



RESOLUTE FOREST PRODUCTS INC.
BOARD OF DIRECTORS
CORPORATE GOVERNANCE PRINCIPLES

Effective as of November 1, 2016

The following are the corporate governance principles and practices of the Board of Directors (the "Board") of Resolute Forest Products Inc. (the "Company").

I. Statement on Corporate Governance

These corporate governance principles provide a structure within which directors of the Company (the "Directors") can effectively pursue the Company's objectives for the benefit of its stockholders and supervise the management of the Company. These principles are guidelines that are intended to serve as a flexible framework within which the Board may conduct its business and not as a set of legally binding obligations.

The Company's business is managed under the direction of the Board, with the Board delegating the management of the Company to the President and Chief Executive Officer ("CEO"), working with other executive officers, in a manner consistent with the Company's objectives and in accordance with the Company's By-Laws (the "By-Laws"). The foregoing general delegations of authority to the CEO are not intended to diminish the supervisory authority of the Board as set forth below.

II. Board of Directors' Responsibilities

The Board represents the stockholders' interest in perpetuating a successful business and optimizing long-term financial returns in a manner consistent with applicable legal requirements and ethical considerations. The Board is responsible for identifying and taking reasonable actions to help assure that the Company is managed in a way designed to achieve this result. Consistent with the importance of the Board's responsibilities, each Director is expected to be familiar with the Company's business and public disclosures, to review in advance of Board and stockholder meetings all related materials distributed to the Board, and to attend and participate in meetings of the Board, the Company's stockholders, and meetings of any committee of which such Director is a member. Each Director should act in the best interests of the Company.

A. Selection, Evaluation, and Retention of the CEO, Succession Planning and Oversight of Selection and Performance of Other Executive Officers

The Board, with assistance from the Human Resources and Compensation/Nominating and Governance Committee (the "HRCNG Committee"), has the responsibility to select, evaluate the performance of, approve the compensation of, and make decisions about the retention of, the CEO, to oversee the selection and evaluation of the performance of other executive officers, to plan for management succession (including succession of the CEO), and to monitor on a regular basis the effectiveness and execution of management strategies and decisions in optimizing the Company's long-term financial returns in a manner consistent with applicable legal requirements and ethical considerations; provided that only "independent" Directors in accordance with the definition set forth on Appendix 1 to these principles ("Independent Directors") shall participate in discussions and approve the compensation of the CEO. The HRCNG Committee shall conduct an annual evaluation



of the CEO and shall review such evaluation with all Directors who are not officers of the Company (the “Non-Employee Directors”). At least annually, the HRCNG Committee shall work with the chair of the Board (the “Chair”) and the CEO to plan for CEO succession, develop plans for interim succession for the CEO in the event of an unexpected occurrence, and review such succession planning with the Board.

B. Executive Compensation

The HRCNG Committee is responsible for approving the structure of the Company’s executive compensation. The HRCNG Committee shall submit to the Independent Directors of the Board for approval the compensation of the CEO, based on the HRCNG Committee’s assessment of the performance, goals, and objectives of the CEO. The HRCNG Committee shall also approve the compensation of the officers who report directly to the CEO (the “Senior Executives”).

C. Understanding, Reviewing and Monitoring Implementation of Strategic Plans and Annual Operating Plans

The Board reviews the Company’s strategic plans and monitors the implementation of such plans. The Board also reviews the Company’s annual operating and capital plans and management’s periodic updates to those plans.

D. Selection and Oversight of Independent Auditors; Oversight of Public Financial Reporting

The Audit Committee of the Board has sole responsibility to appoint, compensate and replace all independent audit firms hired by the Company, including the Company’s independent auditors, and to pre-approve the engagement terms and the provision of any audit and non-audit services performed by such independent auditors. As more fully set forth in its charter, the Audit Committee will have direct responsibility for monitoring the performance of the independent auditors and guarding against any compromise of their independence, as well as overseeing the financial reports prepared by management, with the goal of assuring that they fairly present the Company’s financial condition, results of operation, cash flows, discussion and analysis of operations, and related risks in a clear and understandable manner.

E. Advising Management on Significant Issues

The Board is responsible for utilizing the broad range of experiences and perspectives of Directors to advise and counsel management, both in meetings and in formal consultations, on significant issues facing the Company.

