult with key shareholders and proxy advisory firms		

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Key Compensation Decisions for 2017

The HRC reviews the compensation plans on an ongoing basis to ensure our plans are aligned with the overall strategy of the Corporation and the long-term interests of its stockholders. In light of the business transformation that is underway, our goal is to make sure that the plans provide the right incentives for our key management team and align their interests with those of our stockholders in maximizing earnings and cash flow in all of our businesses. The metrics for participants in the 2017 corporate AIP were weighted 70% on corporate performance and 30% on divisional performance, with the divisional performance weighted equally between Pulp & Paper and Personal Care metrics. This did not change from 2016 and continues to balance our two operational divisions.

2017 Compensation Results

For 2017, our Named Executive Officers (NEOs) are:

John D. Williams	President and Chief Executive Officer (President and CEO)
Daniel Buron	Senior Vice-President and Chief Financial Officer (CFO)
Michael Fagan	President, Personal Care Division (President, Personal Care division)
Michael D. Garcia	President, Pulp and Paper Division (President, Pulp & Paper division)
Zygmunt Jablonski	Senior Vice-President and Chief Legal and Administrative Officer (SVP, Chief Legal & Administrative Officer)

Annual incentive awards as a percentage of target earned by our Named Executive Officers (NEOs) based on our business results are summarized below:

The status of the Long-Term Incentive Plan Performance Share Units (PSUs) based on performance results are summarized below:

2015 PSUs Now completed, with a total payout earned of 79.41% of target (100%) for performance during FY2015, FY2016, FY2017 and cumulative from FY2015 through FY2017

2016 PSU Award banked at 17.25% (out of 25%) for Total Shareholder Return (TSR) and Return on Invested Capital (ROIC) performance during FY2017

2017 PSU Award banked at 17.25% (out of 25%) for TSR and ROIC performance during FY2017

For additional details, please see the Performance-Based Annual Bonuses and the Long-Term Equity Incentives sections on pages 32 and 35, respectively.

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2018 PROXY STATEMENT

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Additional Information on Executive Compensation Program

Compensation Decisions for 2017 CEO Details

The tables and charts below show target total direct compensation for the CEO and reflect pay decisions made for 2017, as well as the competitive positioning as compared to the size-adjusted median of the proxy peer group as described on page 30.

There were no changes made to Mr. Williams compensation for 2017.

John D. Williams: CEO Target Total Direct Compensation

John D. Williams	2016	2017	Change Dollars	Change Percent
Base Salary	$1,213,800	$1,213,800	$0	0%
Annual Incentive Plan				
Target % of Base Salary	117%	117%		
Target Dollars	$1,420,146	$1,420,146	$0	0%
Actual Payout % of Target	127.39%	100.00%		
Actual Payout Dollars	$1,809,124	$1,420,146	($388,978)	-21.5%
Long-Term Incentive (LTI) Target				
Target % of Base Salary	295%	295%		
Target Dollars	$3,580,710	$3,580,710	$0	0%
Target Total Direct Compensation	$6,214,656	$6,214,656	$0	0%

The following graph shows a comparison of our CEO target total compensation against peers.

CEO Realizable Pay Analysis

Compensation levels reported in the Summary Compensation Table (SCT) on page 44 for each of the Named Executive Officers represent a combination of actual cash compensation earned during the year (base salary paid plus actual bonuses earned) and equity compensation granted during the year valued at grant date, assuming targeted performance achieved. The compensation actually realizable, or realized, by the individual may be considerably more or less based on Company operating and stock price performance. Although not a substitute for the data provided in the SCT, the information below provides a depiction of the actual compensation realizable by our CEO, reflecting both company performance and stock price movement over the last three years.

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Domtar Performance and Impact on Variable Pay

In 2017, realizable pay for our CEO was greater than targeted pay. This was due primarily to an increase in stock price over the 2017 grant price.

Domtar s AIP is based on the achievement of financial and operational results. The actual bonus realized by our CEO in 2017 was at target at 100% compared to 127% and 96% of target in 2016 and 2015, respectively.

Domtar s LTIP has consisted of 60% PSUs in each of the last three years. Each PSU has measured both absolute return on invested capital (ROIC) and relative total shareholder return (TSR) metrics.

- Relative TSR performance: Varied by tranche, but averaged approximately at target or above target earning level for each of the 2015, 2016 and 2017 grants.

- Absolute ROIC performance: Varied by tranche, but averaged below target for the 2015 and 2016 grants, while below threshold for the 2017 grant.

Stock price performance has also impacted the LTI awards granted over the last three years, including not only the PSUs, but also the stock option and restricted stock unit grants.

- Stock price since date of grant: December 29, 2017 stock price was higher than the price on the date of grant in 2017, and also remained above the 2015 and 2016 grant date levels.

- As of December 31, 2017, the 2015 and 2016 stock options were in the money. Although the 2017 stock options were also in the money at year-end, they were unvested.

The table below outlines the realizable compensation for the CEO for the last three years in contrast to the targeted values for each of the three years. This table illustrates the pay-for-performance nature of our executive compensation program. As can be seen from this analysis, our CEO realizable pay was higher than target in 2017 and 2016 compared to 2015 (17%, 35% and -4% respectively), which is in line with our TSR for each of these three periods, 26%, 10% and -3%, respectively.

CEO Targeted Pay(1) vs. Realizable Pay(2)

(1) Targeted Pay consists of the summation of (a) base salary paid during the year; (b) target bonus for the year; and (c) equity awards valued using the grant date fair value in accordance with FASB ASC Topic 718, but excludes any forfeiture assumptions related to service based vesting conditions.

(2) Realizable pay consists of the summation of (a) base salary paid during the year; (b) actual bonus received for the respective year of performance; (c) intrinsic value of in-the-money stock options (based on a stock price of $49.52,

which was the closing price of Company stock on December 29, 2017); (d) Restricted Stock Units based on the closing stock price as of December 29, 2017; and (e) Performance Stock Units adjusted for actual performance (where known), or target (if performance is unknown) based on the closing stock price as of December 29, 2017.

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Direct Compensation Mix at Target

The 2017 target pay mix for our CEO and other NEOs is shown below, and reflects the pay changes made for 2017.

The pay mix reflects greater emphasis on variable performance-based compensation for our CEO than for our other NEOs commensurate with his impact on the Corporation s overall performance, and the importance the Committee places on achieving the Corporation s strategic transformation goals.

2018 Program Changes

In light of the positive results on our 2017 Say-on-Pay vote and the positive feedback that we received from our stockholders, no material changes have been made to our executive compensation program for 2018.

As part of its ongoing discussion and review of our executive compensation programs to effectively address our ongoing business needs, overall market competitiveness, performance and retention concerns, the HRC approved the following changes to program design for 2018:

Base salaries for our other NEOs were adjusted from 0% to 3% and long-term incentive targets were also adjusted between 5% and 10% to improve our alignment with the market benchmark.

Executive Compensation Decision-Making Process

Process and Participants

Our executive compensation program is the result of continuing interaction between our HRC and Management, as well as input received from independent compensation advisors. The table below lists the primary roles of the key participants in our executive compensation decision-making process:

Process and Participants	Description of Role
Human Resources Committee	The HRC and the Board recognize the importance of executive compensation decisions to our stockholders and to our management team. The committee s efforts on these matters are structured to ensure that sound processes are followed, that sufficient time is provided for deliberation, and that decisions are made in support of our longer-term business strategy and objectives.
Independent Compensation Advisor	The HRC has retained Hugessen Consulting Inc. (Hugessen) as its independent advisor and has assessed and concluded that Hugessen is independent and free from potential for conflicts of interest as per NYSE listing standards. On behalf of the HRC, Hugessen reviews and comments on management s recommendations and related materials, conducts independent research, keeps the Chair apprised of any concerns, and participates in

meetings as requested by the Chair. Hugessen does not accept any work from management absent express direction from the HRC.

Specific areas on which Hugessen consulted with the HRC during 2017 include: review and comment on management s proposed programs for 2017, proxy statement disclosures, compensation peer group, benchmarking results for senior executives and resulting compensation recommendations, CEO compensation, performance measures, potential program changes for 2018, and regulatory and stockholder perspectives on pay and performance.

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Process and Participants	Description of Role
CEO Performance and Pay Evaluations	The HRC has developed a structured and thorough process for assessing the CEO s performance and pay. Relevant pay and performance data are provided to the HRC by Management, and reviewed and augmented by Hugessen as the HRC considers necessary. After the Board and HRC Chairs review the CEO s self-assessment of his and the Corporation s performance with the other independent directors for their input and evaluation, and consider any supporting market and performance data, the HRC makes its pay decisions and reports them to the Board. The Board and HRC Chairs then provide performance feedback to the CEO, and communicate any resulting compensation actions.
Management	The CEO provides input to the HRC on several aspects of executive and Corporation performance, including overall goals and results achieved as well as performance and pay for members of the Management Committee. In 2017, the Senior Vice-President and Chief Legal and Administrative Officer, who is also responsible for the human resources function of the Corporation, regularly attended HRC meetings, and provided support regarding recommendations presented to the HRC for approval. Management retains Meridian Compensation Partners, LLC as its consultant, to provide general advice and counsel on various executive compensation matters.

Benchmarking

Use of Market Data

We use compensation market data as a reference for understanding the competitive pay positioning of each pay element and total compensation. Our HRC does not seek to manage total compensation of our executive officers within a prescribed competitive position or percentile of the comparator group or compensation market data. Instead, in exercising its judgment about compensation decisions, our HRC reviews compensation for each executive officer in relation to a range of market data (*e.g*., median, 25th percentile, 75th percentile, etc.) and considers this, along with internal and other external factors, in making executive pay decisions.

Peer Group

Our approach to executive pay benchmarking focuses on companies that reflect our industry, our size, and our ongoing business challenges.

Peer group includes 19 companies in the paper & forest products and containers & packaging industries. Revenues generally range from 1/2x to 2x our revenues, but key larger industry competitors also are included. This peer group is used as the primary market reference for CEO and CFO pay comparisons, as well as for incentive plan design review.

When benchmarking executive positions that are not widely reported in proxy filings, we use the same peer group companies who have participated in Aon Hewitt s executive pay database.

To normalize for differences in company size, market median pay levels for our executives were determined for each component of pay and for total pay on a size-adjusted basis, using regression analysis based on revenues. In the benchmarking analysis used to make pay decisions in early 2017, the median revenues of the proxy group was $5.7 billion.

Our HRC, with the advice of its independent compensation advisor and recommendations of our CEO and our Senior Vice-President, Chief Legal and Administrative Officer, reviews and approves the composition of our comparator group annually. Our HRC believes that the use of the current comparator group and selection criteria provided useful compensation benchmark information as a result of a close fit between Domtar and the comparator group companies in terms of the industry and performance profile.

Use of Tally Sheets

Our HRC regularly reviews tally sheets for each of the NEOs and the other members of our Management Committee that provide a comprehensive view of target, actual and contingent executive compensation payouts under a variety of termination and performance scenarios. The tally sheets are intended to facilitate the HRC s understanding of the nature and amounts of total compensation under our executive compensation program and to assist the HRC in their overall evaluation of our program.

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Details of Executive Compensation Program

Components of Executive Compensation

The principal components of our ongoing compensation program for our NEOs, and their primary purposes, are detailed below:

Component	Purpose
Base salaries	Deliver a competitive level of fixed cash pay intended to reflect the primary duties of the role
Annual cash bonuses	Offer an opportunity to earn additional pay based on achieving predetermined performance goals pursuant to our Annual Incentive Plan (AIP)
Long-term equity incentives	Align executives interests with stockholders through equity-based incentive vehicles pursuant to our Omnibus Incentive Plan
Retirement and other health/welfare benefits	Provide assistance with executive retirement needs, and security in case of possible illness, disability, or loss of life
Perquisites	Limited business-related benefits are provided to ensure flexibility and efficiency
Severance and Change-in-Control provisions	Provide protection against termination of employment for reasons beyond the executives control

The following paragraphs describe our approach to each component in greater detail.

Base Salaries

Every year, the HRC considers whether to grant merit increases and/or market-based adjustments to our executives. Such increases are not always made annually, but rather are made periodically after the HRC considers several factors:

- Competitive market pay levels derived from our benchmarking analyses;
- The executive s performance throughout the year, and whether his or her duties changed during the year; and
- The overall economic climate, and the Corporation s performance.

