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Domtar Corporation 2024 Report

**To the Canadian Minister of Public Safety
Fighting Against Forced Labour and Child Labour in Supply Chains Act**

May 31, 2024



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About Domtar

Domtar designs, manufactures, markets and distributes a wide variety of fibre-based products, including paper, market pulp, wood products and tissue, which are marketed in more than 80 countries. The company is the largest integrated manufacturer and marketer of uncoated freesheet paper and uncoated mechanical papers in North America, as well as a leading global producer of newsprint, fluff, recycled and softwood pulp in North America. It owns or operates manufacturing facilities, including pulp and paper mills, tissue facilities and sawmills, as well as power generation assets in the United States and Canada. Domtar's paper and tissue manufacturing operations are supported by its converting and forms manufacturing operations.

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| Reporting entity's legal name | Domtar Corporation |
| Financial reporting year | January 1, 2023, to December 31, 2023 |
| Identification of a revised report | None |
| Identification of a joint report | This report jointly covers Domtar Corporation's primary operating subsidiaries in Canada: Domtar Inc., Resolute FP Canada Inc. and Catalyst Paper Corporation (collectively referred to as "Domtar") |
| Entity categorization according to the Act | Has a place of business in Canada, does business in Canada or has assets in Canada and, on the basis of its consolidated financial statements, meets at least two of the following conditions for at least one of its two most recent financial years: a) It has at least \$20 million in assets; b) It has generated at least \$40 million in revenue; c) It employs an average of at least 250 employees. |
| Sector/Industry | Pulp, paper, tissue, packaging and lumber manufacturing in Canada and the United States (U.S.) |
| Location | Domtar Corporation is incorporated in Delaware, with a head office in Fort Mill, South Carolina, and numerous manufacturing facilities across the United States and Canada |

Domtar's commitment to reduce the risk of forced labour and child labour

Domtar is committed to upholding human rights in all its global activities. It strives to prevent and mitigate any adverse human rights impacts resulting from its activities and, on becoming aware of any such impacts, takes prompt action. Domtar's employees are required to adhere to the company's policies and to comply with all applicable laws and regulations concerning human rights in the jurisdictions where it operates. Its Code of Business Conduct and Ethics (<https://www.domtar.com/our-company/company-policies/>) provides the framework and expectations for Domtar's operations, outlining its commitment to human rights and ethical conduct. Additionally, Domtar aligns its principles with international standards, including the United Nations Global Compact, the Universal Declaration of Human Rights and the International Labour Organization Declaration on Fundamental Principles and Rights at Work.

Domtar recognizes the critical role of sound supply- and value-chain management in upholding its commitments to human rights. The company is committed to ensuring its supply chain is free of practices that violate individual freedom and dignity. It strictly prohibits child labour and forced labour under any circumstances, nor does it tolerate its use by contractors and suppliers. Domtar also rejects any form of physical abuse as disciplinary action. Furthermore, it is strongly opposed to, and does not permit, human trafficking in its labour force or that of its contractors and suppliers.

In response to the enactment of Canada's Fighting Against Forced Labour and Child Labour in Supply Chains Act (the "Act") in 2023, Domtar has taken additional steps to assess any risks related to forced or child labour, as well as to strengthen its procurement practices, policies, contract language and oversight.

This report describes the work Domtar has undertaken to:

1. establish a task force with representatives from its legal, procurement and sustainability functions to oversee compliance with the Act;
2. conduct a risk assessment of its supply chain to identify risks related to slavery, child and forced labour, and human trafficking;
3. enhance procurement practices;
4. revise and update procurement policies;
5. improve the language related to procurement in contractual agreements; and
6. provide training to responsible personnel in its procurement function in relation to the Act and warning signs to look for in the forest products sector.

Domtar's structure, activities, governance and supply chains

Domtar is a Delaware corporation with its head office in Fort Mill, South Carolina, United States. It is a voluntary filer with the Securities and Exchange Commission in the United States. Its most recent 10-K annual report is available at <https://www.sec.gov/edgar/browse/?CIK=1381531>

Through its subsidiaries, Domtar operates more than 60 pulp, paper, tissue, packaging, converting, solid wood and office facilities across the United States and Canada. A list of the subsidiaries is provided in the Appendix.