F. Review and Approval of Significant Company Actions and Certain Other Matters

The Board is responsible under state corporate law to review and approve significant actions by the Company, including appointment of executive officers, declaration of dividends and major transactions. In addition, the Board is responsible for approving certain actions by the Company as set forth in the By-Laws, these principles, the exhibits to these principles and any other Company policies that may be adopted from time to time by the Board, or as otherwise required by any applicable national securities exchange on which the Company’s securities are traded.

G. Nominating Directors and Committee Members and Overseeing Effective Corporate Governance

Subject to compliance with the By-Laws, the Board and the HRCNG Committee are responsible for (i) evaluating candidates and nominating Directors and members of Board committees, (ii) overseeing the structure and practices of the Board and the committees and (iii) overseeing other corporate governance matters, as more fully set forth in these principles and the charter of the HRCNG Committee.

III. Board Structure

A. Board Size

Subject to compliance with the By-Laws, unless otherwise determined by the affirmative vote of the Board, the total number of Directors constituting the entire Board shall be between seven and eleven.

The number of Directors at any time will depend upon several factors, including (i) resignations, retirements and the availability of appropriate, qualified candidates, (ii) assuring that the Board has a small enough number to facilitate active discussions and decision-making, and (iii) assuring that the Board has a sufficient number of Directors to fulfill committee assignments and to provide the appropriate mix of continuity, experience, skills and diversity for the Board and its committees to perform their responsibilities in light of regulatory requirements and ongoing business needs. Application of these factors involves the exercise of judgment by the Board.

B. Board Leadership

The Chair shall preside over each Board meeting and the separate meetings of the Independent Directors or the Non-Employee Directors. Subject to compliance with the By-Laws, the Chair shall be elected by a majority of the Board. It is the current intent of the Company that the Chair may not also concurrently hold the position of CEO. If the Chair and CEO positions were to be held by the same person or if the Chair is not an Independent Director, one Independent Director selected by a majority of the Board shall serve as a lead director (the "Lead Director"). Notwithstanding anything to the contrary, the Lead Director shall preside over any meeting of the Independent Directors or the Non-Employee Directors.

C. Board Composition

1. Criteria

Subject to compliance with the By-Laws, the HRCNG Committee shall recommend candidates to the Board that will result in the Board being composed of all Independent Directors, except for the CEO and, at the discretion of the Board, up to two other Directors. Candidates nominated for election or reelection to the Board shall be considered for the following general qualifications, but not exclusively:

- (a) High personal and professional ethics, integrity and values;
- (b) An inquiring and independent mind;
- (c) Practical wisdom, vision and mature judgment;



(d) Substantial training and experience at the policy making level in business, government, or education;

(e) Expertise that is useful to the Company and complementary to the background and experience of other Directors, so that an optimum balance of expertise among Directors can be achieved and maintained;

(f) Willingness and ability, in light of other business and personal commitments, to devote the required amount of time to diligently fulfill the duties and responsibilities of Board membership;

(g) Commitment to serve on the Board over a period of years to develop knowledge about the Company's operations;

(h) Involvement only in activities or interests that do not create a conflict that violates any applicable law or regulation or interferes with the proper performance of the duties and responsibilities of Board membership;

(i) A strong sense of partnership and the ability to work well with others; and

(j) Capacity and desire to represent the balanced best interests of the stockholders as a whole.

In addition, to the extent possible, the composition of the Board should be such that each of the following specific areas of expertise/experience are represented by at least one Director:

(a) Professional Services (e.g., attorneys; investment bankers; university professors);

(b) Politics/Government Relations;

(c) Management/Operating Experience (e.g., as a CEO, COO or senior manager);
or

(d) Financial/Accounting Experience (e.g., as a CFO, CFA, CPA or analyst).

It is desirable that each member of the Board has recent experience as a member of the board of at least one other company, preferably a publicly-held reporting company. Application of these factors involves the exercise of judgment by the Board.

2. Term Limits

Term limits could deprive the Board of Directors who, over time, have developed increasing insight into and experience regarding the Company and its operations, and therefore provide an increasing contribution to the Board as a whole. Accordingly, the Directors shall not be subject to term limits but the HRCNG Committee shall review and recommend to the Board the continuation of each Director's services on the Board at least annually.