Base salaries in 2017 for our NEOs were therefore as follows:

Name	Position	2016	2017	% Change
John D. Williams	President and CEO	$ 1,213,800	$ 1,213,800	0%
Daniel Buron	CFO	$ 593,648	$ 605,521	2.0%
Michael Fagan	President, Personal Care	$ 503,101	$ 528,256	5.0%
Michael D. Garcia	President, Pulp & Paper	$ 640,625	$ 640,625	0%

Zygmunt Jablonski	SVP, Chief Legal & Administrative Officer	$ 520,950	$ 546,998	5.0%

Performance-Based Annual Bonuses

Annual cash incentives focus our executive officers on achieving specific annual financial and operating results. Our Annual Incentive Plan plays a key role in ensuring that our total cash compensation opportunity remains competitive.

Target awards. Each NEO has a target bonus award for the plan year, expressed as a percentage of the actual base salary paid to the NEO during that year. For 2017, short-term incentive targets were as follows:

Name	Position	Target as Percent of Salary
John D. Williams	President and CEO	117%
Daniel Buron	CFO	89%
Michael Fagan	President, Personal Care	89%
Michael D. Garcia	President, Pulp & Paper	89%
Zygmunt Jablonski	SVP, Chief Legal & Administrative Officer	70%

Based on performance, actual awards earned can vary as a percent of target from below threshold of 0% (if performance is below threshold for all measures) to a maximum of 200%. Achieving results at the threshold performance for any measure will result in a payout equal to 30% of the target award allocated to that measure. Between performance levels, award payouts will be interpolated on a

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straight-line basis. No bonuses are payable to our NEOs under the AIP unless we achieve a minimum EBITDA performance level. If that level is achieved, we then allocate up to 200% of the target bonus amount generally based on achievement of our fixed and floating measures with upward or downward adjustment based on such individual performance factors as the Committee determines to be appropriate.

Performance measures. The AIP measures results for Key Performance Indicators (KPIs) that we view as critical to positioning our business for the future. AIP performance measures are categorized as Fixed or Floating, and are measured at the Corporate level, the Pulp & Paper Division level, and/or the Personal Care Division level.

The Fixed measure categories of EBITDA and Health and Safety remain constant from year to year. The Floating or variable measures change periodically based on the more immediate business challenges we expect for a particular year. The measures applicable for our FY2017 program are described below.

Fixed Measures measured at both the Corporate and Division levels

EBITDA. We view EBITDA as a leading indicator of our ability to successfully manage our business. This measure is defined as earnings before interest, taxes, depreciation and amortization, and excluding certain one-time or nonrecurring items as further described in our AIP.

Health and Safety. Providing a safe working environment for our employees is critical to our business and directly correlated with efficient operations and manufacturing excellence. This measure focuses on the degree to which we reduce the number of occurrences that must be reported to Occupational Safety and Health Agency (OSHA).

Floating Measures measured at the Division level only; included in Corporate and Division plans

Pulp & Paper Division

Slush Pulp Productivity. Increasing our productivity levels is an indicator of the efficiency with which we deploy our assets. This item measures productivity at our pulp and integrated mills relative to the prior year s performance.

Fluff Pulp Sales Q4 2017. This measures our success of introducing, qualifying and selling fluff pulp from our Ashdown mill. This is inclusive of all fluff pulp sales, including sales to our Personal Care division.

Personal Care Division

Cost Savings from Insourcing. This measure is an efficiency and cost saving initiative that impacts EBITDA by insourcing our own products on our new/existing global platform and by producing lower cost products on lines designed to reduce the cost of scrap.

New Sales Growth. Gaining market share and obtaining new business is key to our long-term success. In 2017, we introduced a New Sales Growth Kicker , whereby every $10M of new sales above the maximum would add an additional payout of 2.5% to the Corporate plan and 5% to the Personal Care plan. The overall maximum payout of the plan would remain capped at 200% of target.

Corporate and Division incentive plan structures. The measures and weightings for each of the Corporate, Pulp & Paper Division (P&P) and Personal Care Division (PC) annual incentive plans are indicated below.

Corporate performance measures. Corporate performance measures changed from 2016 by decreasing the number of floating measures from five to four, while keeping the number of fixed measures at two.

* New Sales Growth   Kicker   may add an additional payout of 2.5% to Corporate and 5.0% to Personal Care for every $10M in sales over the maximum, keeping the overall maximum payout capped at 200% of target.

Pulp & Paper Division performance measures. The measures for Mr. Garcia s annual cash incentive bonus are based on a combination of company and division performance. Fluff pulp sales was added to measure success of introducing, qualifying and

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selling fluff pulp from the Ashdown conversion. This metric is a driver of earnings and is weighted at 10%. Working capital and the Customer SQ Index, each at 5%, were removed. The other measures and weightings for 2017 remained the same as in 2016.

Personal Care Division performance measures. The measures for Mr. Fagan s annual cash incentive bonus are based on a combination of company and division performance, and are weighted as shown above. The measures and weightings for the 2017 program are the same as those in 2016.

* New Sales Growth Kicker may add an additional payout of 2.5% to Corporate and 5.0% to Personal Care for every $10M in sales over the maximum, keeping the overall maximum payout capped at 200% of target.

Performance goals and results achieved. The following charts present each KPI, its weighting, the performance goals established at the beginning of 2017, results achieved for each measure, and the related payout earned as a percent of the target award. Our HRC, in exercising its judgment regarding the appropriate level of threshold, target and maximum goals for the 2017 performance measures, considered a number of factors that included the following (without any specific weighting):

Historical results for the performance measure;

Internally forecasted results for the performance measure as determined through our annual budgeting process;

External expectations for the performance measure; and

Expected degree of difficulty and likelihood of achieving the minimum, target and maximum goals.

Our HRC, with the guidance of its independent compensation consultant, reviews and approves the AIP goals on an annual basis. Financial metrics, such as EBITDA, are established in accordance with our annual budget, based on the business expectations for the coming year. Due to the cyclicality of pulp prices and secular demand decline in our paper business, 2017 EBITDA goals for the Company and Pulp and Paper Division were set below actual results of the prior year. The EBITDA target for our Personal Care Division, also set in accordance with the Division s annual budget, was above actual 2016 results to reflect the overall growth prospects of the personal care industry.

The 2017 EBITDA payout for the Company and Pulp and Paper Division exceeded target mainly due to a greater than expected increase in global pulp prices. Higher pulp prices were driven by increased global demand, and supply disruptions. Meanwhile, increased competition within the personal care industry resulted in EBITDA for our Personal Care Division below threshold, resulting in 0% payout for this metric.

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The Human Resources Committee reviews the performance of each NEO while taking into account Mr. Williams assessment for each of his direct reports. The Committee considered each NEOs performance against key strategic initiatives, operational efficiency, and leadership goals established at the beginning of 2017.

	Performance Goals and Results					Results by Business Unit					
				Actual Results		Corporate		Pulp & Paper		Personal Care	
Performance Metrics	Threshold 30%	Target 100%	Maximum 200%	Amount	% of Target	Weight	Payout as % of Target	Weight	Payout as % of Target	Weight	Payout as % of Target
EBITDA											
Company	$ 458.3	$ 550.0	$ 633.8	$ 569.0	123%	60%	73.60%	20%	24.53%	20%	24.53%
Pulp & Paper	$ 389	$ 458	$ 527	$ 500	161%			40%	64.35%		
Personal Care	$ 122.3	$ 140	$ 149.8	$ 115.6	0%					40%	0.00%
Health & Safety											
Company	0.89	0.78	0.67	0.78	100%	10%	10.00%				
Pulp & Paper	0.93	0.81	0.69	0.84	82.5%			10%	8.25%		
Personal Care	0.77	0.67	0.57	0.73	58.0%					10%	5.80%
Pulp & Paper Slush Pulp Productivity											
Market Mills	4,998	5,217	5,269	5,293	146.2%	5%	7.31%	10%	14.62%		
Integrated Mills	6,290	6,459	6,524	6,392	96.7%	5%	4.83%	10%	9.66%		
Pulp & Paper Fluff Pulp Sales (Q4 only)											
Absolute tonnes in Q4 in thousands (total fluff volume)	150	170	185	198	200%	5%	10.00%	10%	20.00%		
Personal Care Cost Savings											
Cost of goods productivity	$ 13.5	$ 15.0	$ 16.5	$ 20.8	200%	7.5%	15.00%			15%	30.00%

savings											
Personal Care New Sales Growth *											
Achieve new run rate sales by 12/31/2017	$ 40	$ 50	$ 60	$ 31.3	0%	7.5%	0.00%			15%	0.00%
				Total Weighting and Payout - % of Target		**100%**	**120.74%**	**100%**	**141.41%**	**100%**	**60.33%**
				Kicker*			**0.00%**				**0.00%**
				Payout - % of Target			**120.74%**		**141.41%**		**60.33%**

* New Sales Growth Kicker may add an additional payout of 2.5% to Corporate and 5.0% to Personal Care for every $10M in sales over the maximum, keeping the overall maximum payout capped at 200% of target.

Long-Term Equity Incentives

Our long-term equity incentives are designed to achieve the following objectives:

- Reward the achievement of long-term business objectives that benefit our stockholders;
- Align the interests of our executives with those of stockholders; and
- Retain a successful and proven management team.

At the outset of each year, the HRC reviews our program structure in light of the current state of our business and our ongoing transformation challenges. It then approves those changes it believes will better support our business strategy and align the executive team s efforts with goals intended to increase value for our stockholders.

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Award Mix. Domtar s LTIP for senior executives for 2017 continued to use a portfolio approach, as shown below.

Restricted Stock Units: 30%

Restricted Stock Units, or RSUs, provide a retention incentive and a sustained and meaningful alignment with stockholders, and help retain our key contributors through our sometimes volatile business cycles. Dividend equivalents are credited as additional RSUs when paid on Domtar s common stock. RSU grants and related dividend equivalents cliff vest on the third anniversary of the grant, and are settled in shares of Domtar common stock.

Performance Share Units: 60%

Performance Share Units, or PSUs, link a significant portion of executive pay to long-term company performance over a three-year period, and are weighted more heavily for that reason. Awards earned may vary above or below target based on annual and cumulative performance results achieved relative to pre-established goals. Awards earned by our NEOs are settled in shares of Domtar common stock.

Stock Options: 10%

Stock Options align executive compensation to stockholder wealth creation as value can only be realized if stock price appreciates after grant. Stock options have an exercise price equal to the fair market value of Domtar stock on the date of grant, vest pro rata on the first three anniversaries of the grant date, and have a 7-year term.

Approximately 300 of our managers participated in our equity compensation program in 2017. The grants awarded to our managers were generally comprised of RSUs and PSUs weighted 40% and 60%, respectively.

Overall Target Awards. Target long-term equity values for 2017 awards of PSUs, RSUs and stock options to our NEOs are shown in the following chart. Messrs. Buron and Fagan had an increase in their target equity awards in 2017.

	Target Equity Award as a % of Base Salary	
Position		% Change

		2016	2017	
John D. Williams	President and CEO	295%	295%	0%
Daniel Buron	CFO	150%	160%	6.7%
Michael Fagan	President, Personal Care	130%	150%	15.4%
Michael D. Garcia	President, Pulp & Paper	150%	150%	0%
Zygmunt Jablonski	SVP, Chief Legal & Administrative Officer	125%	125%	0%

Mr. Fagan s long-term incentive opportunity increased 15.4% in 2017 to further align compensation structure by establishing equal long-term incentive targets (as a percentage of base salary) for Division Presidents.

We generally grant equity awards annually in February to all eligible employees, subsequent to review and approval by the HRC. On occasion, based on market information and/or transactions that are in progress, we may be required to delay equity grants.

Additional information regarding the terms of our PSU, RSU and stock option awards is provided in the narrative accompanying the Grants of Plan-Based Awards Table.

Performance Measure Determinations. Performance measures for the 2017 PSUs include relative Total Stockholder Return (TSR) and absolute Return on Invested Capital (ROIC) for our overall business. The two metrics are equally weighted at 50%. These two measures in combination are viewed as solid indicators of the degree to which we create value for our stockholders.