Paper and Packaging: Domtar has six integrated pulp and paper mills, with an annual paper production capacity of 2.2 million tons of uncoated freesheet paper, serving a variety of customers, including merchants, retail outlets, stationers, printers, publishers, converters and end-users. It also has one mechanical paper mill with an annual paper production capacity of 265,000 tons of coated, directory and specialty papers. Its paper manufacturing operations are supported by converting and forms manufacturing operations. The company produces a wide variety of paper, including office papers, printing and publishing papers, digital and production inkjet papers, technical and specialty papers and converting papers. In 2023, Domtar started operations at its newly converted packaging mill in Kingsport, TN. The mill manufactures packaging materials made from 100% recycled content with an annual production capacity of 600,000 tons of high-quality recycled linerboard and corrugating medium, giving the company a strategic footprint in a growing market. Approximately 55% of Domtar's pulp is consumed internally to manufacture paper, with the balance sold as market pulp. In addition, Domtar produces fluff pulp at its pulp mills in Ashdown, AR, and Plymouth, NC, as well as softwood pulp

at its Skookumchuck and Crofton, BC, pulp mills. Domtar can sell 1.5 million metric tons of market pulp a year, depending on market conditions.

Pulp and Tissue: Domtar produces softwood and recycled bleached kraft pulp at three facilities, with a total capacity of 0.8 million metric tons. The company produces softwood pulp at its pulp mill in Saint-Félicien, QC, fluff pulp at its Coosa Pines, AL, pulp mill and recycled pulp at its Menominee, MI, pulp mill. It produces newsprint and specialty papers at six mills strategically located to serve major markets, with a total capacity of 1.2 million tons. Its specialty papers comprise uncoated mechanical papers, including supercalendered paper and white paper. Domtar produces tissue products at three facilities with a total capacity of 128,000 tons. The company also has one converting facility and a total of 14 tissue-converting lines. It manufactures a range of tissue products for the retail and away-from-home markets, including recycled and virgin paper products, covering premium, value and economy grades.

Wood Products: Domtar owns or operates 14 sawmills in Canada and three sawmills in the Southern United States, with a total mechanical capacity of 2,860 million board feet. The company's Canadian sawmills produce dimension spruce-pine-fir lumber and provide wood chips to its pulp and paper mills in Canada and to third parties. Its U.S. sawmills produce dimension lumber and decking from southern yellow pine and provide wood chips and other wood residue to one of its pulp and paper mills in the United States as well as to third-party pulp and paper mills and other end users. Domtar sawmills also supply wood residue to its other segments, to be used as fuel to produce electricity and steam from renewable sources. The company also operates two remanufactured wood products facilities that produce bed-frame components, finger joints and furring strips, as well as two engineered wood products facilities that manufacture I-joists for the construction industry and one wood pellet facility.

Domtar has 14,000 full-time employees in Canada and the United States.

Domtar's executive officers are:

- **John D. Williams.** As Non-Executive Chairman of the Management Board, Mr. Williams leads a team of executives responsible for providing additional oversight and financial checks and balances. He retired as President and Chief Executive Officer of Domtar on June 30, 2023, a position he had held since January 2009.
- **Joe Ragan,** Executive Vice President and Chief Financial Officer. Mr. Ragan was previously President and Chief Investment Officer of Paper Excellence Group and was appointed to his new role in April 2023.
- **Steve Henry,** President of Paper and Packaging.
- **Hugues Simon,** President of Wood Products.
- **Richard Tremblay,** President of Pulp and Tissue.

Fibre: Domtar's sources of wood include local producers, sawmills that supply residual wood chips, government-owned land where the company holds timber supply guarantees or harvesting rights, and property that it owns or leases. In the United States, the company uses mainly wood fibre (softwood and hardwood) as well as old corrugated containers. In Canada, it uses hardwood and softwood, including a significant amount of residual chips from its sawmills. Domtar holds licenses from government authorities in Ontario and Quebec to harvest fibre from public lands in those provinces.