3. Mandatory Retirement

All Directors shall be eligible for re-election until reaching age 75, and must normally retire at age 75. The Board may waive this limitation if it determines such waiver to be in the best interests of the Company.

4. Other Board Memberships

Directors (other than the Chair) shall inform the Chair prior to joining any additional outside boards. The Chair, prior to joining any additional outside boards, shall notify the chair of the HRCNG Committee or, if each such position is also held by the Chair, the entire Board. Directors should not serve on more than four other boards of public companies in addition to the Company's Board unless approved by the Board.

5. Change in Professional Status

Upon a Director's resignation or retirement from, or termination of, his or her principal current employment, or other material change in his or her professional occupation or association, such Director (other than the Chair) shall notify the Chair. The Chair, upon his or her resignation or retirement from, or termination of, his or her principal current employment, or other material change in his or her professional occupation or association, shall notify the chair of the HRCNG Committee or, if each such position is also held by the Chair, the entire Board.

6. Resignation in case of failure to receive majority of votes cast

In accordance with the By-Laws, the HRCNG Committee is responsible for making a recommendation to the Board regarding any resignation tendered by a director who fails to receive a majority of the votes cast in an uncontested election. The Board is responsible for acting on the tendered resignation, taking into account the HRCNG Committee's recommendation, and publicly disclosing its decision regarding the tendered resignation within 90 days from the date of certification of the results of the election. The director who has tendered such resignation may not participate in the HRCNG Committee's or the Board's deliberations or decision with respect to the tendered resignation. The HRCNG Committee in making its recommendation and the Board of Directors in making its determination may consider any factors they determine relevant or appropriate.

D. Board Independence

Although all Directors are expected to act independently, the entire Board shall consist of Independent Directors, except for the CEO and, at the discretion of the Board, up to two other Directors. This will not, however, prevent the Board from taking valid actions if, due to temporary vacancies on the Board, there is less than the intended number of Independent Directors on the Board.

The HRCNG Committee shall develop and recommend to the Board policies and procedures for related party transactions and conflicts of interest situations involving the Company, its Directors, employees and related persons and shall consult the Audit Committee in connection with any such policies and procedures that pertain to accounting or auditing matters, the chief financial officer ("CFO"), the chief accounting officer ("CAO") or any member of the HRCNG Committee. The HRCNG Committee shall also review and oversee related party transactions and conflicts of interest situations



involving the Company, its Directors, executive officers, the CAO and related parties and shall consult the Audit Committee in connection with any such transactions and situations that involve accounting or auditing matters, the CFO, the CAO or any member of the HRCNG Committee; provided that the Board may also create special independent committees to review any particular related party transaction; further provided that, if the chair of the HRCNG Committee or of the Audit Committee determines that it is impractical or undesirable to wait until the next meeting of the relevant Committee to proceed with the review of such a transaction or situation, he or she may act on behalf of the HRCNG Committee or of the Audit Committee, as the case may be, and shall report on his or her review at the next meeting of the relevant Committee.

Directors shall disclose to the Board and the HRCNG Committee any business relationships with the Company or any other potential conflicts of interest as they become aware of them. In addition, the Company shall disclose to the Board and the HRCNG Committee any business relationships of a Director with the Company or any other potential conflicts of interest as the Company becomes aware of them. Directors may not enter into a transaction with the Company without first disclosing the transaction and obtaining advance approval by the Board and the HRCNG Committee. The Director must recuse himself or herself from Board consideration and decision on any such transaction.

The Board must determine, based on all of the relevant facts and circumstances, whether each Director satisfies the criteria for independence and must disclose each of these determinations in the Company's public filings.

E. Criteria and Procedure for Evaluating Board Performance

The HRCNG Committee oversees the process of evaluating the performance of Board committees and the Board as a whole. Each of the full Board, the HRCNG Committee, Audit Committee, Finance Committee and Environmental, Health and Safety Committee shall conduct an annual self-assessment of its performance pursuant to the process established by the HRCNG Committee. This process shall specifically review areas in which the Board and/or management believes a better contribution could be made.