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At the beginning of the three-year cycle, goals for ROIC and TSR were set for each single year during the three-year measurement period, as well as on a cumulative basis for the entire three-year period. Each measurement period is weighted equally, as shown below.

PSU Performance Periods. The graphs below illustrate how the performance measures apply to PSUs granted in the past three years.

No PSU awards will be earned when performance is below what is deemed to be performance threshold. Awards earned can range from 50% to 200% of target based on performance levels achieved. PSUs earned for the performance periods will vest in full at the end of the entire three-year period. PSUs awarded to our NEOs in 2017 for performance periods from 2017 through 2019 will vest in February 2020 based on performance results achieved. No dividend equivalents are paid on PSUs.

Relative TSR and Peer Group. 50% of the 2017 PSU award can be earned based on our TSR performance relative to peers. The peer group against which relative TSR will be measured was selected to ensure a close alignment with our business competitors in terms of both product mix and geographic footprint. To allow for possible industry consolidation, the peer group will consist of the 12 companies on the list below that remain publicly-traded as determined at the end of each of the four measurement periods. Potential replacement peers are listed in order of their inclusion should any of the current peer group companies not remain publicly traded at the end of a specific measurement period:

Relative TSR Peer Group Companies

Paper and Packaging Companies	Personal Care Companies
International Paper Company	Kimberly-Clark Corporation
Packaging Corporation of America	SCA
UPM Kymmene Corporation	Ontex
Glatfelter Corporation	
Stora Enso	
WestRock	
Sonoco Products Company	
Neenah Paper	
Resolute Forest Products Inc.	

Potential Replacement peer companies:

1. *Sappi Ltd*
2. *Kapstone Paper and Packaging Corporation*
3. *Greif Inc.*
4. *Schweitzer-Mauduit International Inc.*

ROIC. 50% of the 2017 PSU award may be earned based on the achievement of ROIC for our overall business for each of the performance periods. For this purpose and to better align with industry practice, for the 2017 PSU award, ROIC is defined as:

ROIC = EBIT x (1 pre items effective income tax rate) + Equity Earnings
Average Invested Capital*

* Defined as Interest Bearing Debt + Pension amount in other comprehensive income (after tax) + Equity

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The following tables show the ROIC and TSR goals and the results to date for each of the 2015, 2016 and 2017 PSU grants. All performance periods for the 2015 grant are now complete, with a final payout of awards earned for that grant at 79.41% of target, as shown in the table below. The 2016 and 2017 grants are still in progress; the tables below show the results to date.

2015 PSU Performance Measures

2016 PSU Performance Measures

2017 PSU Performance Measures

Linear interpolation applies to determine awards earned for results between performance levels of Threshold and Target, and between Target and Maximum.

Awards earned in relation to the TSR and ROIC results are banked until the end of the three-year performance cycle. At that time, awards earned for all tranches will be banked and either be paid out in shares or, if a timely election is made, be deferred into deferred share units (DSUs), which pay out in Domtar stock at a later date.

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Employee Benefits and Perquisites

As part of a competitive total compensation program, we also offer our executives the ability to participate in customary employee benefit programs as outlined in the table below.

Types of benefits	Underlying rationale for offering these benefits	Description of benefits provided
Retirement Benefits	Attract and retain the highest caliber executive talent by: ensuring our overall compensation is competitive, and providing our executives with a baseline level of financial security.	Tax-qualified plans: Defined contribution option under the Domtar Pension Plan for Non-Negotiated Employees (Canadian tax-qualified pension plan that covers all Canadian salaried Domtar employees) Mr. Buron participates in this plan. Domtar U.S. Salaried 401(k) plan (tax-qualified defined contribution plan available to all U.S. Pulp and Paper salaried employees of Domtar) Messrs. Williams, Garcia and Jablonski participate in this plan. Domtar Personal Care 401(k) plan (tax qualified defined contribution plan available to all U.S. Personal Care employees of Domtar) Mr. Fagan participates in this plan.

		Supplemental Executive Retirement Plans (SERPs) for U.S. and Canadian Executives: Supplemental retirement benefits are provided to certain officers and key employees, under three supplemental retirement plans (DC SERP, Personal Care DC SERP and DB SERP). The SERP plans were designed to provide a competitive cost-effective retirement benefit over an executive s career, and to provide consistency in employer-paid retirement plans for executives in Canada and the U.S. (to the degree possible, given differences in tax rules). Mr. Buron is also eligible to receive benefits under the legacy Supplementary Pension Plan for Designated Managers of Domtar Inc. (DM SERP) with respect to his service prior to becoming a member of the Management Committee of Domtar Inc. in 2004. This plan was amended in 2013 to better align benefits with market practice. These amendments as well as benefits under SERP plans and other arrangements are more fully described in the narrative accompanying the Pension Benefits Table that appears later in this proxy statement.
Health and Welfare Benefits	Offer a competitive package Provide benefits that will enable our executives to more fully focus on the demands of running our business.	Medical & dental benefits Life, accidental death and dismemberment coverage Long-term disability insurance coverage Provisions applicable to our NEOs vary based on whether they are based in the U.S. or in Canada.

Executive Perquisites	Provide flexibility to our executives	For a description of the perquisites provided, refer to the footnote disclosure to the All Other Compensation column in the Summary Compensation Table that appears later in this proxy statement.
	Increase travel efficiencies (for the CEO), which in turn ensures more productive use of his time and a greater focus on Domtar-related activities.	We do not provide tax gross-ups on any perquisites other than for relocation expenses that are taxable.

Employment Agreements and Other Post-Termination Protections

From time to time, the HRC believes it is in Domtar s best interests to enter into employment agreements to attract talented executives to join our management team. The highly competitive nature of the relevant market for key leadership positions means we may be at a competitive disadvantage in trying to hire executives from outside our Corporation if we cannot offer them the type of protections typically included in such agreements.

In mid-2013, we entered into an amended and restated employment agreement with Mr. Williams with respect to his continued employment as President and Chief Executive Officer of the Corporation to reflect his relocation from Canada to the United States as well as changes to severance amounts payable following a change in control to align his severance in such events with the severance payable to our other senior officers. The material terms of the amended and restated agreement with Mr. Williams are described in the section entitled Employment Agreements and Potential Payments upon Termination or a Change in Control.

In January 2014, the Corporation entered into an employment agreement with Mr. Garcia. Upon an involuntary termination of Mr. Garcia s employment by the Corporation for reasons other than cause or a breach by him of the terms and conditions of his employment agreement, Mr. Garcia will be eligible to receive severance in accordance with Domtar s Severance Program for Management Committee Members. Mr. Garcia s employment agreement provides protection to the Corporation such as, but not limited to, non-compete, non-solicitation (of customers and employees) and confidentiality provisions.

In August 2011, in connection with the acquisition of Attends, Mr. Fagan entered into an employment agreement with Domtar. In December 2012, Mr. Fagan s employment agreement was amended to reflect his promotion to Senior Vice-President, Personal Care Division. This and other material terms of Mr. Fagan s agreement are described in the section entitled Employment Agreements and Potential Payments upon Termination or a Change in Control.

Members of our Management Committee (other than Mr. Williams whose severance is governed by his employment agreement) are eligible to participate in Domtar s Severance Program for Management Committee Members, which is a severance program intended to assure that they are treated fairly in the event their employment is terminated.

This program is intended by our HRC to:

- Help us attract and retain executive talent in a competitive marketplace;
- Enhance the prospects that our executive officers would remain with us and devote their attention to our performance in the event of a potential change in control;
- Foster their objectivity in considering a change-in-control proposal;
- Facilitate their attention to our affairs without the distraction that could arise from the uncertainty inherent in change-in-control and severance situations; and

Protect our confidential information and prevent unfair competition following a separation of an executive officer s employment from us.

Our Omnibus Incentive Plan provides limited change in control protections. Generally, except in the case of deferred compensation awards granted to retirement-eligible employees, awards do not vest on a change in control unless one of the following occurs: (1) the Board exercises its discretion to accelerate vesting, (2) an executive s employment is terminated within three months before or 24 months after the change in control; or (3) the transaction is of such a nature that no replacement awards will be granted. This double trigger feature prevents undue excess compensation upon a change in control, and aligns our program with current market trends. For tax reasons, RSUs for retirement-eligible employees vest under limited change in control events that result in cash payments to our stockholders.

The benefits provided under the arrangements and plans described above are detailed and quantified under the heading Employment Agreements and Potential Payments upon Termination or a Change in Control later in this proxy statement.

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Related Policies and Considerations

Stock Ownership Guidelines

The HRC approved the adoption of stock ownership guidelines to further align the interests of the Management Committee members with our stockholders. The table below summarizes the guidelines:

Required levels	CEO: 5x base salary
	Other Management Committee Members: 2x base salary
Shares counted towards guidelines	Stock owned outright
	Performance shares, once earned
	Deferred stock units, upon grant date
	Restricted stock, upon grant date
	Stock owned through benefit plans
Window to achieve	Five years
If not on track to achieve guideline within the five-year window	Must defer receipt of 50% of net shares issued upon exercise of stock options or vesting of RSUs or performance awards until achieved

	May also defer receipt of shares, as applicable, to meet guidelines
Status (as reviewed annually by the HRC)	All our NEOs have achieved the required amount of stock within the allotted time

Policy on Deductibility of Compensation

Under Section 162(m) of the Internal Revenue Code, certain executive compensation in excess of $1 million paid to a public corporation s chief executive officer, chief financial officer and the three other most highly-paid executive officers is not deductible for federal income tax purposes unless the executive compensation is awarded under a performance-based plan approved by stockholders.

We have historically sought to preserve the tax deductibility of compensation paid to our executive officers to the extent consistent with our overall program objectives and philosophy, but have recognized that doing so may not always be feasible. Accordingly, the Corporation may and does pay compensation that is not deductible. Recently enacted legislation makes certain changes to Section 162(m), most notably repealing the exemption for qualified performance-based compensation for taxable years beginning after December 31, 2017. Accordingly, compensation paid after 2017 to our covered executive officers in excess of $1 million will not be deductible unless it qualifies for transition relief applicable to certain arrangements in place as of November 2, 2017. While the Corporation plans to rely on the available transition relief to the extent practicable, we expect that the Committee will authorize compensation payments that will not be deductible under Section 162(m) in order to attract, retain and motivate executive talent.

Forfeiture of Awards for Misconduct (Clawback)

If a participant in the Omnibus Incentive Plan knowingly or grossly negligently engages in financial reporting misconduct, then all awards and gains from the exercise of options or stock appreciation rights in the 12 months prior to the date the misleading financial statements were issued as well as any awards that vested based on the misleading financial statements will be disgorged to the Corporation. In addition, the Corporation may cancel or reduce, or require a participant to forfeit and disgorge to the Corporation or reimburse the Corporation for, any awards granted or vested, and bonus granted or paid, and any gains earned or accrued, due to the exercise, vesting or settlement of awards or sale of any common stock, to the extent permitted or required by, or pursuant to any Corporation policy implemented as required by, applicable law, regulation or stock exchange rule as may from time to time be in effect.

Timing of Equity Grants

While the Corporation does not coordinate the timing of equity awards around the release of material non-public information, when there is material non-public information, it may delay grants until such time as the information is either public or no longer material.

Securities Trading Policy

Domtar has adopted a securities trading policy that applies to our directors, officers, employees and agents, and family and household members, among others. This policy prohibits insider trading and tipping, short sales of Domtar securities, options transactions in puts, calls or other derivative securities, pledging and hedging.

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Risk Assessment of Compensation Programs, Policies and Practices

The Corporation has conducted an assessment of its compensation programs, policies and practices for all employees, including the Named Executive Officers, relative to risk to determine whether they create a reasonable likelihood of a material adverse effect on the Corporation. Based on this assessment, which also considered the control environment and approval processes in place, the Corporation concluded that its compensation programs, policies and practices do not encourage excessive or unnecessary risk-taking and are not reasonably likely to have a material adverse effect on the Corporation. The Corporation s findings were reported to, and discussed by, the Human Resources Committee.

This annual assessment, that was conducted by a Domtar cross-functional team comprising human resources, legal, finance and internal audit experts, involved a review of various elements of the compensation program that mitigate potentially aggravating risks. These elements include:

Pay Mix and Philosophy

- Target total direct compensation (base salary + target short-term incentives + target long-term incentives) is market competitive and in-line with peer practices.
- Compensation benchmarking peer group is reviewed and approved by the Human Resources Committee annually and the peer companies are appropriate in size and in business.
- Compensation mix is balanced between short-term and long-term performance goals, to encourage the appropriate short-term risk taking while not jeopardizing the long-term value creation of the company.

