Notice of 2017 Special and Annual Meeting of Shareholders

and Management Information Circular

Our special and annual meeting of shareholders will be held at
11:00 a.m. (Eastern Standard Time) on **Thursday, January 26, 2017**
at the offices of Stikeman Elliott LLP located at 1155, René-Lévesque Blvd. West,
Montréal, Québec,
on the 41st Floor – Rooms Mont-Royal 1 and 2.

YOUR VOTE IS IMPORTANT

This document tells you who can vote, what you will be voting on and how to exercise your right to vote your shares. Please read it carefully.

As a shareholder of Tembec Inc., you have the right to vote your shares, either by proxy or in person at the meeting.

December 16, 2016

MANAGEMENT INFORMATION CIRCULAR
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TEMBEC INC.

NOTICE OF SPECIAL AND ANNUAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the special and annual meeting of shareholders (the "**Meeting**") of Tembec Inc. (the "**Corporation**") will be held on the 41^{st} Floor – Rooms Mont-Royal 1 and 2, at the offices of Stikeman Elliott located at 1155 René-Lévesque Blvd. West in Montréal, Québec, on Thursday, January 26, 2017, at 11:00 a.m., Eastern Standard Time, for the following purposes:

1. to receive the consolidated financial statements of the Corporation for the fiscal year ended September 24, 2016 together with the auditors' report thereon;

2. to elect the directors of the Corporation for the ensuing year;

3. to appoint the auditors and authorize the board of directors to fix their remuneration;

4. to consider and, if deemed appropriate, to approve, with or without variation, a resolution as set forth in the accompanying management information circular to confirm By Law No. 2016-2 of the Corporation, adopting advance notice requirements for nominations of directors by shareholders; and

5. to transact such other business as may properly come before the Meeting or any adjournment or postponement thereof.

The specific details of the foregoing matters to be put before the Meeting are set forth in the management information circular accompanying this notice.

The Corporation has fixed the close of business on December 9, 2016 as the record date for determining shareholders who are entitled to attend and vote at the Meeting.

Since it is desirable that as many common shares as possible be represented and voted at the Meeting, you are requested, if unable to attend the Meeting in person, to complete, date, sign and return the enclosed form of proxy in the envelope provided for that purpose to Tembec Inc., c/o Computershare Trust Company of Canada, 9^{th} Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1, no later than 5:00 p.m. on January 24, 2017.

Montreal, this 16^{th} day of December 2016.

By order of the board of directors,

PATRICK LEBEL
Vice President, General Counsel and
Corporate Secretary

TEMBEC INC.

MANAGEMENT INFORMATION CIRCULAR

SECTION 1 – VOTING INFORMATION

This management information circular (the "Circular") is furnished in connection with the solicitation by the management of Tembec Inc. ("Tembec" or the "Corporation") of proxies to be used at the special and annual meeting of shareholders of the Corporation (the "Meeting") to be held on January 26, 2017, at the time and place and for the purposes set forth in the foregoing notice of special and annual meeting of shareholders (the "Notice of Meeting") or any adjournment or postponement thereof. All information provided in this Circular is given as of November 25, 2016, unless specified otherwise.

Solicitation of Proxies

The management of the Corporation ("**Management**") is soliciting proxies for use at the Meeting. The solicitation will be primarily by mail. However, the directors, executive officers, officers and employees of the Corporation (respectively, the "**Directors**", the "**Executive Officers**" and the "**Officers**", as applicable) may also solicit proxies by telephone, e-mail, facsimile or in person. The Corporation will pay for the cost of proxy solicitation.

Appointment and Revocation of Proxy

The persons named in the enclosed proxy form, namely Mr. James V. Continenza and James M. Lopez, are respectively Executive Chairman of the board of directors of the Corporation (the "**Board**") and President and Chief Executive Officer and Director. **A shareholder has the right to appoint a person to represent such shareholder at the Meeting other than the persons named in the enclosed proxy form. A shareholder wishing to appoint some other person to represent him or her at the Meeting may do so by inserting such other person's name in the blank space provided in the proxy form and delivering the completed proxy form to Tembec Inc., c/o Computershare Trust Company of Canada, 9th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1 not later than 5:00 p.m. on January 24, 2017.**

Any shareholder executing the proxy form may revoke it at any time, as long as it has not been exercised, by instrument in writing executed by such shareholder or his attorney authorized in writing and deposited either at the head office of the Corporation at 800 René-Lévesque Blvd. West, Suite 1050, Montréal, Québec, H3B 1X9 at any time up to and including the last business day preceding the date of the Meeting, or any adjournment or postponement thereof, or with the chairman of the Meeting on the day of the Meeting or any adjournment or postponement thereof.