F. Committee Structure

There shall be four standing committees of the Board: Audit, Finance, HRCNG and Environmental, Health and Safety. Each standing committee shall consist of at least three members. Additional standing committees may be created, subject to compliance with the By-Laws. Any new standing committee shall have its own charter, which shall be posted on the Company's website. Special committees may also be created, subject to compliance with the By-Laws.

The Board, on the recommendation of the HRCNG Committee and subject to the By-Laws, shall review annually the appropriate size and composition of Board committees.

The Audit Committee and HRCNG Committee shall each be comprised solely of Independent Directors, in accordance with the definition of such term set forth in Appendix 1 and the charters of the respective committees.

Each member of the Audit Committee shall be "financially literate." The term "financial literacy" shall mean a basic understanding of finance and accounting and an ability to read and understand



fundamental financial statements. At least one member of the Audit Committee shall have accounting or related financial management expertise as the Board determines in its business judgment.

G. Board Compensation

In accordance with its charter, the HRCNG Committee, considers and recommends to the Board the appropriate structure and amount of Director compensation. In making such recommendations, the HRCNG Committee considers substantial charitable contributions, if any, made by the Company to any organization with which a Director is affiliated. Directors who are also employees of the Company receive no compensation, other than their normal salary, for serving on the Board or its committees.

Management of the Company shall report periodically to the HRCNG Committee regarding the status of the Company's Board compensation in relation to other comparable U.S. companies.

To enhance the alignment of Directors' interests with those of stockholders, the Board shall periodically establish requirements of stock ownership applicable to the Directors.

Changes in Board compensation, if any, shall come at the suggestion of the HRCNG Committee, with full discussion and concurrence by the Board.

H. Management's Responsibilities

Management is responsible for operating the Company in an effective, ethical and legal manner designed to produce value for the Company's stockholders consistent with the Company's policies and standards, including these principles and the Company's Code of Business Conduct. Management is also responsible for enforcing and complying with mandatory provisions of the Company's policies and standards. Senior management is responsible for understanding the Company's income-producing activities and the material risks being incurred by the Company and is also responsible for avoiding conflicts of interest with the Company and its stockholders.

1. Financial Reports and Disclosures

Management is responsible for (i) producing, under the oversight of the Board and the Audit Committee, financial reports that fairly present the Company's financial condition, results of operations, cash flows, discussion and analysis of operations, and related risks in a clear and understandable way, (ii) making timely and complete disclosures to investors and (iii) keeping the Board and the appropriate committees of the Board well-informed on a timely basis as to all matters of significance to the Company.

2. Strategic Planning

The CEO, as well as senior management, are responsible for developing and presenting to the Board for review the Company's strategic plans and for implementing those plans.

3. Annual Operating Plans and Budgets

The CEO, as well as senior management, are responsible for developing and presenting to the Board the Company's annual operating and capital plans and for implementing those plans after review by the Board.



4. Setting a Strong Ethical “Tone at the Top”

The CEO, as well as senior management, are responsible for setting a “tone at the top” of integrity, ethics and compliance on the part of all persons associated with the Company, with applicable legal requirements and with the Company’s Code of Business Conduct and other policies and standards.

5. Internal Controls and Procedures

Senior management is responsible for developing, implementing and monitoring an effective system of “internal controls and procedures” to provide reasonable assurance that the Company’s transactions are properly authorized; the Company’s assets are safeguarded against unauthorized or improper use; and the Company’s transactions are properly recorded and reported. Such internal controls and procedures also shall be designed to permit preparation of financial reports for the Company in conformity with generally accepted accounting principles or any other requirements applicable to such reports.

6. Disclosure Controls and Procedures

Senior management is also responsible for establishing, maintaining and evaluating the Company’s “Disclosure Controls and Procedures” as defined by Securities and Exchange Commission (“SEC”) regulations.

7. Executive Stock Ownership Requirement

To enhance the alignment of executive’s interests with those of stockholders, the Board shall periodically establish requirements of stock ownership applicable to the Company’s executives.

I. Board Relationship to Senior Management

1. Board Access to Senior Management

The Board, each Board committee, and each Director individually will have complete and open access to the Company’s CEO, CFO and Chief Legal Officer and will also have reasonable access to all other members of the Company’s management. Directors are expected to inform the Chair and the CEO when they have contacted management. At the invitation of the Board and with the consent of the Chair and the CEO, senior management may attend and make presentations at meetings of the full Board and, if also requested by a committee chair, at such committee meetings.