Short-Term Incentive Plan

- Multiple metrics in the short-term incentive plan, to reduce the emphasis on any particular metric.
- 60% of the Corporate STIP is predicated on achievement of bottom line profitability measures (EBITDA), while only 7.5% is top line (New Sales Growth).
- Healthy balance between accounting-based financial measures (e.g., EBITDA) and non-financial measures (e.g., Health and Safety).
- Short-term incentive payouts are capped at 200% of target.
- Achievement of performance results are validated by internal audit department.

- Human Resources Committee has discretion to adjust payouts, as necessary.

Long-Term Incentive Plan

- Performance Share Units (PSUs) comprise 60% of the target annual award value.
- PSU payouts are capped at 200% of target.
- PSU metrics are split between relative and absolute goals to balance performance and market measures.
- Rigorous process by which target performance is established and reported.
- Full value awards cliff-vest after a three-year period, further promoting long-term value creation.

Contracts / Severance / Change-in-Control provisions

- Double-trigger cash severance payments upon a Change-in-Control.
- Double-trigger equity vesting upon a Change-in-Control (unless substitute awards are not available).
- No excise tax gross-ups.
- Competitive Change-in-Control/Severance protections that are aligned with current market practices.
- Good Reason termination is limited to conservative circumstances.

Other

- Human Resources Committee utilizes an independent compensation consultant.
- Strong organizational culture of institutional and individual integrity, compliance, accountability and ethics, based on vision, mission and values embraced by all.

- Robust Code of Business Conduct and Ethics with mandatory annual training for all employees.
- Clawback in place for executives.

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- Hedging and pledging of company securities expressly prohibited.

- Meaningful stock ownership requirements in place to ensure there is appropriate focus on long-term company health while aligning interests of management and stockholders.

Human Resources Committee Report

We have reviewed and discussed the foregoing Compensation Discussion and Analysis with management as required by Item 402(b) of Regulation S-K. Based on our review and discussion with management, we have recommended to the Board that the Compensation Discussion and Analysis be included in this proxy statement and in the Corporation s Annual Report on Form 10-K for the year ended December 31, 2017.

Report submitted as of February 20, 2018 by:

THE HUMAN RESOURCES COMMITTEE:

Pamela B. Strobel, Chair

Brian M. Levitt

Denis Turcotte

Human Resources Committee Interlocks and Insider Participation

As of the date of this proxy statement, the Human Resources Committee consists of Mses. Strobel and Alvarez (who joined on February 21, 2018) and Messrs. Levitt and Turcotte, all of whom are independent non-management directors. None of the Human Resources Committee members has served as an officer or employee of the Corporation, and none of the Corporation s executive officers has served as a member of a compensation committee or board of directors of any other entity that has an executive officer serving as a member of the Corporation s Board.

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EXECUTIVE COMPENSATION

Summary Compensation Table and Narrative Disclosure

The table and footnotes below describe the total compensation paid or awarded to or earned by the following Named Executive Officers (NEOs):

- John D. Williams (Domtar s principal executive officer) for 2015, 2016 and 2017;
- Daniel Buron (Domtar s principal financial officer) for 2015, 2016 and 2017;
- the next three most highly compensated individuals who were serving as executive officers of Domtar on December 31, 2017, the last day of the fiscal year.

The components of the total compensation reported in the Summary Compensation Table are described below. For the description of the role of each component within the total compensation package, see the description under the heading Compensation Discussion and Analysis beginning on page 24 of this proxy statement.

Summary Compensation Table

Name and Principal Position	Year	Salary[(1)] ($)	Bonus ($)	Stock Awards[(2)] ($)	Option Awards[(3)] ($)	Non-Equity Incentive Plan Compen-sation[(4)] ($)	Change in Pension Value and Non-qualified Deferred Compensation Earnings[(5)] ($)	All Other Compen-sation[(6)] ($)	Total ($)
John D. Williams	2017	1,213,800		3,181,065	356,265	1,420,146	337,621	858,986	7,367,883
President and Chief	2016	1,213,800		3,133,604	313,470	1,809,124	360,973	721,691	7,552,662
Executive Officer	2015	1,213,800		3,096,336	365,469	1,364,618	481,839	679,151	7,201,213
Daniel Buron	2017	605,521		860,715	96,395	650,684	364,992	193,986	2,772,293
Senior Vice-President and	2016	593,648		779,286	77,957	673,061	307,988	161,035	2,592,975
Chief Financial Officer	2015	579,169		587,656	69,359	495,306	83,994	131,959	1,947,443
Michael Fagan	2017	528,256		703,921	78,840	283,640	105,682	165,173	1,865,512
President	2016	503,101		572,352	57,257	472,855	39,316	157,701	1,802,582

Personal Care Division	2015	503,101		481,289	56,806	498,805	36,579	159,968	1,736,548
Michael D. Garcia	2017	640,625		853,681	95,612	806,258	8,208	230,776	2,635,160
President, Pulp and	2016	640,625		840,941	84,127	744,795	21,835	223,228	2,555,551
Paper Division	2015	625,000		797,181	94,089	546,238	15,167	166,103	2,243,778
Zygmunt Jablonski	2017	546,998		607,448	68,033	462,312	195,761	189,786	2,070,338
Senior Vice-President and	2016	520,950		569,857	57,007	464,547	138,791	165,822	1,916,974
Chief Legal and Administrative Officer	2015	445,950		463,180	54,665	278,534	124,078	226,208	1,592,615

(1) This column represents the base salary earned for the full year in 2015, 2016 and 2017.

(2) This column represents the aggregate grant date fair value of the restricted stock units (RSUs) and the performance share units (PSUs) granted in the applicable year. For RSUs, the fair value is calculated using the closing price of our stock on the date of the grant. For the PSUs granted in 2017, this column represents the grant date fair value based on the probable outcome of the performance conditions at the date of the grant. The fair value of the awards was determined using the valuation methodology and assumptions set forth in Note 5 to the Corporation s financial statements included in the Corporation s annual report on Form10-K for the fiscal year ended December 31, 2017, which are incorporated by reference herein, except that the amounts in this column are modified to exclude any forfeiture assumptions related to service-based vesting conditions. The amounts do not reflect the value actually realized or that ultimately may be realized by the NEOs. Assuming the highest performance conditions for the 2017 PSU awards, the grant date fair value would be: Mr. Williams $4,213,743; Mr. Buron $1,140,124; Mr. Fagan $932,431; Mr. Garcia $1,130,833; and Mr. Jablonski $804,614.

(3) This column represents the grant date fair value of the options granted in 2015, 2016 and 2017. Options are the right to purchase shares of Domtar common stock at a specified price, over a specified term (usually seven years) following the grant date. The fair value of the awards was determined using the valuation methodology and assumptions set forth in Note 5 to the Corporation s financial statements included in the Corporation s annual report on Form 10-K for the fiscal year ended December 31, 2017, which are incorporated by reference herein, except that the amounts in this column are modified to exclude any forfeiture assumptions related to service-based vesting conditions. The amounts do not reflect the value, if any, that ultimately may be realized by the NEOs.

(4) This column represents the actual cash bonuses earned under Domtar s Annual Incentive Plan based on the performance level achieved. See Performance-Based Annual Bonuses in the CD&A for a discussion of the target performance levels.

(5) This column represents the actuarial increase in the applicable year in the pension value of the defined benefit retirement plans in which each named executive participates. Domtar does not pay above market rates or preferential rates under its nonqualified deferred compensation plans.

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(6) Amounts shown in the All Other Compensation column include the following (for 2017 only):

	Corporation Contributions to Defined Contribution Plans[(a)] ($)	Corporation Paid Medical Exams ($)	Personal Use of Corporate Transportation[(b)] ($)	Corporation Paid Insurance Premiums[(c)] ($)	Financial Counseling ($)	Professional Dues ($)	Dividends[(e)] ($)	Club Memberships[(f)] ($)	Relocation[(g)] ($)	
. ns	347,636	584	175,905	37,796	13,166		272,574	11,325		8
d)	143,107	1,196	1,849	11,242	3,100	873	32,619			1
el	110,122			26,178	3,500		25,373			1
el cia	152,396			19,124	3,500		55,756			2
nt ski	116,212		600	27,800			32,790		12,384	1

(a) Company contributions were made to the Domtar U.S. Salaried 401(k) plan for Messrs. Williams ($31,050), Garcia ($29,700), and Jablonski ($31,050), to the Domtar Personal Care 401(k) plan for Mr. Fagan ($29,700), to the Domtar Pension Plan for Non-Negotiated Employees for Mr. Buron ($10,104), to the DC SERP for Designated Executives of Domtar for Messrs. Williams ($316,586), Buron ($133,003), Garcia ($122,696) and Jablonski ($85,162) and to the DC SERP for Designated Executives of Domtar Personal Care for Mr. Fagan ($80,422).

(b) Pursuant to his employment agreement, Mr. Williams is entitled to 24 hours per year of personal use of corporate aircraft. The amount for Mr. Williams includes personal use of corporate aircraft ($140,860) and automobile ($35,045). Corporate aircraft charges are based on the incremental cost to Domtar. For Mr. Buron, the amount represents the cost of company-paid parking. For Mr. Jablonski, the amount represents the cost of travel for his spouse to attend a Domtar sponsored charity event.

(c) Represents the cost of company-paid health, welfare, disability, life, and accidental death and dismemberment insurance for the NEOs.

(d) For purposes of this table, amounts paid in Canadian dollars were converted to U.S. dollars at the average prevailing spot exchange rate over the period January 1 to December 31, 2017 (0.7704).

(e) The amounts in this column represent the grant date fair value of additional share units granted as dividend equivalents for fiscal 2017 on the RSUs, deferred RSU Bonus, and DSUs, in accordance with the Incentive Plan. The fair value of the awards was determined using the valuation methodology and assumptions set forth in Note 5 to the Corporation s financial statements included in the Corporation s annual report on Form 10-K for the fiscal year ended December 31, 2017, which are incorporated by reference herein. These dividend equivalents were credited at the same time as dividends were paid to stockholders, i.e. on January 17, 2017, April 17, 2017, July 17, 2017 and October 16, 2017.

(f) This represents the amount paid for club membership dues pursuant to Mr. Williams employment agreement.

(g) This amount reflects tax return services rendered pursuant to the Corporation s relocation program.

Grants of Plan-Based Awards Table

During 2017, the NEOs received the following types of plan-based awards:

Annual Incentive Plan Domtar s AIP is an incentive plan based on achieving pre-established annual targets. For 2017, the award under the AIP was payable in cash (see Compensation Discussion and Analysis Performance Based Annual Bonuses on page 32 of this proxy statement).

For each plan year, a specified percentage of each bonus award is based upon the performance objectives selected by the HRC for that plan year. Each performance objective has an associated threshold level that must be achieved for any of the bonus award associated with such objective to be paid. The maximum bonus award that could be paid under the plan framework to a NEO for any plan year is $5 million. The HRC may, in its sole discretion, reduce or eliminate the amount otherwise payable to a participant under the AIP. There is no payment under the plan for performance that does not meet the threshold level. The actual amount paid under the AIP for 2017 is set forth in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table.

Omnibus Incentive Plan The following equity awards were granted to current NEOs in 2017 under the Omnibus Incentive Plan:

RSUs RSUs were granted on February 21, 2017 under our Omnibus Incentive Plan to the NEOs. These RSUs vest on February 21, 2020, generally subject to the executive remaining employed on the vesting date. Dividend equivalents in the form of additional RSUs are credited to each executive s account each time a dividend is paid on the Corporation s common stock. Such additional RSUs vest and will be settled in the same manner as the RSUs to which they relate.

PSUs These awards were granted on February 21, 2017 under our Omnibus Incentive Plan. PSUs granted in 2017 to the named executive officers vest, generally subject to the executive remaining employed through February 21, 2020, based on the achievement of relative TSR and ROIC targets for performance periods from 2017 through 2019. These two metrics are equally weighted at 50%. See the description under the heading Details of Executive Compensation Program Long-Term Equity Incentives in the CD&A for additional information about these awards.