Non-Registered Holders of Shares

The information set out in this section is of importance to shareholders who do not hold common shares (the "**Shares**") of the Corporation in their own name. Persons who hold Shares through their brokers, intermediaries, trustees or other persons, or who otherwise do not hold such securities in their own name (the "**Non-Registered Holders**") should note that only proxies deposited by persons whose names appear on the records of the Corporation may be recognized and acted upon at the Meeting. If Shares are listed in an account statement provided to a Non-Registered Holder by a broker, then in almost all cases, those Shares will not be registered in the Non-Registered Holder's name on the records of the Corporation. Such Shares will most likely be registered under the names of the broker or an agent of that broker. In Canada, the vast majority of shares are registered under the name of CDS & Co., which acts as nominee for many Canadian brokerage firms. Shares held by brokers, agents or nominees can only be voted upon the instructions of the Non-Registered Holder. Without specific instructions, brokers, agents and nominees are prohibited from voting securities for the brokers' clients. Non-Registered Holders should ensure that instructions respecting the voting of their Shares are communicated to the appropriate person at the appropriate time.

Additional Information for Non-Registered Holders of Shares

These Meeting materials are being sent to both registered and Non-Registered Holders of Shares. There are two kinds of Non-Registered Holders of Shares: those who object to their name being made known to the Corporation (called "**OBOs**" or "**Objecting Beneficial Owners**") and those who do not object to the Corporation knowing who they are (called "**NOBOs**" or "**Non-Objecting Beneficial Owners**"). The Corporation is sending the Meeting materials directly to NOBOs which it is permitted to do provided it complies with the applicable provisions of Canadian securities legislation.

If you are a NOBO and the Corporation or its agent has sent these materials directly to you, your name and address and information about your holdings of Shares have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding the Shares on your behalf. By choosing to send these Meeting materials to you directly, the Corporation (and not the intermediary holding on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. The voting instruction form that is sent to NOBOs contains an explanation as to how you can exercise the voting rights attached to your Shares, including how to attend and vote directly at the Meeting. Please provide your voting instructions as specified in the voting instruction form.

If you are an OBO, you have received these materials from your intermediary or its agent (such as Broadridge) and your intermediary or agent is required to seek your instructions as to the manner in which to exercise to voting rights attached to your Shares. The voting instruction form that is sent to an OBO by the intermediary or its agent should contain an explanation as to how you can exercise the voting rights attached to your Shares, including how to attend and vote directly at the Meeting. Please provide your voting instructions to your intermediary as specified in the voting instruction form that you have received from your intermediary.

The Corporation is not relying on the notice-and-access provisions of applicable securities laws for delivery to either registered or Non-Registered Holders of Shares and intends to pay for intermediaries to send the proxy-related materials to OBOs.

Exercise of Discretion by Agents

The Shares represented by the enclosed proxy form will be voted for or withheld from voting in accordance with the instructions of the shareholder executing it on any ballot or show of hands that may be called for and, where a choice is specified with regards to any matter to be acted upon, the Shares will be voted accordingly. **WHERE NO CHOICE IS SPECIFIED, THE SHARES SO REPRESENTED WILL BE VOTED FOR THE ELECTION OF EACH OF THE PROPOSED NOMINEES TO THE BOARD, FOR THE APPOINTMENT OF THE PROPOSED NOMINEE AS AUDITORS AND FOR THE APPROVAL OF THE ADVANCE NOTICE BY-LAW RESOLUTION.** The enclosed proxy form confers discretionary authority upon the persons named therein with respect to amendments or new matters submitted to the Meeting. At the time of printing of this Circular, the Executive Officers of the Corporation know of no such amendments or new matters.

Voting Shares and Principal Holders Thereof

As at November 25, 2016, 100,000,000 Shares of the Corporation were issued and outstanding, each carrying the right to one vote. Only shareholders of record at the close of business on December 9, 2016 will be entitled to vote at the Meeting.