The Board encourages executive officers who are permitted to attend Board meetings to bring non-executive managers to Board meetings, from time to time, who (i) can provide additional insight into the items being discussed because of personal involvement in these areas or (ii) represent managers with future potential that the executive officers believe should be given exposure to the Board.

2. Information About Developments

Between regular meetings of the Board, the CEO shall keep the Board generally apprised of developments that the CEO believes to be significant.



3. Senior Executive Evaluation

The HRCNG Committee shall participate in and oversee the evaluation of Senior Executives and report the results of such evaluation to the Board at least annually.

4. Interactions With Third Parties

The Board believes that management should speak for the Company and that the Chair should speak for the Board. In order to ensure compliance with applicable securities laws and to avoid the potential detriment to the interests of the Company and its stockholders and other constituencies that could result from inconsistent communications, the members of the Board will not respond to media inquiries or make statements to the media regarding the Company and its business without consultation with, and approval by, the Chair or the Board.

J. Board Operations

1. Number of Meetings and Attendance

Directors are expected to attend Board meetings, meetings held by committees on which the Directors sit, and annual and special meetings of the Company's stockholders.

2. Selection of Agenda Items for Board Meetings

The CEO and the Chair, in consultation with the Lead Director (if any), shall establish the agenda for each Board meeting. Each Director is free to suggest the inclusion of item(s) on the agenda.

3. Board Materials Distributed and Reviewed in Advance

Management shall be responsible for assuring that, as a general rule, information and data that are important to the Board's and each Board committee's understanding of the Company's business and to all matters expected to be considered and acted upon by the Board or committee be distributed in writing to the Board or committee sufficiently in advance of each Board or committee meeting, as applicable, and each action to be taken by written consent to provide the Directors a reasonable time to review and evaluate such information and data.

It is recognized that circumstances will arise when it is not feasible to provide information relating to certain agenda items in advance (or at least not very much in advance) of a Board meeting or an action to be taken by written consent. In such event, reasonable steps shall be taken to permit the Directors to become reasonably informed as to the matter before voting on it.

The Board believes maintaining confidentiality of information and deliberations is imperative. Information learned during the course of service on the Board is to be held confidential and used solely in furtherance of the Company's business.

4. Separate "Executive Session" Meetings of Non-Employee Directors

The Non-Employee Directors shall meet at least annually without the presence of management Directors or executive officers of the Company. The Chair, or if the Chair is not an Independent



Director, the Lead Director, shall preside over such meetings and shall determine the time and place at which such meetings shall be held. Moreover, at the request of any Non-Employee Director, the Non-Employee Directors shall meet at the end of any meeting of the Board without the presence of the management Directors or other executive officers of the Company. The Chair, or if the Chair is not an Independent Director, the Lead Director, shall preside over any such “executive session” of the Non-Employee Directors.

K. Committee Operations

1. Number, Structure and Independence of Committees

Each of the Audit, Finance, HRCNG and Environmental, Health and Safety Committees shall have charters outlining their duties and responsibilities that have been approved by the Board. Annually, the HRCNG Committee shall undertake the review of all committee charters and, after consultation with the other board committees, recommend to the Board appropriate revisions to the charters. The chair of each committee, in consultation with the committee members, will determine the frequency and length of the committee meetings consistent with any requirements set forth in the committee’s charter.

2. Assignment of Committee Members

Subject to compliance with the By-Laws, committee assignments and committee chairs shall be determined by the Board. In furtherance and not in limitation of the foregoing, the HRCNG Committee, in consultation with the Chair and the CEO, shall recommend to the Board the assignment of Directors to the Company’s various committees and committee chairs.

3. Committee Agenda, Background Materials and Reports

The chair of each Board committee, in consultation with the appropriate members of management and staff, will develop the committee’s agenda. At each Board meeting, the chair of each committee (or his or her delegate) shall report the matters considered and acted upon by such committee since the preceding Board meeting, except to the extent covered in a previous written report to the full Board, and shall be available to answer any questions the other Directors may have regarding the matters considered and actions taken by such committee.

4. Committee Attendance by Others

Independent Directors may attend the meeting of any committee on which he or she does not serve. Directors who are not Independent Directors may attend the meeting of any committee only upon the invitation of such committee.