Stock Options Stock options were granted on February 21, 2017 under our Omnibus Incentive Plan to the NEOs. These options vest in three equal annual installments, beginning on February 21, 2018, generally subject to the executive remaining continuously employed through the vesting date.

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Grants of Plan-Based Awards Table

	Grant Type	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards[1] Threshold ($)	Target ($)	Maximum ($)	Estimated Future Payouts Under Equity Incentive Plan Awards[2] Threshold (#)	Target (#)	Maximum (#)	All Other Stock Awards: Number of Shares of Stock or Units[3] (#)	All Other Option Awards: Number of Securities Underlying Options[4] (#)	Exercise or Base Price of Option Awards[5] ($/sh)	Gran Fair of S and C Awa (
. Williams	AIP		426,044	1,420,146	2,840,292							
	RSUs	2/21/17							26,983			1,07
	PSUs	2/21/17				26,984	53,967	107,934				2,10
	Options	2/21/17								50,534	39.81	35
Buron	AIP		161,674	538,914	1,077,828							
	RSUs	2/21/17							7,301			29
	PSUs	2/21/17				7,301	14,602	29,204				57
	Options	2/21/17								13,673	39.81	9
el Fagan	AIP		141,044	470,148	940,296							
	RSUs	2/21/17							5,971			23
	PSUs	2/21/17				5,971	11,942	23,884				46
	Options	2/21/17								11,183	39.81	7
el D. Garcia	AIP		171,047	570,156	1,140,312							
	RSUs	2/21/17							7,241			28
	PSUs	2/21/17				7,242	14,483	28,966				56
	Options	2/21/17								13,562	39.81	9
nt ski	AIP		114,870	382,899	765,798							
	RSUs	2/21/17							5,153			20
	PSUs	2/21/17				5,153	10,305	20,610				40
	Options	2/21/17								9,650	39.81	6

(1) These columns consist of awards under the AIP for 2017. The Threshold column represents the minimum amount payable when threshold performance is met. The Target column represents the amount payable if the specified performance targets are reached. The Maximum column represents the maximum payment possible under the plan (see Performance-Based Annual Bonuses in the CD&A for a discussion of the target/maximum performance levels). See the Summary Compensation Table for actual cash amounts paid under the Annual Incentive Plan for 2017.

(2) These columns contain the PSU grant that represents the number of shares under the Omnibus Incentive Plan that will vest on February 21, 2020 if and to the extent the performance goals are achieved. The number of PSUs to grant was determined by dividing the target value of the grant by the closing price of a share of common stock on the date of the HRC meeting at which the grants were approved. The awards will be measured in four performance periods for the ROIC and TSR metrics: January 1 December 31, 2017, January 1 December 31, 2018, January 1 December 31, 2019 and January 1, 2017 December 31, 2019. The Threshold column represents the minimum number of shares payable if threshold performance is met during all performance periods. If performance is at or below the threshold performance, no shares will be paid. The Target column represents the number of shares payable if 100% of the performance targets are met during all performance periods. The Maximum column represents the number of shares payable if performance meets or exceeds the maximum performance target during all performance periods. See Long-Term Equity Incentives PSUs and Award Determination in the CD&A for a discussion of the threshold/target/maximum performance levels.

(3) This column contains RSU grants and represents the number of shares under the Omnibus Incentive Plan that will vest on February 21, 2020. The number of RSUs to grant was determined by dividing the target value of the grant by the closing price of a share of common stock on the date of the HRC meeting at which the grants were approved.

(4) The number of stock options to be granted is established by dividing the target value of the grant by the product of the closing price of a share of common stock on the date of the HRC meeting and the Black-Scholes option pricing valuation ratio (17.80%).

(5) The exercise price of each option is equal to the closing market price of Domtar common stock on the date the option was granted.

(6) This column represents the grant date fair value in accordance with FASB ASC Topic 718, but excludes any forfeiture assumptions related to service-based vesting conditions, as prescribed by SEC rules. See footnotes 3 and 4 to the Summary Compensation Table.

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Outstanding Equity Awards at Fiscal Year-End Table

The following table sets forth information concerning outstanding equity awards for each NEO at the end of fiscal year 2017, which included options, RSUs and PSUs. Amounts in the table are based on the price per share of Domtar s common stock of $49.52, the closing market price on December 29, 2017.

Number of Securities Underlying Unexercised Options (#) Exercisable This column represents Non-qualified Stock Options (NQs) for which the service requirements have been fulfilled.

Number of Securities Underlying Unexercised Options (#) Unexercisable This column represents NQs for which the service requirements have not been fulfilled.

Number of Shares or Units of Stock That Have Not Vested (#) This column represents RSUs that will vest if service requirements are fulfilled and PSUs for which performance goals have been achieved but which were not vested as of December 31, 2017.

Market Value of Shares Or Units of Stock That Have Not Vested ($) This column represents the market value of RSUs that will vest if service requirements are fulfilled and PSUs for which performance goals have been achieved but which were not vested as of December 31, 2017.

Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) This column represents PSUs that will vest if and to the extent predetermined performance targets are achieved. The tables below describe the performance assumptions associated with each award tranche for the purpose of calculating the number of unearned 2016 and 2017 PSUs:

PSU 2016		
Performance Period	ROIC Assumption (50%)	TSR Assumption (50%)
2018	Target	Threshold
2016-2018	Target	Threshold

PSU 2017		
Performance Period	ROIC Assumption (50%)	TSR Assumption (50%)
2018	Target	Threshold
2019	Target	Threshold
2017-2019	Target	Threshold

Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($) This column represents the market value of the unvested and unearned PSUs that will vest if and to the extent predetermined performance targets are achieved. The value ($) has been determined according to the table above.

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Outstanding Equity Awards at Fiscal Year-End Table

	Option Awards[1]				Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)[2]	Market Value of Shares Or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)[3]	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
John D. Williams					159,154	7,881,307	54,207	2,684,321
NQ 2014	73,124		$53.13	2/18/2021				
NQ 2015	27,192	13,597[4]	$43.42	2/23/2022				
NQ 2016		35,123[4]	$33.78	2/22/2023				
NQ 2017		50,534[4]	$39.81	2/21/2024				
Total	100,316	99,254			159,154	7,881,307	54,207	2,684,321
Daniel Buron					36,646	1,814,705	14,145	700,460
NQ 2013	10,710		$38.35	2/19/2020				
NQ 2014	16,344		$53.13	2/18/2021				
NQ 2015	5,160	2,581[4]	$43.42	2/23/2022				
NQ 2016	4,367	8,735[4]	$33.78	2/22/2023				
NQ 2017		13,673[4]	$39.81	2/21/2024				
Total	36,581	24,989			36,646	1,814,705	14,145	700,460
Michael Fagan					28,773	1,424,845	11,074	548,372
NQ 2014	11,660		$53.13	2/18/2021				
NQ 2015	4,226	2,114[4]	$43.42	2/23/2022				
NQ 2016		6,416[4]	$33.78	2/22/2023				
NQ 2017		11,183[4]	$39.81	2/21/2024				
Total	15,886	19,713			28,773	1,424,845	11,074	548,372
Michael D. Garcia					42,017	2,080,701	14,547	720,377
NQ 2014	22,448		$47.08	5/1/2021				
NQ 2015	7,000	3,501[4]	$43.42	2/23/2022				
NQ 2016		9,427[4]	$33.78	2/22/2023				
NQ 2017		13,562[4]	$39.81	2/21/2024				
Total	29,448	26,490			42,017	2,080,701	14,547	720,377
Zygmunt Jablonski					27,229	1,348,378	10,134	501,826
NQ 2013	6,918		$38.35	2/19/2020				

NQ 2014	10,554		$53.13	2/18/2021				
NQ 2015	4,066	2,035(4)	$43.42	2/23/2022				
NQ 2016	3,193	6,388(4)	$33.78	2/22/2023				
NQ 2017		9,650(4)	$39.81	2/21/2024				
Total	24,731	18,073			27,229	1,348,378	10,134	501,826

(1) Awards have been adjusted to reflect the two-for-one stock split effected on June 19, 2014.

(2) Includes earned, but unvested PSUs granted 2/23/15, 2/22/16, and 2/21/17 that vest 2/23/18, 2/22/19 and 2/21/20 respectively, subject to continued employment. Includes unvested RSUs granted, 2/23/15, 2/22/16 and 2/21/17 and associated dividend equivalents that will vest on 2/23/18, 2/22/19, and 2/21/20 respectively, subject to continued employment.

(3) Includes unvested PSUs granted 2/23/15, 2/22/16 and 2/21/17 that will vest 2/23/18, 2/22/19 and 2/21/20 respectively, subject to performance and continued employment.

(4) Options vest over three years in equal annual installments, no performance condition to be satisfied prior to exercise. The options that expire on 2/19/2020 were granted on 2/19/2013; options that expire on 2/18/2021 were granted on 2/18/2014; options that expire on 5/1/2021 were granted on 5/1/2014; options that expire on 2/23/2022 were granted on 2/23/2015; options that expire on 2/22/2023 were granted on 2/22/2016; and the options that expire on 2/21/2024 were granted on 2/21/2017.

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Option Exercises and Stock Vested Table

The table below provides information on the NEOs stock awards that vested and stock options that were exercised by our NEOs in 2017. Amounts in the following table reflect RSUs and PSUs granted as part of the 2014 grant that vested in 2017 and any related dividend equivalent units associated with these awards that vested in 2017.

	Option Awards		Stock Awards (RSUs and PSUs)	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
John D. Williams	45,913	183,406	27,772	1,105,955
Daniel Buron			6,208	247,227
Michael Fagan	7,361	31,355	4,429	176,381
Michael D. Garcia	4,712	42,188	28,765	1,132,208
Zygmunt Jablonski	3,134	19,169	4,008	159,604

Pension Benefits

The following table and narrative provide information on the defined benefit retirement plans in which the NEOs participate. The table illustrates the actuarial present value as of December 31, 2017 of benefits accumulated by the NEOs under Domtar s defined benefit pension plans and arrangements using the methodology required by the SEC pursuant to the U.S. Accounting Standards at the earliest unreduced retirement age under the plan.

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefits[1] ($)	Payments During Last Fiscal Year ($)
John D. Williams[3]	DB SERP for Management Committee Members of Domtar	10.00[2]	2,493,214	
Daniel Buron[3]	Supplementary Pension Plan for Designated Managers of Domtar Inc.	3.92	757,542	
	DB SERP for Management Committee Members of Domtar	13.67[4]	1,467,986	
Michael Fagan	DB SERP for Management Committee Members of Domtar	5.67	241,479	
Michael D. Garcia	DB SERP for Management Committee Members of Domtar	3.67	47,531	
Zygmunt Jablonski	DB SERP for Management Committee Members of Domtar	9.00	893,719	

(1) The Present Value of Accumulated Benefits has been calculated on the following basis:

(a) Best average earnings and credited service as of December 31, 2017.

(b)

Retirement is assumed to occur at age 62 (age 60 for Mr. Buron) or actual age if above, the earliest age that qualifies for an unreduced pension under the DB SERP.

(c) Assumptions used correspond to those used for the purposes of determining the accrued benefit obligations of the defined benefit plans as of December 31, 2017 for the financial statements of the Corporation (namely, a discount rate of 3.43% for Canadian executives and 3.55% for U.S. executives), except that no mortality or termination of employment assumption before retirement were used.

(2) Mr. Williams has an agreement whereby two additional months per year of credited service are recognized in the DB SERP (up to a maximum of 12 months). As of December 31, 2017, Mr. Williams has received 12 months of additional service. This was implemented to compensate Mr. Williams for pension arrangements Mr. Williams had with his previous employer.

(3) For purposes of this table, converted to U.S. dollars at the average prevailing spot exchange rate over the period January 1 to December 31, 2017 (0.7704).

(4) Years of credited service are retroactive to the date in 2004 when Mr. Buron became a member of the Management Committee of Domtar Inc. Mr. Buron is eligible for benefits under the DB SERP for service since his appointment to the Management Committee in 2004, in replacement of the benefits accrued by him under the Supplementary Pension Plan for Senior Management Employees (SPP) which he had joined in 2000. Because benefits under the DB SERP replaced the benefit accrued by Mr. Buron under the SPP, Mr. Buron s accrued pension under the DB SERP in respect of credited service prior to the time Mr. Buron began participating in the DB SERP will not be less than what he otherwise would have accrued under the SPP, based on earnings and Management Committee service up to that date.