As at November 25, 2016, no person, to the knowledge of the Directors or Executive Officers, beneficially owned, controlled or directed, directly or indirectly, Shares carrying 10% or more of the voting rights attached to all Shares of the Corporation, except the following persons:

Name of Shareholder	Number of Shares	Approximate % of Outstanding Shares
Fairfax Financial Holdings Limited	19,991,044 Shares	19.99
Restructuring Capital Associates L.P.	17,947,325 Shares	17.95
Steelhead Partners, LLC	12,499,000 Shares	12.50
Oaktree Capital Management L.P.	10,635,700 Shares	10.64

The information relating to the number of Shares owned, controlled or directed, directly or indirectly by each person mentioned hereinabove is based upon public filings made by each person or entity and has not been independently verified by the Corporation nor its Directors or Executive Officers.

SECTION 2 – BUSINESS OF THE MEETING

Placement of Tembec's Financial Statements

The consolidated financial statements for the fiscal year ended September 24, 2016 ("**Fiscal 2016**"), including the auditors' report thereon, are available on SEDAR at www.sedar.com or on the Corporation's website at www.tembec.com. Copies of such statements will also be available at the Meeting.

Election of Directors

There will be eight nominees (the "**Nominee Directors**") proposed to be elected at the Meeting as Directors of the Corporation. If elected, they will hold office until the next annual meeting of shareholders or until their successors are elected or appointed in accordance with the by-laws of the Corporation.

All of the Nominee Directors are currently Directors and were all elected at our annual meeting of shareholders held on January 28, 2016, by at least a majority of the votes cast.

A "Majority Voting Policy" is in effect regarding the election of Nominee Directors. Additional information regarding this policy may be found under the heading "Majority Voting Policy" on page 43.

Unless contrary instructions are provided, it is the intention of the persons named in the enclosed form of proxy to vote the Shares represented thereby FOR the election of each of the eight Nominee Directors listed below or, in the event of any vacancies among such nominees (an event that the Management has no reason to believe will occur) to vote FOR the election of the remaining Nominee Directors and of any substitute nominees.

Information Concerning Nominee Directors

Set forth below is information pertaining to the Nominee Directors. The following information is based on data furnished by the Nominee Directors. The information with respect to ownership of Shares includes those Shares beneficially owned, controlled or directed, directly or indirectly, by each of the Nominee Directors. Voting power and investment power are not shared with others, unless specifically stated. All information presented below is given as of November 16, 2016.

JAMES N. CHAPMAN, Connecticut, United States of America

DIRECTOR SINCE FEBRUARY 2008

Independent

Mr. Chapman is non-executive advisory director of SkyWorks Capital, LLC, an aircraft management services company, which he joined in December 2004. Prior to SkyWorks, he was associated with Regiment Capital Advisors, LP, an investment advisor based in Boston specializing in high yield investments, which he joined in January 2003. Mr. Chapman serves as a member of the board of directors of the public companies Arch Coal, Inc., AerCap Holdings NV and Tower International, Inc. In addition, Mr. Chapman is a member of the board of directors of several private companies. Mr. Chapman was a director of Chrysler LLC from September 2007 to April 2009 and American Media Inc. from March 2009 to January 2011. Mr. Chapman received a Bachelor's of Arts degree, with distinction, and a Master of Business Administration degree, with distinction, magna cum laude, from Dartmouth College in 1984 and 1985, respectively.

HOLDINGS	POSITION ON COMMITTEES OF THE BOARD
312,423 Deferred Share Units[(1)]	Member of the Corporate Governance and Human Resources Committee Member of the Special Committee for Strategic Purposes

JAMES V. CONTINENZA, Minnesota, United States of America

DIRECTOR SINCE FEBRUARY 2008

Independent

Mr. Continenza is a senior executive with the proven ability to transform businesses and create substantial shareholder value. His leadership and board experience spans a variety of industries. He currently serves as either Chair or director of Eastman Kodak Company, Neff Rental, Nextel International Inc. and Merrill Corp. In addition, he is serving and served on the board of directors of several private companies.

HOLDINGS	POSITION ON COMMITTEES OF THE BOARD
703,283 Deferred Share Units[(1)]	Executive Chairman of the Board Member of the Corporate Governance and Human Resources Committee Chairman of the Special Committee for Strategic Purposes

MICHEL J. DUMAS, Ontario, Canada

DIRECTOR SINCE JANUARY 2011

Non independent

Mr. Dumas was named Executive Vice President, Finance and Chief Financial Officer of the Corporation in 1997. Mr. Dumas joined the Corporation in 1985 as Controller for the high-yield pulp mill in Temiscaming, Quebec. In 1991, he became Vice President, Finance and Chief Financial Officer of Spruce Falls Inc., an affiliate of the Corporation. Mr. Dumas has also acted as a director of various subsidiaries of the Corporation. He obtained an honors bachelor of commerce degree from the University of Ottawa in 1980.