Chemicals: Domtar purchases various chemical compounds for its manufacturing operations under contracts with terms of one to 10 years to ensure product availability. For pulp

manufacturing, the company uses chemicals such as caustic soda, sodium chlorate, sulphuric acid, hydrogen peroxide and lime. For paper manufacturing, it uses starch, precipitated calcium carbonate, clay, optical brighteners, dyes and aluminum sulfate. Many of these products are purchased globally and involve international supply chains.

Energy: Domtar's operations produce and consume substantial amounts of energy, mainly from biomass, natural gas and electricity. Most of its energy comes from renewable sources, such as bark and by-products from its manufacturing process, such as spent pulping liquor. The remainder comes from natural gas, electricity, other fossil fuels and steam purchased under supply contracts. The company has cogenerating assets at a number of its integrated pulp and paper mills. These assets generate green energy, primarily from renewable biomass. It also has a hydroelectric generation and transmission network with seven generating stations totalling 170 MW of capacity. These assets provide most of the electricity needed for its manufacturing operations, with the balance supplied by local utilities.

Policies and due diligence processes

Domtar has adopted policies on ethics, business conduct and fundamental human rights, including its Code of Business Conduct and Ethics, Whistleblower Complaints Policy, California Transparency in Supply Chains Act Disclosure and Human Rights Policy. The company's strong corporate governance and oversight of its policies include regular audits and annual senior management reviews. As part of its compliance program, annual online training is provided to its employees on the Code of Business Conduct and Ethics. Domtar's comprehensive compliance program guides its actions and helps ensure the company remains in compliance with applicable laws and regulations in the countries where it operates.

Domtar's relationship with its suppliers is based on fair and legal practices. The company expects its suppliers to obey laws concerning fair treatment of workers, to provide safe and healthy work environments and to act in an environmentally responsible manner. It is committed to ensuring that its supply chain reflects its values and respects human rights. Domtar expects its suppliers to act responsibly, as outlined in its Code Business Conduct and Ethics. Specifically, Domtar expects its suppliers:

- not to use any form of compulsion, coercion, forced labour or involuntary prison labour, including any human trafficking and slavery;
- not to employ underage employees, as defined by applicable child labour laws;
- to comply with applicable minimum-wage, overtime and maximum-hour laws, as well as other wage and hour regulations; and
- to comply with applicable laws related to an employee's choice to join, or not to join, any legally sanctioned organization or association.

To monitor compliance with its expectations, Domtar periodically assesses a select number of suppliers on the basis of its reasonable judgment of potential risks. Supplier participation in the assessments is mandatory. The company also requires its suppliers to certify that they comply with applicable laws on slavery and human trafficking.

Enterprise risk management (ERM)

Domtar's ERM process helps it identify and manage potential risks that could affect its operations and business objectives. The company evaluates such risks in terms of likelihood and magnitude of impact, determines a response strategy and monitors progress. Its internal audit team leads the annual ERM process by seeking input from senior management on key risks and mitigation plans. This information helps the executive team and the Management Board's Audit Committee understand the major risks facing the company. The identified risks are taken into account in the development of Domtar's annual audit plan.

The Audit Committee oversees risk assessment and management, including contingent liabilities and risks that may be material to the company.

2023 supply-chain risk assessment of slavery, child and forced labour, and exposure to human trafficking

In 2023, in addition to its ERM process, Domtar undertook a supply-chain risk assessment focusing primarily on its global chemical suppliers. Energy and fibre were excluded from this initial assessment because they are locally sourced from low-risk regions in Canada and the United States. Additionally, 100% of Domtar's fibre supply is sourced in accordance with the following third-party certification requirements: the Sustainable Forestry Initiative's fibre-sourcing requirements; the Programme for the Endorsement of Forest Certification's chain-of-custody due diligence requirements; or the Forest Stewardship Council's Controlled Wood Standard; and in some cases a combination of all three standards. All the standards require rigorous due diligence, including strict labour practices.

Furthermore, all Domtar's mills and wood product facilities have fibre-tracking systems and are third-party certified according to one or more of the following internationally recognized chain-of-custody standards:

- Sustainable Forestry Initiative® (SFI®);
- Programme for the Endorsement of Forest Certification (PEFC);
- Forest Stewardship Council® (FSC®).