DB SERP for Management Committee Members of Domtar (DB SERP). All of the NEOs participate in the DB SERP, a defined benefit plan. The annual pension payable is equal to 2% of the best average earnings during any consecutive 60 months in the last 120 months for each year of credited service as a member of the Management Committee, less an offset based on entitlements from other pension plans of the Corporation (generally based on the assumption that maximum contributions have been made to tax-qualified plans in which the executive is eligible to participate). Earnings include base salary and annual cash bonuses (up to the lesser of 50% of previous year s salary or 100% of target bonus).

Executives may retire as early as age 55 and are eligible for an unreduced pension at age 62 provided they have completed two years of service as a member of the Management Committee (age 60 for Mr. Buron), with a 0.5% reduction for each calendar month that retirement precedes age 62 (0.25% reduction for each month that retirement precedes age 60 for Mr. Buron). Member benefits are fully vested after two years of membership in the DB SERP. Normal retirement age is 65. If an executive dies before commencement of his pension payments, a single lump sum payment equal to the actuarial equivalent of the benefits to which he would have been entitled had his employment terminated for a reason other than death will be paid to his beneficiary or estate.

For a Canadian executive, the DB SERP pension is payable for life and guaranteed for a minimum of five years. Other forms of payment are available on an actuarially equivalent basis. A Canadian executive will continue to accrue credited service in the DB SERP if he is considered disabled under the Canadian Pension Plan. Benefits under the DB SERP will only be paid upon a disabled participant s actual termination of employment. Benefits for Canadian members of the Management Committee under the DB SERP who are not U.S. tax payers are generally gradually funded when such member reaches age 60, up to the normal retirement age (currently age 65). Such funding is maintained through retirement only if the member actually retires at age 65 or above while being a member of the Management Committee; otherwise, amounts set aside for the member revert to the Corporation. In the event of termination within 12 months of a change of control, the member s interest in the assets set aside vest. Otherwise, members will receive their benefits out of the general funds of the Corporation. For a U.S. executive, the present value of the DB SERP benefits will be paid in a lump sum upon retirement instead of a pension. Benefits under the DB SERP will only be paid upon a disabled participant s actual termination of employment. U.S. executives will receive their benefits out of the general funds of the Corporation.

Supplementary Pension Plan for Designated Managers of Domtar Inc. (Canadian Supplementary Plan). The annual pension payable under the Canadian Supplementary Plan is equal to 1.5% of the average of the Yearly Maximum Pensionable Earnings during the five years preceding the employee s termination of employment, plus 2% of the employee s best average earnings during any consecutive 60 months in the last 120 months prior to his termination of employment, in excess of the average Yearly Maximum Pensionable Earnings, multiplied by his years of credited service. This annual pension is reduced by the benefits payable under the Domtar Pension Plan for Non-Negotiated Employees (same benefits as the Canadian Supplementary Plan, but subject to the Canadian Income Tax Act limits). The Yearly Maximum Pensionable Earnings correspond to the maximum earnings on which an employee may contribute under the Quebec Pension Plan. Effective January 1, 2015, bonuses are limited to the lesser of 50% of previous year s salary or 100% of target bonus; however, the best average earnings since January 1, 2015 cannot be less than such average determined as at December 31, 2014. These benefits are fully vested from age 55 and also vest upon earlier of death or involuntary termination. Mr. Buron is eligible to receive benefits under the Canadian Supplementary Plan with respect to his service prior to becoming a member of the Management Committee of Domtar Inc. in 2004.

In December 2016, the Board approved the implementation of a securing arrangement through a letter of credit for benefits payable from the DB SERP and the Canadian Supplementary Plan for eligible Canadian executives who are not U.S. taxpayers. The securing arrangement took effect in 2017. Mr. Buron will be eligible for this coverage. The letter of credit will be used to pay eligible benefits in the event of failure of the employer to make payments.

The Corporation cautions that the values reported in the Present Value of Accumulated Benefit column are theoretical and are calculated pursuant to SEC requirements. The change in pension value from year to year is subject to market volatility and does not represent the value that a Named Executive Officer actually accrues under the Corporation s retirement plans during any given year nor what he will receive at retirement, termination or death.

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Nonqualified Deferred Compensation

The following table and narrative provide information on the nonqualified deferred compensation plans in which our NEOs participate. The table shows the 2017 account activity for each NEO and includes each executive s contributions, company contributions, earnings, distributions and the aggregate balance of his total deferral account as of December 31, 2017. The aggregate balance includes the total personal contributions made (and not withdrawn) by each executive and the contributions made by the Corporation and predecessor companies over the career of each executive.

Name ($)	Plan Name	Executive Contributions in Last FY[1] ($)	Registrant Contributions in Last FY[1] ($)	Aggregate Earnings in Last FY ($)	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance at Last FYE[3] ($)
John D. Williams	DC SERP		316,586	276,729		2,801,785
	Omnibus Incentive Plan			996,111[4]		4,087,334
Daniel Buron[2]	DC SERP		133,003	107,838		1,197,706
	Omnibus Incentive Plan					
Michael Fagan	Personal Care DC SERP		80,422	47,248		447,128
	Omnibus Incentive Plan					
Michael D. Garcia	DC SERP		122,696	28,846		346,581
	Omnibus Incentive Plan					
Zygmunt Jablonski	DC SERP		85,162	62,652		670,682
	Omnibus Incentive Plan			65,946[4]		270,596

(1) The amounts with respect to the DC SERP are included in the All Other Compensation column of the Summary Compensation Table , and the Omnibus Incentive Plan amount with respect to Mr. Williams, was reported in the Summary Compensation Table in prior years.
(2) DC SERP amounts are converted in U.S. dollars at the average prevailing spot exchange rate over the service period January 1 to December 31, 2017 (0.7704).
(3) The following amounts were reported in the Corporation s Summary Compensation Table for previous years:
- Mr. Williams, $266,043 of the amounts with respect to the DC SERP,
- Mr. Buron, $110,376 of the amounts with respect to the DC SERP,
- Mr. Garcia, $101,345 of the amounts with respect to the DC SERP,
- Mr. Fagan, $81,060 of the amounts with respect to the DC SERP,
- Mr. Jablonski, $61,167 of the amounts with respect to the DC SERP
(4) Reflects an increase in value of vested DSUs and deferred RSU Bonus, as well as dividend equivalents accrued with respect to the awards.

DC SERP for Designated Executives of Domtar (DC SERP) or DC SERP for Designated Executives of Domtar Personal Care (Personal Care DC SERP). All of the NEOs, except Mr. Fagan participate in the DC SERP and Mr. Fagan participates in the Personal Care DC SERP. These nonqualified supplemental pension plans for certain executives are intended to provide designated executives with retirement benefits in excess of benefits that may be payable in accordance with tax-qualified plans. The member s account is credited with a notional market-based investment return. Company contributions are fully vested after two years of membership. Upon death, retirement or termination of employment, the accumulated account balance is paid in a lump sum to the executive.

Canadian executives accounts are credited with an amount equal to 11% of earnings, less the value of the benefit provided by the employer contributions under the Domtar Pension Plan for Non-Negotiated Employees (the Canadian Pension Plan), calculated based on the assumption that the executive has elected to contribute to the defined contribution option at the maximum allowable rate. A Canadian executive will continue to accrue benefits if he is considered disabled under the Canadian Pension Plan. Benefits under the DC SERP will only be paid upon a disabled participant s actual termination of employment. A Canadian executive who retires after age 55 also has the option to receive his benefits over a 10-year period.

In December 2016, the Board approved the implementation of a securing arrangement through a letter of credit for benefits payable from the DC SERP for eligible Canadian executives who are not U.S. taxpayers. The securing arrangement took effect in 2017. Mr. Buron will be eligible for this coverage. The letter of credit will be used to pay eligible benefits in the event of failure of the employer to make payments.

For U.S. executives, the contribution formula under the DC SERP is the same as under the Domtar U.S. Salaried 401(k) Plan for a participant of the same age, without taking into account the tax limit applicable to tax qualified plans, less the employer contribution to the Domtar U.S. Salaried 401(k) Plan, calculated based on the assumption that the executive has elected to contribute to the Domtar U.S. Salaried 401(k) Plan at the maximum allowable rate. Effective January 1, 2015, Mr. Fagan s benefits accrued under the DC SERP were transferred to the Personal Care DC SERP and he became a participant of that plan on such date. The contribution formula of the Personal Care DC SERP is 11% of earnings, less the employer contribution to the Domtar Personal Care 401(k) Plan.

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For purposes of the DC SERP and Personal Care DC SERP, earnings includes base salary and annual cash bonuses.

Omnibus Incentive Plan. Messrs. Williams and Jablonski elected to defer the settlement of their 2011 RSU Bonus awards and related dividend equivalents granted under the Omnibus Incentive Plan that would have otherwise been settled in installments on February 22, 2012, 2013 and 2014. Mr. Jablonski also elected to defer the settlement of his 2010 RSU Bonus awards and related dividend equivalents granted that would have otherwise settled in installments on May 10, 2012 and 2013. These deferred awards are vested and will be payable upon the later of the fifth anniversary of the original settlement date or the termination of their respective employment. Mr. Williams also holds vested DSUs granted under the Omnibus Incentive Plan that will be payable upon his termination of employment.

The Corporation does not consider RSUs and PSUs that are reflected under Outstanding Equity Awards at Fiscal Year-End Table above to be deferred compensation and has not included them in the above table.

Employment Agreements and Potential Payments Upon Termination or a Change in Control

Severance Benefits

Mr. Williams. Under the terms of Mr. Williams amended and restated employment agreement, upon a termination of Mr. Williams employment by the Corporation for reasons other than death or cause (as defined in the agreement) or his breach of certain obligations in his employment agreement and other term of his employment agreement, Mr. Williams will be entitled to receive: a severance allowance of 24 months of his base salary in effect at the time of termination; a pro-rated portion of his annual bonus under the AIP for the year in which his employment is terminated, based on achievement of the applicable performance criteria; if such termination occurs after the end of a calendar year, any earned but unpaid bonus under the AIP; and for each calendar year during the severance period, a payment equal to the average of the bonus payments received by Mr. Williams under the AIP for the two years immediately preceding the year of his termination pro-rated for the number of days in the AIP performance period represented by the severance period; continued coverage under the Corporation s health insurance policies during the severance period; continued vesting of his unvested equity awards as if he had remained employed through the duration of the severance period; continued accrual of service credit under the DB SERP for the duration of the severance period; and any additional payments or benefits provided under the Domtar Severance Program for Management Committee members (Severance Program), the Domtar North American Assignment Policy and other Domtar policies that are not set forth in Mr. Williams amended and restated agreement. Notwithstanding the foregoing, in the event Mr. Williams employment terminates within three months prior to or 24 months following a Change in Control (as defined in our Severance Program) in a manner that would qualify for severance under our Severance Program, no program or benefits will be payable under his amended and restated agreement and he will be instead entitled to the severance and other benefits payable under our Severance Program.

Mr. Buron. Under the terms of the Supplementary Pension Plan for Designated Managers of Domtar Inc., Mr. Buron will be fully vested upon involuntary termination or death in service. These benefits are in addition to the Severance Program entitlements described below.

Other NEOs. Under our Severance Program applicable to members of its Management Committee, our NEOs would be entitled to up to 24 months salary payable in a lump sum upon a termination of employment by the Corporation for reasons other than cause, with benefit levels that vary based on service. Severance is equal to one year s base salary regardless of service as a member of the Management Committee, with three additional months salary paid for each full year of service on the Management Committee, up to a maximum of 24 months base salary. Messrs. Buron, Fagan, and Jablonski would be entitled to 24 months salary. The executives would also be entitled to continued health benefits for the severance period, except if the executive s benefits are subject to taxation in the

United States, in which case the health insurance policies maintained by the Corporation will remain in effect until the earlier to occur of the last day of the severance period and the 18-month anniversary of the date the executive s separation from service. The executives will also be entitled to outplacement services.

In the event one of the covered executives employment is involuntarily terminated without cause or the executive voluntarily terminates his employment for good reason within three months prior to or 24 months following a change in control of the Corporation, each of NEOs would be entitled to cash severance equal to 24 months salary plus two times his target bonus as of the date of termination or, if greater, the date of the change in control.