HOLDINGS	POSITION ON COMMITTEES OF THE BOARD
75,071 Shares 395,969 DSUs(2)	Member of the Environment, Health and Safety Committee

JACQUES LEDUC, Québec, Canada

DIRECTOR SINCE JANUARY 2011

Independent

Mr. Leduc is a co-founder and managing partner of Trio Capital Inc., a private equity and venture capital firm that he started in January 2006, which invests primarily in telecommunications and new media. He is also Chief Financial Officer and Treasurer of Terrestar Solutions Inc. since November 2009. He served as Chief Financial Officer of Microcell Telecommunications Inc., a nationwide wireless operator in Canada from February 2001 through November 2004, and as Vice President Finance and Director Corporate Planning from January 1995 to February 2001. Mr. Leduc is a Chartered Accountant and holds a Master of Business Administration degree from HEC Montreal and a bachelor's degree in Business Administration from the Université du Québec à Montréal and was admitted by the Canadian Institute of Chartered Accountants in 1986.

HOLDINGS	POSITION ON COMMITTEES OF THE BOARD
128,491 Deferred Share Units(1)	Chairman of the Audit Committee

JAMES M. LOPEZ, Ontario, Canada

DIRECTOR SINCE JANUARY 2006

Non independent

Mr. Lopez was appointed President and Chief Executive Officer of the Corporation in January 2006 and has been a Director of the Corporation since January 2006. Prior to being named President and Chief Executive Officer, Mr. Lopez served as Executive Vice President and President of the Corporation's Forest Products Group from August 2003 to January 2006. From 1999 to August 2003, Mr. Lopez was Executive Vice President, Forest Resource Management Group of the Corporation. Mr. Lopez is the past Chairman and formerly held a seat on the board of directors of the Forest Products Association of Canada (FPAC). Mr. Lopez is a co-chairman of the Bi-National Softwood Lumber Council between Canada and the United States. In November 2011, Mr. Lopez was appointed by the United States Secretary of Agriculture to the Softwood Lumber Board. He is a former member of the board of directors of FP Innovations. Mr. Lopez graduated from California University of Pennsylvania with a bachelor's degree in economics in 1981.

HOLDINGS	POSITION ON COMMITTEES OF THE BOARD
142,755 Shares 914,146 DSUs(2)	Member of the Environment, Health and Safety Committee

FRANCIS M. SCRICCO, Massachusetts, United States of America

DIRECTOR SINCE FEBRUARY 2008

Independent

Mr. Scricco retired in November 2008 from Avaya Inc., a global provider of communications systems and software for enterprises where, since February 2007, he was the Senior Vice President, Manufacturing Logistics and Procurement. Prior to that, he was President of Avaya Global Services. Additionally, Mr. Scricco formerly was President and Chief Executive Officer of Arrow Electronics Inc. one of the world's largest distributors of electronic components and computer products, as well as Inglis Ltd., Whirlpool Corporation's Canadian subsidiary. Mr. Scricco is Chairman of the board of directors of Visteon Corporation, a director of Masonite Inc. and a director of one private company. Mr. Scricco began his career at The Boston Consulting Group and was also previously a General Manager at General Electric. In 1971, Mr. Scricco received a bachelor of science degree from Worcester Polytechnic Institute and, in 1973, a Master of Business Administration degree from Columbia University Business School.

HOLDINGS	POSITION ON COMMITTEES OF THE BOARD
100,000 Shares 196,843 Deferred Share Units(1)	Chairman of the Corporate Governance and Human Resources Committee

DAVID J. STEUART, Ontario, Canada	
DIRECTOR SINCE FEBRUARY 2008	
Independent	
Mr. Steuart worked 37 years in the pulp and paper industry in senior executive positions, most recently from August 1998 to December 2006 with Bowater Incorporated as President, Pulp Division and as Senior Vice President. Mr. Steuart is a past Chairman of the Ontario Forest Industries Association. From September 1993 to July 1998, Mr. Steuart was President of the Pulp Division at Avenor Inc. Mr. Steuart holds a Bachelor of Commerce degree from the University of Saskatchewan, which he received in 1970.	
HOLDINGS	**POSITION ON COMMITTEES OF THE BOARD**
196,843 Deferred Share Units(1)	Chairman of the Environment, Health and Safety Committee Member of the Audit Committee