For the risk assessment, Domtar began by gathering data on almost 6,000 suppliers from its SAP system. The company then vetted the suppliers using a third-party supply-chain visibility platform called Descartes, which provided more details about each supplier's reputation and any concerns, especially those linked to high-risk countries. It identified five chemical suppliers with global business involvement that warranted further due diligence inquiries. The suppliers were sent an online questionnaire about their compliance with Canada's Fighting Against Forced Labour and Child Labour in Supply Chains Act. The questions covered child labour, forced labour and human trafficking, and their policies and practices on these matters. All five suppliers completed the questionnaire and provided supporting documents, including their codes of business conduct. Domtar's assessment found no issues or red flags.

In addition to the risk assessment and due diligence that were carried out, Domtar is working on an updated procurement policy that will require new suppliers to comply with the Fighting Against Forced Labour and Child Labour in Supply Chains Act under their contracts and purchase-order terms and conditions. The Descartes platform will be used to screen potential

suppliers for compliance, to assess their risk status through a survey and to have them sign an affidavit confirming they do not use child labour or forced labour.

Forced labour and child labour risks

Domtar's risk assessment and due diligence processes to address potential risks of child and forced labour within its supply chain did not identify any material concerns.

Remediation measures

Domtar's Code of Business Conduct and Ethics, along with its Whistleblower Complaints Policy and hotline, provides a platform for its employees and suppliers to report any ethical, legal or other concerns. The company is committed to addressing and remediating any verified cases of child labour or forced labour within its supply chain. In 2023, no remediation measures were necessary because the risk assessment and due diligence processes did not uncover any material risks of child or forced labour within its supply chain.

Remediation of loss of income

The risk assessment and due diligence on the potential presence of child labour and forced labour within Domtar's supply chain identified no material child or forced labour risks. Accordingly, no remediation actions were required to address income loss from such risks.

Training

In March 2024, Domtar held a mandatory training session on modern slavery for 50 procurement leaders, in English and French. The training covered the global issue of modern slavery, highlighting the risks of forced labour and the warning signs to look for in the forest products sector. It also outlined the current reporting standards and laws, including Canada's Fighting Against Forced Labour and Child Labour in Supply Chains Act and similar laws in other jurisdictions.

Additionally, Domtar provided environmental, social and governance (ESG) training to 280 executives, directors and managers between November 2023 and February 2024. The training included an overview of sustainability best practices for risk management, governance and reporting on high-impact material issues, such as modern slavery and human rights.

Assessing effectiveness

Domtar's risk assessment and due diligence processes give it confidence that the risk of child labour or forced labour within its supply chain is low. The company has a comprehensive compliance program and appropriate policies, which are audited on an annual basis, to prevent and to reduce such risks. It will continue to reassess the effectiveness of these measures, including use of the latest risk management tools enabling procurement professionals to screen suppliers.

From a business management perspective, Domtar is confident that ongoing improvements to its procurement systems (practices, policies, contractual language, training and oversight) are making the systems more robust and better at identifying and mitigating potential illegal supplier practices.

Attestation

In accordance with the requirements of the Act, in particular section 11 thereof, I attest that I have reviewed the information contained in the report for Domtar. On the basis of my knowledge, and having exercised reasonable diligence, I attest that the information in the report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.

Name: John D. Williams

Title: Non-Executive Chair of the Management Board

Date: May 8, 2024

Signature: 

I have the authority to bind Domtar Corporation.