Other Post-Employment Benefits. Mr. Williams is eligible, if his termination is due to disability, for monthly disability payments during the severance period, reduced by an amount equal to his monthly base salary rate in effect at the time of termination, but in no month shall the reduction exceed the amount of the disability payment. If Mr. Williams remains disabled at the end of the severance period, he

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continues to be entitled to disability payments under the Corporation s disability policies, as amended from time to time, as if his disability had first occurred immediately prior to the end of the severance period.

In the event of death, an amount equal to 2.5 times base salary (up to a maximum of CAN$1,500,000) in the year of the death is payable to the beneficiaries of Canadian executives pursuant to the life insurance program offered under the Corporation s flexible benefit program option available to senior Canadian executives. In the event of the death of a U.S. executive (other than Mr. Williams, whose beneficiary would receive a payment of $2,757,000), the beneficiary will receive a payment equal to the calculated amount of the life insurance (up to maximum of $1,600,000 including the basic life insurance of $50,000) based on the basic annual salary of the executive in the year of his or her death pursuant to the U.S. Executive Life plan and using the following table:

Age	Multiplier
Under 45	5 times
45 to 49	4 times
50 to 54	3 times
55 or over	2 times

The supplemental pension benefits under the DB SERP for Management Committee Members of Domtar and under the DC SERP for Designated Executives of Domtar for Messrs. Williams, Buron, Fagan, Garcia and Jablonski are fully vested. They will receive benefits under these plans in the event of their death or if their employment were terminated involuntarily. However, before such date, all benefits in the event of death under these plans were considered vested.

Change in Control Protections. The Corporation does not have change in control agreements with its employees (although as described above, enhanced benefits may be available under our severance plan). Under our Omnibus Incentive Plan, upon a change in control, unless otherwise determined by the HRC, a participant s awards will be replaced with awards of the acquiring Corporation having the same or better terms. If there is a change in control and a participant s employment is terminated for business reasons in the three months prior to or 24 months after the change in control, his or her time-based awards will fully vest and performance-based awards will vest to the extent the applicable performance goals have been achieved as of the date of the change in control or the end of the fiscal quarter immediately prior to the date of termination, whichever date on which the achievement is greater.

If replacement awards are not available, unless the HRC determines otherwise, all time-based awards fully vest and performance-based awards vest to the extent the performance goals related to the award have been achieved as of the date of the change in control. Alternatively, the Committee may determine that vested awards will be canceled in exchange for a cash payment (or other form of change in control consideration) based on the value of the change in control payment and that unvested awards will be forfeited. The Board may also accelerate the vesting of any or all awards upon a change in control.

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The following table presents potential payments to each NEO as if the officer s employment had been terminated and/or if a change in control had occurred as of December 29, 2017, the last business day of 2017. If applicable, amounts in the table were calculated using $49.52 the closing market price of Domtar s common stock on December 29, 2017 (using the preceding business day stock price as the NYSE was closed on December 31, 2017). The actual amounts that would be paid to any NEO can only be determined at the time of an actual termination of employment and would vary from those listed below. The estimated amounts listed below are in addition to any retirement, welfare and other benefits that are available to *our salaried employees generally*.

Name	Severance Pay ($)	Equity With Accelerated Vesting[(1)] ($)	Retirement Plan Benefits: SERP ($)	Death/ Disability Benefits ($)	Continued Perquisites and Benefits[(2)] ($)	Total ($)
John D. Williams						
Death		14,646,673	5,161,628[(3)]	2,757,000[(5)]		22,565,301
Disability		16,867,475	5,161,628[(3)]	751,926[(4)]		22,781,029
Retirement			5,161,628[(3)]			5,161,628
Involuntary Termination	5,656,870	16,867,475	5,587,757[(3)]		26,507	28,138,609
Change-In-Control						
Involuntary Termination or Termination for Good Reason within Two Years after a Change-In-Control	5,267,892	15,675,687	5,161,628[(3)]		19,880	26,125,087
Daniel Buron						
Death		2,473,432	2,644,530[(3)]	576,424[(3)(5)]		5,694,386
Disability		2,204,664		960,852[(3)(4)]		3,165,516
Retirement						
Involuntary Termination	1,211,042		2,644,530[(3)]		15,730[(3)]	3,871,302
Change-In-Control						
Involuntary Termination or Termination for Good Reason within Two Years after a Change-In-Control	2,288,869	2,772,718	2,644,530[(3)]		15,730[(3)]	7,721,847
Michael Fagan						
Death		1,935,622	599,458	1,525,000[(5)]		4,060,080
Disability		1,725,855	599,458			2,325,313
Retirement		1,303,096	599,458			1,902,554
Involuntary Termination	1,056,512		599,458		23,844	1,679,814
Change-In-Control		1,647,356[(6)]				1,647,356
Involuntary Termination or Termination for Good Reason within Two Years after a Change-In-Control	1,996,808	2,172,086	599,458		23,844	4,792,196

Michael D. Garcia						
Death		2,794,517	346,581	1,550,000[5]		4,691,098
Disability		2,485,794	346,581			2,832,375
Retirement						
Involuntary Termination	1,121,094		346,581		19,880	1,487,555
Change-In-Control						
Involuntary Termination or Termination for Good Reason within Two Years after a Change-In-Control	2,421,563	3,074,659	346,581		19,880	5,862,683
Zygmunt Jablonski						
Death		2,099,487	1,527,681[3]	1,100,000[5]		4,727,168
Disability		1,899,578	1,527,681[3]			3,427,259
Retirement			1,527,681[3]			1,527,681
Involuntary Termination	1,093,996		1,527,681[3]		23,844	2,645,521
Change-In-Control						
Involuntary Termination or Termination for Good Reason within Two Years after a Change-In-Control	1,859,793	2,307,495	1,527,681[3]		23,844	5,718,813

(1) Amount included for PSU grant has been calculated at Target for Death benefits and, for all other instances, based on achievement of the performance goals through 2017 for the ROIC and TSR metrics and based on an estimated performance at threshold for the New Business EBITDA metric.

(2) Amount shown under Continued Perquisites and Benefits represents the cost of company-paid medical and dental for all NEOs, and also includes life and accidental death and dismemberment for Mr. Buron.

(3) For the purposes of this table, converted to U.S. dollars at spot exchange rate of December 31, 2017 (0.7971).

(4) Represents the estimated present value of the disability benefit that is in excess of what is currently offered to salaried employees. These benefits are uninsured.

(5) Represents the death benefit, which is fully insured.

(6) Represents the value of awards subject to 409A of the Code that will vest and be settled upon more narrowly defined change in control events as described in the Omnibus Incentive Plan. Includes amounts that would also be paid upon retirement. PSU performance has been calculated based on achievement of the performance goals through December 31, 2017.

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ITEM 2 ADVISORY VOTE TO APPROVE NAMED EXECUTIVE OFFICER COMPENSATION

Our executive officers are compensated in a manner designed to support our strategy, competitive needs, sound corporate governance principles, and stockholders interests and concerns. We believe our compensation program is aligned with the long-term interests of our stockholders.

As described in the Compensation Discussion and Analysis section of this proxy statement, the executive compensation program at Domtar is designed to attract, retain and motivate talented key executives to accomplish our operational, financial and strategic objectives over the long-term through our emphasis on variable pay and pay-for-performance. Highlights of the Corporation s executive compensation program, as described in the Compensation Discussion and Analysis section, include:

- Pay programs that are competitive with organizations similar in size and business challenges; and primarily performance-based, using multiple performance measures (internal and external);
- Bonuses capped at a maximum potential payout;
- Disclosure of the financial performance drivers for our short-term incentives, in numeric terms;
- Oversight of programs by an independent Human Resources Committee that engages its own independent compensation advisor;
- A long-term incentive program that is entirely stock-based and that is weighted toward performance-based equity to align the interest of executives to those of stockholders;
- Plan provisions that forbid backdating or repricing of stock options;
- No dividends or dividend equivalents provided on any unearned performance shares or units;
- Stock ownership guidelines and holding period requirement to achieve guidelines;
- Limited use of perquisites;
- No excise tax gross-ups for change in control related payments, all of which are based on what we believe are reasonable multiples with double triggers for all severance payments; and

Clawback provisions that allow for recoupment of incentives in certain situations.

We urge you to read the Compensation Discussion and Analysis section of this proxy statement for additional details on our executive compensation, including our compensation philosophy and objectives and the 2017 compensation of our Named Executive Officers.

Our stockholders voted in 2017, in a non-binding vote, to have annual advisory votes to approve the compensation paid to Domtar Named Executive Officers, and the Corporation has adopted that approach. The Board of Directors and the Human Resources Committee make executive compensation decisions every year, and our directors will look to the annual advisory vote for information that can be taken into account when they make decisions with respect to our compensation philosophy, policies and practices. Accordingly, we are asking you to vote, on an advisory basis, on the adoption of the following resolution:

RESOLVED that the stockholders approve, on an advisory basis, the compensation paid to Domtar Corporation s Named Executive Officers as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, the compensation tables, and the related disclosure contained in this proxy statement.

As an advisory vote, the voting results on this Proposal are non-binding. However, the Board of Directors and the Human Resources Committee value the opinions of our stockholders and, consistent with good governance principles, will consider the outcome of the vote when making future compensation decisions for our Named Executive Officers.

The affirmative vote of a majority of the shares of common stock present or represented by proxy and voting on this Item 2 at the annual meeting is required for approval of this Proposal. You have the opportunity to vote for or against , or abstain from voting on, the above resolution.

Unless you instruct us via proxy to vote differently, we will vote valid proxies FOR the approval of the compensation paid by the Corporation to its Named Executive Officers.

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Please note that if you hold your shares in Street name, your broker is not able to vote on your behalf with respect to the approval of the compensation paid by the Corporation to its Named Executive Officers without specific voting instructions from you. As a result, it is important that, if you are a stockholder in Street name, you provide instructions to your broker or vote your shares as provided in this proxy statement.

The Board of Directors unanimously recommends a vote FOR the approval of the compensation of our Named Executive Officers as disclosed in this proxy statement.

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DISCLOSURE OF THE CEO PAY RATIO

As required by the Dodd-Frank Wall Street Reform and Consumer Protection Act, and Regulation S-K (the Regulation), we are providing the following information about the relationship between the annual total compensation of our Chief Executive Officer and that of our median employee:

To determine its median employee for purposes of the CEO pay ratio, Domtar analyzed its employee population (excluding the CEO) of approximately 10,000 full, part-time and temporary employees across the U.S., Canada, Europe and Asia as of December 1, 2017. The median employee was identified using base compensation, which we determined reasonably reflects the annual compensation and is consistently applied to all our employees.

The calculation of total compensation of the CEO and the median employee was determined in the same manner as the Total Compensation shown for our CEO in the Summary Compensation Table on page 44.

In 2017, Domtar s CEO s total compensation was $7,367,883 and the total compensation of Domtar s median employee s was $69,047. The resulting ratio of total compensation of the CEO to our median employee is 107:1. This ratio is a reasonable estimate calculated in a manner consistent with the Regulation.

The applicable rules provide issuers with a great degree of flexibility in determining the methodology and related assumptions in identifying their median employee and calculating the ratio. As a result, the pay ratio we have disclosed in this proxy statement may not be comparable to pay ratios disclosed by other companies.

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AUDIT COMMITTEE REPORT CONCERNING FINANCIAL MATTERS

The Audit Committee s primary responsibility is the oversight of the Corporation s financial reporting process on behalf of the Board of Directors. Management is responsible for establishing and maintaining the Corporation s internal controls, for preparing the financial statements, and for the public reporting process. The independent registered public accounting firm is responsible for performing an audit of the Corporation s financial statements in accordance with generally accepted auditing standards and for issuing a report on its audit. The independent registered public accounting firm also issues a report on the effectiveness of the Corporation s internal control over financial reporting. The Audit Committee reviews the work of management and has direct responsibility for retention of the independent registered public accounting firm on behalf of the Board of Directors.

On behalf of the Board of Directors, the Audit Committee appointed PricewaterhouseCoopers LLP (PwC) as its independent registered public accounting firm to audit the Corporation s consolidated financial statements and the Corporation s internal control over financial reporting for the year ended December 31, 2017.