LORIE WAISBERG, Ontario, Canada	
DIRECTOR SINCE FEBRUARY 2008	
Independent	
Mr. Waisberg is a corporate director. Between August 2000 and October 2002, Mr. Waisberg served as Executive Vice President, Finance and Administration for Co-Steel Inc., a steel manufacturing company. From 1974 to August 2000, he was a partner at the Toronto office Goodmans LLP, a Canadian law firm. Mr. Waisberg is Chairman and a trustee of Chemtrade Logistics Income Fund, and a director of Metalex Ventures Limited, and Americas Silver Corporation, all publicly traded companies in Canada. Mr. Waisberg is certified as ICD.D by the Institute of Corporate Directors.	
HOLDINGS	**POSITION ON COMMITTEES OF THE BOARD**
4,000 Shares 196,843 Deferred Share Units(1)	Member of the Audit Committee

(1) Deferred Share Units (as defined herein) issued under the Deferred Share Unit Plan (as defined herein). Holdings include all vested and non vested Deferred Share Units.

(2) DSUs (as defined herein) issued under the LTIP (as defined herein) for executives and other key employees. Holdings include all vested and non vested Non-Performance DSUs (as defined herein) and Performance DSUs (as defined herein).

The average age of the Nominee Directors is 61.

Certain Proceedings

To the knowledge of the Corporation, based on the information furnished by the Nominee Directors, none of the Nominee Directors:

(a) is, as at the date of this Circular, or has been, within 10 years before the date of this Circular, a director, chief executive officer or chief financial officer of any corporation (including the Corporation) that:

(i) was subject to a cease trade order, an order similar to a cease trade order, including a management cease trade order or an order that denied the relevant corporation access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days (an "**Order**") that was issued while the Nominee Director was acting in the capacity as director, chief executive officer or chief financial officer; or

(ii) was subject to an Order that was issued after the Nominee Director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while the Nominee Director was acting in the capacity as director, chief executive officer or chief financial officer;

(b) is, as at the date of this Circular, or has been within 10 years before the date of this Circular, a director or executive officer of any corporation (including the Corporation) that while the Nominee Director was acting in that capacity, or within a year of the Nominee Director ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(c) has, within 10 years before the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold his assets:

except that:

(i) Mr. James M. Lopez was a director of Tembec Inc. ("**Former Tembec**") and Tembec Industries Inc. for varying periods of time immediately prior to the completion of the recapitalization transaction that was completed on February 29, 2008 and approved at a meeting of the noteholders of Tembec Industries Inc. and at a special meeting of the shareholders of Former Tembec on February 22, 2008 (the "**Recapitalization**");

(ii) Michel J. Dumas was a director of Tembec Industries Inc. prior to the Recapitalization;

(iii) At the request of Tembec, Messrs. James M. Lopez and Michel J. Dumas were directors of Marathon Pulp Inc. when it was declared bankrupt after failing to file a proposal within 30 days of filing a notice of intention to file a proposal under the *Bankruptcy and Insolvency Act* (Canada) (the "**BIA**") in March 2009;

(iv) At the request of Tembec, Mr. Michel J. Dumas was a director of Jager Building Systems Inc. when it filed a voluntary assignment in bankruptcy under the BIA in September 2008;

(v) At the request of Tembec, Mr. Michel J. Dumas was a director of Temlam Inc. when it filed a voluntary assignment in bankruptcy under the BIA in September 2008;

(vi) Mr. James N. Chapman was a director of Chrysler LLC when it filed for protection from its creditors under Chapter 11 of the United States Bankruptcy Code in April 2009;

(vii) Mr. James N. Chapman was a director of American Media Inc. when it filed for voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code in November 2010;

(viii) Mr. Jacques Leduc was a director of Terrestar Corporation and was Chief Financial Officer and Treasurer of Terrestar Solutions Inc. and Terrestar Networks (Canada) Inc. when Terrestar Corporation, Terrestar Networks (Canada) Inc. and Terrestar Networks Holdings (Canada) Inc. filed for and received protection under Chapter 11 of the United States Bankruptcy Code on October 19, 2010; and

(ix) Mr. Lorie Waisberg was a director of FMF Capital Group Ltd. when a subsidiary of FMF Capital Group Ltd., of which Mr. Waisberg was not a director, conveyed its assets to a trustee to facilitate the orderly wind-up of its business in May 2007.