Appendix: List of Domtar's subsidiaries

Domtar Industries LLC
Domtar Funding Limited Liability Company
E.B. Eddy Paper, Inc.
Ariva Distribution Inc.
Domtar A.W. LLC
Domtar Wisconsin Dam Corp.
Domtar Europe Sprl
Domtar AI Inc.
EAM Corporation
Palmetto Enterprises LLC
Domtar Paper Company, LLC
Domtar Delaware Holdings, LLC
West Carrollton Paper LLC
Domtar Delaware Holdings Inc.
Domtar Luxembourg Investments Sarl
Domtar Inc.
13536637 Canada Inc.
Domtar Pulp and Paper General Partnership (held 0.001% by 13536637 Canada Inc. and 99.999% by DInc)
Domtar Asia Limited
Domtar Hong Kong Limited (held 34% by DInc. and 66% by DPC, LLC)
Catalyst Paper Corporation
468327 B.C. Ltd.
0606890 B.C. Ltd.
3264904 Canada Limited
3744809 Canada Inc.
British Columbia Forest Products Limited
Catalyst Pulp and Paper Sales Inc.
Crofton Pulp and Paper Limited
Echelon Paper Corporation
Elk Falls Pulp and Paper Limited
Export Sales Co. Ltd.
NSC Holdings (Philippines) Inc.
Pacifica Poplars Ltd.
Catalyst Pulp Operations Limited
Catalyst Pulp Sales Inc.
Catalyst Paper General Partnership (held 99.9% by Domtar and 0.01% by 13536637 Canada Inc.)
Catalyst Paper Holdings Inc.
Catalyst Paper Recycling Inc.
Catalyst Paper (Snowflake) Inc.
Catalyst Paper (USA) Inc.
Pacific Falcon Corporation
Pacifica Papers U.S. Inc.
Pacifica Poplars Inc.
Pacifica Papers Sales Inc.
Domtar Renaissance, LLC
Resolute Forest Products Inc.
Donohue Corp.
Resolute US Lumber Inc.
Resolute El Dorado Inc.
Resolute Navcor LLC
Resolute Cross City LLC
Resolute Cross City Timber Management LLC
Resolute Caddo River LLC
Resolute Cross City Real Estate Holdings LLC
Resolute Glenwood LLC

Fibrek U.S. Inc.
 Fibrek Recycling U.S. Inc.
 GLPC Residual Management, LLC
 AbiBow Recycling LLC
 Abitibi Consolidated Sales LLC
 Resolute FP Augusta LLC
 Resolute Growth US LLC
 Resolute FP Florida Inc.
 Atlas Tissue Holdings, Inc.
 Atlas Paper Mills, LLC
 Atlas Paper Management, LLC
 Accurate Paper Holdings, LLC
 Atlas Southeast Papers, Inc.
 Resolute Tissue LLC
 Bowater Newsprint South LLC
 Resolute FP US Inc. (held 27.01% by BNS LLC and 72.99% by RFP Inc.)
 Bowater Nuway Mid-States Inc.
 Resolute FP Sub 1 Inc.
 Lake Superior Forest Products Inc.
 Calhoun Newsprint Company
 Calhoun Note Holdings AT LLC
 Calhoun Note Holdings TI LLC
 Resolute Hagerstown LLC
 Resolute Engineered Wood Sales LLC
 Bowater South American Holdings Incorporated
 Bowater Canadian Holdings Incorporated
 Bowater Canadian Limited
 AbitibiBowater Canada Inc.
 Resolute FP Canada Inc. (held 75.9% (non-voting shares) by RFP Inc. and 24.1% (non-voting shares) RFPUS Inc., and 100% (voting shares) by AbitibiBowater Canada Inc.)
 Resolute Engineered Wood Larouche Inc.
 Resolute Engineered Wood St-Prime Limited Partnership (held 99.9999% by RFP Canada Inc. and 0.0001% by REWL Inc.)
 9192-8515 Quebec Inc.
 Forest Products Mauricie LP (held 99.99% by RFP Canada Inc. and 0.01% 9192-8515 Quebec Inc.)
 9340939 Canada Inc.
 SFK Pulp Finco Inc.
 Fibrek General Partnership (held 99.99% by RFP Canada Inc. and 0.01% SFK Pulp Finco Inc.)
 Fibrek International Inc.
 15477468 Canada Inc.
 Profor Renaissance LP (held 99.99% by RFP Canada Inc. and 0.01% 15477498 Canada Inc.)
 Profor Renaissance, LLC

Affiliated Companies - (% held):

Celluforce Inc. (44%)
 Clergue Forest Management Inc. - (42%)
 Northshore Forest Inc. (42%)
 Vermilion Forest Management Co. (24.17 class A shares)
 Prisma Renewable Composites, Inc. (19.8%)
 3436900 Canada Inc. (45%)
 Société en Commandite Scierie Opitciwan (45%)
 Tradepak Internacional S.A. de C.V. (36.75%)
 Boundary Waters Forest Management Corp (8.33%)
 Performance BioFilaments Inc. (50%)
 Produits Forestiers Canbo Inc. (20%)
 Serres Toundra Inc. (49%)