In conjunction with the activities performed by the Audit Committee in its oversight role, it has issued the following report as of February 20, 2018:

(1) The Audit Committee has reviewed and discussed with management of the Corporation and PwC the audited financial statements as of and for the year ended December 31, 2017. In addition, the Audit Committee reviewed and discussed with management, management s assessment and report on the effectiveness of the Corporation s internal controls over financial reporting and PwC s attestation report on the effectiveness of the Corporation s internal controls over financial reporting. These discussions included meetings with PwC without representatives of management being present.

(2) The Audit Committee has discussed with PwC the matters required to be discussed by Statement on Auditing Standards (SAS) No. 1301 (Communication with Audit Committees) as amended (AICPA, Professional Standards, AU Section 380), and in effect on the date of this report, as adopted by the Public Company Accounting Oversight Board in Rule 3200T.

(3) The Audit Committee has discussed with PwC its independence from the Corporation, and the Audit Committee has received from PwC, as required by applicable requirements of the Public Company Accounting Oversight Board:

(i) a written disclosure, indicating all relationships, if any, between PwC and its related entities and the Corporation and its related entities which, in PwC s professional judgment, reasonably may be thought to bear on PwC s independence, and

(ii) a letter from PwC confirming that, in its professional judgment, it is independent of the Corporation within the meaning of the securities acts administered by the SEC.

(iii) The Audit Committee has determined that PwC s provision of audit and non-audit services to the Corporation is compatible with maintaining auditor independence.

Based on the reviews and discussions referred to in paragraphs (1) through (3) above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Corporation s Annual Report on Form 10-K for the fiscal year ended December 31, 2017, for filing with the SEC.

THE AUDIT COMMITTEE:

David G. Maffucci, Chair

David J. Illingworth

Mary A. Winston

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INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FEES

The Corporation s fees for services performed by its independent auditor, PricewaterhouseCoopers LLP, (PwC) during fiscal years 2017 and 2016 were:

	2016	2017
Audit fees(1)	$ 3,156,553	$ 3,276,702
Audit-related fees	$ 36,631	$ 73,883
Tax fees(2)	$ 294,218	$ 244,329
All other fees(3)	$ 8,929	$ 23,396
Total	$ 3,496,331	$ 3,618,310

(1) Audit fees were primarily for services rendered in connection with the audit of the financial statements included in the Annual Report of the Corporation on Form 10-K, and reviews of the financial statements included in the Corporation s Quarterly Reports on Form 10-Q. Audit fees also include fees for professional services rendered for the audit of the effectiveness of internal control over financial reporting. This caption also includes audit fees for separate audit opinions for stand-alone audits of 100% owned subsidiaries of the Corporation as well as one joint venture.

(2) Tax fees related to tax compliance, tax planning and tax advice.

(3) The 2017 and 2016 fees included amounts for license fees for an accounting and reporting research tool.

The Audit Committee has established policies requiring its pre-approval of audit and non-audit services provided by the independent registered public accounting firm. The policies require that the Committee annually pre-approve specifically described audit and audit-related services. For the annual pre-approval, the Committee approves categories of audit services and audit-related services, and related fee budgets. For all pre-approvals, the Audit Committee considers whether such services impair the independence of the Corporation s independent registered public accounting firm. In accordance with its policies, the Audit Committee has delegated pre-approval authority to David G. Maffucci, in his capacity as Chairman of the Audit Committee. All audit and non-audit fees were approved pursuant to the policy in 2017 and 2016.

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ITEM 3 RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of the Board of Directors has appointed PricewaterhouseCoopers LLP (PwC) as its independent registered public accounting firm for the Corporation for the year 2018.

PwC has served as the Corporation s independent registered public accounting firm since 2007. PwC was the independent auditor of Domtar Inc. prior to March 7, 2007.

Although we are not required to have our stockholders ratify the selection of PwC as our independent registered public accounting firm, the Board of Directors requests ratification of this appointment by the stockholders as a matter of good corporate practice. A representative of PwC will be present at the annual meeting with the opportunity to make a statement if he or she so desires and to respond to appropriate questions.

The Board of Directors unanimously recommends a vote FOR ratification of the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm for the Corporation in 2018.

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SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires the Corporation s directors and executive officers to file reports of ownership and changes in ownership of their equity securities of the Corporation with the SEC and to furnish the Corporation with copies of such reports. Based solely upon a review of Forms 3, 4 and 5 furnished to the Corporation during the fiscal year ended December 31, 2017, no director, officer, beneficial owner of more than 10% of our outstanding common stock, or any other person subject to Section 16 of the Exchange Act, failed to file on a timely basis during the fiscal year ended December 31, 2017.

OTHER BUSINESS

The Board of Directors is not aware of any other matters to be presented at the annual meeting. If any other matter proper for action at the meeting should be presented, the holders of the accompanying proxy will vote the shares represented by the proxy on such matter in accordance with their best judgment. If any matter not proper for action at the meeting should be presented, the holders of the proxy will vote against consideration of the matter or the proposed action.

ANNUAL REPORT FOR 2017

Copies of the Corporation s annual report on Form 10-K for the fiscal year ended December 31, 2017 are being furnished concurrently with this proxy statement to persons who were stockholders of record as of March 16, 2018, the record date for the annual meeting. These materials do not form part of the material for the solicitation of proxies. We hereby incorporate by reference into this proxy statement Item 10: Directors and Executive Officers of the Registrant of our annual report on Form 10-K for the fiscal year ended December 31, 2017.

By Order of the Board of Directors,
Razvan L. Theodoru
Vice-President, Corporate Law and Secretary

Fort Mill, South Carolina

April 6, 2018

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Domtar Corporation

Reconciliation of Non-GAAP Financial Measures

(In millions of dollars, unless otherwise noted)

The following table sets forth certain non-U.S. generally accepted accounting principles (GAAP) financial metrics identified in bold as Earnings before items , Earnings before items per diluted share , EBITDA , EBITDA margin , EBITDA before items , EBITDA margin before items , Free cash flow , Net debt and Net debt-to-total capitalization. Management believes that the financial metrics are useful to understand our operating performance and benchmark with peers within the industry. The Company calculates Earnings before items and EBITDA before items by excluding the after-tax (pre-tax) effect of specified items. These metrics are presented as a complement to enhance the understanding of operating results but not in substitution for GAAP results.

			2015	2016	2017
Reconciliation of Earnings before items to Net earnings (loss)					
	Net earnings (loss)	($)	142	128	(258)
(+)	Impairment of goodwill and property, plant and equipment	($)	47	22	573
(+)	Closure and restructuring costs	($)	4	25	1
(+)	Litigation settlement	($)		2	
(-)	Net gains on disposals of property, plant and equipment	($)	(12)		(11)
(-)	Reversal of contingent consideration	($)			(2)
(+)	Impact of purchase accounting	($)		1	
(-)	U.S. Tax Reform	($)			(140)
(+)	Debt refinancing costs	($)	30		
(=)	Earnings before items	($)	211	178	163
(/)	Weighted avg. number of common shares outstanding (diluted)	(millions)	63.4	62.7	62.7
(=)	Earnings before items per diluted share	($)	3.33	2.84	2.60
Reconciliation of EBITDA and EBITDA before items to Net earnings (loss)					
	Net earnings (loss)	($)	142	128	(258)
(+)	Income tax expense (benefit)	($)	14	29	(125)
(+)	Interest expense, net	($)	132	66	66
(=)	Operating income (loss)	($)	288	223	(317)
(+)	Depreciation and amortization	($)	359	348	321
(+)	Impairment of goodwill and property, plant and equipment	($)	77	29	578
(-)	Net gains on disposals of property, plant and equipment	($)	(15)		(13)
(=)	EBITDA	($)	709	600	569
(/)	Sales	($)	5,264	5,098	5,157
(=)	EBITDA margin	(%)	13%	12%	11%
	EBITDA	($)	709	600	569
(+)	Closure and restructuring costs	($)	4	32	2
(+)	Litigation settlement	($)		2	
(-)	Reversal of contingent consideration	($)			(2)
(+)	Impact of purchase accounting	($)		1	

(=)	EBITDA before items	($)	713	635	569
(/)	Sales	($)	5,264	5,098	5,157
(=)	EBITDA margin before items	(%)	14%	12%	11%

			2015	2016	2017
Reconciliation of Free cash flow to Cash flow from operating activities					
	Cash flow from operating activities	($)	453	465	449
(-)	Additions to property, plant and equipment	($)	(289)	(347)	(182)
(=)	**Free cash flow**	($)	164	118	267
Net debt-to-total capitalization computation					
	Bank indebtedness	($)		12	
(+)	Long-term debt due within one year	($)	41	63	1
(+)	Long-term debt	($)	1,210	1,218	1,129
(=)	Debt	($)	1,251	1,293	1,130
(-)	Cash and cash equivalents	($)	(126)	(125)	(139)
(=)	**Net debt**	($)	1,125	1,168	991
(+)	Shareholders equity	($)	2,652	2,676	2,483
(=)	Total capitalization	($)	3,777	3,844	3,474
	Net debt	($)	1,125	1,168	991
(/)	Total capitalization	($)	3,777	3,844	3,474
(=)	**Net debt-to-total capitalization**	(%)	30%	30%	29%

Earnings before items , Earnings before items per diluted share , EBITDA , EBITDA margin , EBITDA before item EBITDA margin before items , Free cash flow , Net debt and Net debt-to-total capitalization have no standardized meaning prescribed by GAAP and are not necessarily comparable to similar measures presented by other companies and therefore should not be considered in isolation or as a substitute for Net earnings (loss), Operating income (loss) or any other earnings statement, cash flow statement or balance sheet financial information prepared in accordance with GAAP. It is important for readers to understand that certain items may be presented in different lines by different companies on their financial statements, thereby leading to different measures for different companies.

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Domtar Corporation

Reconciliation of Non-GAAP Financial Measures By Segment

(In millions of dollars, unless otherwise noted)

The following table sets forth certain non-U.S. generally accepted accounting principles (GAAP) financial metrics identified in bold as Operating income (loss) before items , EBITDA before items and EBITDA margin before items by reportable segment. Management believes that the financial metrics are useful to understand our operating performance and benchmark with peers within the industry. The Company calculates the segmented Operating income (loss) before items by excluding the pre-tax effect of specified items. These metrics are presented as a complement to enhance the understanding of operating results but not in substitution for GAAP results.

			Pulp and Paper			Personal Care[1]			Corporate		
			2015	2016	2017	2015	2016	2017	2015	2016	2017
Reconciliation of Operating income (loss) to Operating income (loss) before items											
	Operating income (loss)	($)	270	217	250	61	57	(527)	(43)	(51)	(40)
(+)	Impairment of goodwill and property, plant and equipment	($)	77	29				578			
(-)	Net gains on disposals of property, plant and equipment	($)	(14)		(4)				(1)		(9)
(-)	Reversal of contingent consideration	($)									(2)
(+)	Closure and restructuring costs	($)	3	31		1	1	2			
(+)	Litigation settlement	($)								2	
(+)	Impact of purchase accounting	($)					1				
(=)	**Operating income (loss) before items**	($)	336	277	246	62	59	53	(44)	(49)	(51)
Reconciliation of Operating income (loss) before items to EBITDA before items											
	Operating income (loss) before items	($)	336	277	246	62	59	53	(44)	(49)	(51)
(+)	Depreciation and amortization	($)	297	284	254	62	64	67			
(=)	**EBITDA before items**	($)	633	561	500	124	123	120	(44)	(49)	(51)
(/)	Sales	($)	4,458	4,239	4,216	869	917	1,005			
(=)		(%)	14%	13%	12%	14%	13%	12%			

EBITDA margin before items

Operating income (loss) before items , EBITDA before items and EBITDA margin before items have no standardized meaning prescribed by GAAP and are not necessarily comparable to similar measures presented by other companies and therefore should not be considered in isolation or as a substitute for Operating income (loss) or any other earnings statement, cash flow statement or balance sheet financial information prepared in accordance with GAAP. It is important for readers to understand that certain items may be presented in different lines by different companies on their financial statements, thereby leading to different measures for different companies.

(1) On October 1, 2016, the Company acquired 100% of the shares of Home Delivery Incontinent Supplies Co. in the United States.

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