None of the Nominee Directors has been subject to: (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for the Nominee Director.

Attendance Record of Directors to Board and Committee Meetings

The Board has established the following three standing committees, each with its own written charter: the Corporate Governance and Human Resources Committee (the "**CGHR Committee**"), the Audit Committee and the Environment, Health and Safety Committee. During the Corporation's fiscal year ended September 26, 2009, the Board created an ad hoc committee called the Special Committee for Strategic Purposes (the "**Strategic Committee**"). The Strategic Committee's mandate involves considering and advising the Board on matters of strategic importance to the Corporation.

The following table summarizes the attendance record of each Director to meetings of the Board and its committees during Fiscal 2016:

Directors	Board	Audit Committee	CGHR Committee	Environment, Health and Safety Committee	Strategic Committee
Norman M. Betts(1)	5 of 5	2 of 2	--	--	--
James N. Chapman	16 of 16	--	4 of 4	--	9 of 9
James V. Continenza	16 of 16	--	4 of 4	--	9 of 9
Michel J. Dumas	16 of 16	--	--	4 of 4	--
Jacques Leduc	16 of 16	5 of 5	--	--	--
James M. Lopez	15 of 16	--	--	4 of 4	--
Francis M. Scricco	16 of 16	--	4 of 4	--	--
David J. Steuart(2)	16 of 16	3 of 3	--	4 of 4	--
Lorie Waisberg	16 of 16	5 of 5	--	--	--
Overall Attendance Record	99.31%	100%	100%	100%	100%

(1) Mr. Betts ceased to be a Director of the Corporation on January 28, 2016.
(2) Mr. Steuart was appointed to the Audit Committee on January 28, 2016.

The table below summarizes the number of Board and committee meetings held during Fiscal 2016:

Meeting Type	Totals
Board	16
Audit Committee	5
CGHR Committee	4
Environment, Health and Safety Committee	4
Strategic Committee	9
Total number of meetings held	38

Shareholder Involvement in Director Nomination

As part of the Corporation's ongoing Board renewal process, the Corporation is mindful of the interests of its existing shareholders. In that respect, the Corporation has agreed to consider nominees provided by Fairfax Financial Holdings Limited (the "**Candidates**") having the skills and attributes identified as priorities by the Corporation, which include independence, Canadian residency, preference for women, financial experience and the requisite expertise to contribute to the Board. Subject to the Act, Applicable Securities Law and the Corporation's articles and by-laws, and in accordance with the current processes of the CGHR Committee, the Corporation has agreed to appoint one Candidate to the Board no later than February 28, 2017.

Reappointment and Remuneration of Auditors

KPMG LLP, chartered accountants, are currently the auditors of the Corporation and were first appointed as auditors of the Corporation in 1994. The Board, on the recommendation of its Audit Committee, proposes that KPMG LLP be reappointed as auditors of the Corporation to serve until the end of the next annual shareholder meeting or until their successors are appointed. In order to assess the effectiveness and independence of the auditors of the Corporation, and as per the guidance and recommendation of the Chartered Professional Accountants of Canada and the Canadian Public Accountability Board, the Audit Committee has completed during Fiscal 2016 a review and assessment of the effectiveness of KPMG LLP, which included an assessment of (i) the independence, objectivity and professional skepticism of the auditors and (ii) the impact of tenure of the auditors on quality. The Corporation is satisfied with the results of such review and assessment.

Unless contrary instructions are provided, it is the intention of the persons named in the enclosed form of proxy to vote the Shares represented thereby FOR the reappointment of KPMG LLP as auditors of the Corporation and to authorize the Board to determine their remuneration.

The following table shows fees paid to KPMG LLP in Canadian dollars in the past two fiscal years for various services provided to Tembec:

	Year Ended September 26, 2015 ($)	**Year Ended September 24, 2016 ($)**
Audit Fees	924,800	898,400
Audit-Related Fees	46,100	46,700
Tax Fees	52,900	45,800

	Year Ended September 26, 2015 ($)	Year Ended September 24, 2016 ($)
Other Fees...	95,900	0
Total...	**1,119,700**	**990,900**

Audit Fees

These fees include professional services rendered by the external auditors for statutory audits of the annual financial statements and for other audits.