L. Resources

Except as otherwise provided in the applicable committee charters, the Board and each committee of the Board shall have the right to retain appropriate advisors (including legal and accounting professionals) to the extent it deems necessary or appropriate after consultation with the Chair.



1. Reliance

Each Director is entitled to rely in good faith on (i) corporate records, corporate officers, employees or board committees or (ii) any other person as to matters reasonably believed to be within the person's professional or expert competence and who have been selected with reasonable care by or on behalf of the Company. Without limiting the generality of the foregoing, the Audit Committee shall be entitled to rely on (i) the integrity of those persons within the Company and of the professionals and experts (such as the Company's independent auditors) from which it receives information, (ii) the accuracy of the financial and other information provided to the committee by such persons, professionals or experts and (iii) representations made by the Company's independent auditors as to any services provided by such firm to the Company. The Board shall assess the qualifications of all such persons on whom it relies, shall inquire as to the processes used by such persons to reach their decisions, prepare their reports and make their recommendations and also shall inquire as to the substance of such matters, and shall hold such persons accountable for any follow-up reasonably needed to satisfy the Board.

2. Director Orientation and Continuing Education

The HRCNG Committee shall arrange for continuing education for all Directors and orientation for Directors in their first year of service.

Each new Director shall be given an orientation with respect to his or her duties as a Director, including (i) a Director's Guidebook developed and compiled by the Company's Law Department; (ii) meetings with the Company's Chief Legal Officer and HRCNG Committee and (iii) except to the extent unnecessary for any Director who is also an executive officer of the Company, background material with respect to the Company, its business and issues of particular significance to the Company, and meetings with the senior management. Each new Director and each new member of any Board committee also shall cooperate in fulfilling any additional orientation guidelines that may be recommended generally or on an ad hoc basis by the HRCNG Committee to help assure that such Director has the necessary skills to perform his or her responsibilities as a Director and/or new member of any Board committee.

Each Director also shall cooperate in fulfilling all applicable continuing education guidelines established and periodically updated by the HRCNG Committee.

3. Disclosure of these Principles

These principles, the committee charters and the Company's Code of Business Conduct will be posted on the Company's website and also will be available in print to any stockholder requesting it. Such availability on the Company's website and in print will be noted in the Company's annual report to stockholders.

4. Code of Business Conduct

The Company will maintain, and the HRCNG Committee will oversee, in consultation with the Chief Legal Officer, compliance with, the Company's Code of Business Conduct. The Board may delegate to one or more other Board committees responsibility for the oversight of compliance with certain specific aspects of the Company's Code of Business Conduct, as set forth in more detail in the respective charters of such Board committees. Such code as currently in effect is set forth in



Appendix 2 to these principles, and it may be modified and replaced from time to time by the Board on the recommendation of the HRCNG Committee. The HRCNG Committee shall review and approve any amendment to or waiver from the Company's Code of Business Conduct for its Directors, CEO, other executive officers and the CAO, and any public disclosure made regarding such change or waiver.



RESOLUTE FOREST PRODUCTS INC.
CORPORATE GOVERNANCE PRINCIPLES

APPENDIX 1

INDEPENDENT DIRECTORS

General Criteria

An “independent” Director of the Company shall be any Director who the Board affirmatively determines has no material relationship with the Company, either directly or through his or her role as a partner, stockholder or officer of an organization which has a relationship with the Company (which for this purpose includes any subsidiary), and shall not include any Director who meets any of the following criteria:

- A. Is or has been at any time in the past three years an employee of the Company, or who has an immediate family member who is or has been at any time in the past three years an executive officer of the Company;
- B. Receives or has received during any twelve-month period within the past three years, or who has an immediate family member who receives or has received during any twelve-month period within the past three years, more than \$120,000 per year in direct compensation from the Company, other than (i) Director and committee fees and pension or other forms of deferred compensation for prior service (provided that such compensation is not contingent in any way on continued service) or (ii) amounts paid to an immediate family member of a Director for services to the Company as a non-executive employee of the Company;
- C. (i) Is, or has an immediate family member who is, a current partner of a firm that is the Company’s internal or external auditor, (ii) is a current employee of such a firm, (iii) is, or has an immediate family member who is, a current employee of such a firm and who personally works on the firm’s audit, assurance or tax compliance (but not tax planning) practice or (iv) was, or has an immediate family member who was, within the last three years (but is no longer), a partner or employee of such a firm and personally worked on the Company’s audit within that time;
- D. Is or has been at any time in the past three years, or who has an immediate family member who is or has been at any time in the past three years, employed as an executive officer of another company where any of the Company’s present executive officers at the same time serves or served on the compensation committee of such company; or
- E. Is a current employee, or who has an immediate family member who is an executive officer, of a company which has made payments to or received payments from the Company for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1,000,000 or 2% of the other company’s consolidated gross revenues.