Audit-Related Fees

These fees include professional services that reasonably relate to the performance of the audit or review of the Corporation's financial statements. These services include accounting consultations related to accounting, financial reporting or disclosure matters not classified as "audit services"; assistance with understanding and implementing new accounting and financial reporting guidance from rulemaking authorities; financial audits of employee benefit plans; agreed upon or expanded procedures related to accounting records required to respond to or comply with financial, accounting or regulatory reporting matters.

Tax Fees

These fees include professional services for tax compliance, tax advice and tax planning. These services include review of tax returns, assistance with tax audits, capital structure, corporate transactions and other special purpose mandates approved by the Audit Committee.

Other Fees

These fees include professional services other than those presented under audit fees, audit-related fees and tax fees.

Approbation of the Advance Notice By-Law

On November 17, 2016, the Board adopted By-Law No. 2016-2 relating to advance notice requirements for director elections (the "**Advance Notice By-Law**") to provide shareholders, directors and management of the Corporation with a clear framework for nominating directors of the Corporation in connection with any annual or special meeting of the shareholders. The full text of the Advance Notice By-Law is set forth in Schedule C to this Circular.

The purpose of the Advance Notice By-Law is (i) to ensure that all shareholders receive adequate notice of director nominations and sufficient time and information with respect to all nominees to make appropriate deliberations and register an informed vote; and (ii) to facilitate an orderly and efficient process for annual or special meetings of shareholders of the Corporation. The Advance Notice By-Law fixes the deadlines by which shareholders must submit director nominations to the Corporation prior to any annual or special meeting of shareholders and sets forth the information that a shareholder must include in a timely written notice to the Corporation for any director nominee to be eligible for election at such annual or special meeting of shareholders.

Pursuant to the Advance Notice By-Law, shareholders seeking to nominate candidates for election as directors other than pursuant to a proposal or requisition of shareholders made in accordance with the provisions of the Canada Business Corporations Act must provide timely written notice in proper form to the Corporate Secretary of the Corporation. To be timely, a shareholder's notice must be received

(i) in the case of an annual meeting of Shareholders, not less than 30 days prior to the date of the annual meeting; provided, however, that in the event that the annual meeting of shareholders is to be held on a date that is less than 50 days after the date on which the first public announcement of the date of the annual meeting was made, notice by the shareholder may be received not later than the close of business on the 10th day following the date of such public announcement; and (ii) in the case of a special meeting (which is not also an annual meeting) of shareholders called for any purpose which includes the election of directors to the Board, not later than the close of business on the 15th day following the day on which the first public announcement of the date of the special meeting was made. The Advance Notice By-Law also prescribes the proper written form for a shareholder's notice. The Board of Directors may, in its sole discretion, waive any requirement under these provisions.

The Advance Notice By-Law is effective since its adoption by the Board on November 17, 2016. Pursuant to the provisions of the Canada Business Corporations Act, the Advance Notice By-Law will cease to be effective unless approved, ratified and confirmed by a resolution adopted by a majority of the votes cast by shareholders at the Meeting. To be timely, a notice to be provided to the Corporate Secretary of the Corporation pursuant to Advance Notice By-Law in connection with the Meeting must be received on or before December 26, 2016.

The Board recommends that shareholders vote in favour of the adoption of the resolution attached hereto as Schedule D (the "**Advance Notice By-Law Resolution**"). **WHERE NO CHOICE IS SPECIFIED, THE SHARES SO REPRESENTED WILL BE VOTED FOR THE APPROVAL OF THE ADVANCE NOTICE BY-LAW RESOLUTION.**

SECTION 3 – STATEMENT OF EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The disclosure under this section communicates the compensation of the President and Chief Executive Officer (the "**CEO**"), Mr. James M. Lopez, the Executive Vice-President Finance and Chief Financial Officer (the "**CFO**"), Mr. Michel J. Dumas, and the three most highly compensated Executive Officers of the Corporation, including any of its subsidiaries, for Fiscal 2016, namely, Mr. Christian Ribeyrolle, Executive Vice President, Specialty Cellulose and President, Tembec France SAS, Mr. Chris Black, Executive Vice President, Forest Products, Pulp and Paper, and Ms. Linda Coates, Vice President, Human Resources and Corporate Affairs (all of whom are collectively referred to as the "**NEOs**" of the Corporation; or individually as a "**NEO**" in this Circular).