For the purposes of this Appendix 1, an “immediate family member” means a Director’s spouse, parents, children, siblings, parents-in-law, children-in-law, siblings-in-law, and any other person (other than domestic employees) sharing such individual’s home. The term “immediate family member” does not include any individual who is no longer an immediate family member of the Director as a result of



legal separation or divorce, and it does not include any individual who has died or become incapacitated.

For the sole purpose of this Appendix 1, an “executive officer” shall mean the Company’s executive chairman, president, principal financial officer, principal accounting officer (or, if there is no such accounting officer, the controller), any vice-president of the Company in charge of a principal business unit, division or function (such as sales, administration or finance), any other officer who performs a significant policy-making function, or any other person who performs similar significant policy-making functions for the Company. Officers of the Company’s parent(s) or subsidiaries shall be deemed officers of the Company if they perform such significant policy-making functions for the Company.

In assessing the materiality of an existing or proposed Director’s relationship with the Company (other than an employment relationship, which will always be deemed material), the Board will consider all relevant facts and circumstances. The Board has determined that the following categories of relationships are not material and will not impair a Director’s independence: (i) if a Director owns less than five percent of the equity of, or is a director of, another company that does business with the Company and the annual sales to, or purchases from, such company are less than five percent of the annual revenues of either company, (ii) if a Director owns less than five percent of the equity of, or is an executive officer or director of, an unaffiliated company that is indebted to the Company (or to which the Company is indebted) and the total amount of either company’s indebtedness to the other is less than five percent of the total consolidated assets of either company and (iii) if a Director serves as an officer, director or trustee of a charitable organization, and the Company’s charitable contributions to the organization are less than two percent of that organization’s total annual charitable receipts, or \$20,000 per year, whichever is less.

In addition to satisfying the applicable independence standards described above, Directors shall also satisfy the independence standards of any stock exchange on which the securities of the Company are listed.

Additional Criteria for Audit Committee Members

In addition to satisfying the general independence standards as described above, Audit Committee members are required to satisfy the Securities and Exchange Commission independence standards found in Rule 10A-3, which was enacted pursuant to Section 301 of the Sarbanes-Oxley Act of 2002 as well as the listing standards of the New York Stock Exchange, as each may be amended from time to time. In general, these standards state that no fee (other than for service as a Director, including consulting and advisory fees) may be received from the Company or its subsidiaries, regardless of the amount. In addition, no member of the Audit Committee may be a partner, member or principal of a law firm, accounting firm or investment banking firm that accepts consulting or advisory mandates from the Company or any of its subsidiaries.

Additional criteria for HRCNG Committee Members

In addition to satisfying the general independence standards as described above, HRCNG Committee members are required to satisfy the listing standards of the New York Stock Exchange, as they may be amended from time to time. In general, these standards require the Board to affirmatively determine the independence of any director who will serve on the HRCNG Committee, considering all factors specifically relevant to determining whether a director has a relationship to the Company which is



material to that director's ability to be independent from management in connection with the duties of a compensation committee member, including, but not limited to, the following two factors:

- The source of compensation of the director, including any consulting, advisory or other compensatory fee paid by the Company to the director, and
- Whether the director is affiliated with the Company, a subsidiary of the Company or an affiliate of a subsidiary of the Company.

Unlike the additional requirements for audit committee independence, however, the additional independence requirements for HRCNG Committee members do not impose a mandatory disqualification from serving on the HRCNG Committee in the event that a director fails to satisfy them. Rather, these are factors that the Board must take into account in making an affirmative determination of enhanced independence.



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APPENDIX 2
CODE OF BUSINESS CONDUCT

As posted on website.