Role, Composition and Decision Making Process of the CGHR Committee

The CGHR Committee is composed solely of independent Directors within the meaning of National Instrument 52-110 – *Audit Committees* and National Instrument 58-101 – *Disclosure of Corporate Governance Practice*, namely Messrs. Francis M. Scricco (Chair), James N. Chapman and James V. Continenza.

The CGHR Committee plays a critical role in the oversight and governance of the executive compensation policies and programs. The CGHR Committee annually reviews the remuneration of the Executive Officers, namely the CEO, the CFO, the Executive Vice Presidents and other designated Vice Presidents reporting directly to the CEO and other Officers of the Corporation, having regard for competitive position, internal equity and individual performance. In establishing the executive compensation policies and programs of the Corporation, the CGHR Committee has decided to refer to compensation paid by corporations in a defined Comparator Group (as defined herein), as further described below. Further to its review, the CGHR Committee makes recommendations to the Board regarding the remuneration of the Executive Officers and other Officers reporting directly to the CEO and approves the remuneration of Officers other than the Executive Officers. The Board determines the compensation of the Executive Officers and the other Officers reporting directly to the CEO upon the recommendation of the CGHR Committee.

Each member of the CGHR Committee has direct experience that is relevant to his responsibilities in executive compensation, as well as the skills and experience that enable him to make decisions on the suitability of the Corporation's policies and practices, including experience as members of compensation committees of other public companies. In particular, Mr. Scricco is currently Chairman of the compensation committees of Visteon Corp., and Masonite Inc. and served as CEO of Arrow Electronics Inc., Inglis Ltd., and Proteon, Inc. and as such, has been involved in elaborating compensation policies and programs for those companies. Mr. Chapman is currently or has served on numerous compensation committees for private companies where he coordinated internal and external studies on executive compensation including but not limited to such topics as short term incentive compensation. Mr. Continenza is a senior executive who specializes in businesses across a variety of industries. He is the Chairman of the Board of Eastman Kodak Company and has experience as Chief Executive Officer and Chief Operating Officer in numerous companies, including Anchor Glass Container Corp. (as Interim Chief Executive Officer), Arch Wireless, Inc., and Teligent, Inc. This experience has enabled him to gain extensive knowledge on executive compensation, such as the review of compensation contracts, leadership and succession planning, the development of incentive plans, the analysis of the compensation market, the financial analysis of compensation plans, pension fund administration, the regulatory environment and the negotiation of employment conditions.

During Fiscal 2016, the CGHR Committee reviewed the Corporation's executive compensation policies and practices, taking into account the risks associated therewith. The CGHR Committee has not identified any risks associated with the Corporation's compensation policies and practices that are reasonably likely to have a material adverse effect on the Corporation. The significant risks and uncertainties which could affect the Corporation are disclosed in the annual information form and in the management discussion and analysis accompanying the Corporation's annual financial statements. None of these risks are related to compensation policies and practices. There is no restriction imposed upon a NEO or director with respect to the purchase of financial instruments designed to hedge or offset a decrease in the value of the securities of the Corporation granted as compensation or held, directly or indirectly, by the NEO or director.

Executive Compensation Policy Objectives

The executive compensation philosophy of the Corporation aims at optimizing the Corporation's performance by focusing on compensation based on performance and the achievement of predetermined objectives. The CGHR Committee is mandated by the Board to supervise and approve or recommend to the Board, depending on the level of seniority of the executives involved, the human resources practices and policies of the Corporation that support its strategy and objectives.

The executive compensation philosophy of the Corporation is designed to ensure both external and internal equity. External equity is ensured by linking the compensation policy to market compensation practices, as typically expressed in terms of market positioning. Internal equity is ensured by the consistent application of the executive compensation policies and practices to all covered executive positions, thereby ensuring that all incumbents are treated in a fair and equitable manner for performance at all levels. Such compensation philosophy is based on the following principles and guidelines and, as a consequence, the Corporation's total compensation for its Executive Officers is sensitive to the achievement of operational objectives that contribute to increasing shareholder value:

– support the maximization of shareholder value by emphasizing incentive compensation over fixed compensation;

- favor dependable and sustainable performance by ensuring that the CEO's compensation includes a significant portion of long-term incentives;
- maintain a significant percentage of at-risk compensation for each senior Executive Officer;
- identify a proper reference market and establish the desirable position for Tembec within such reference market both by compensation component and for total compensation; and
- assess on a regular basis the aggregate compensation of each Executive Officer and the incentives to which they are subject in light of the Corporation's compensation philosophy and make the appropriate adjustment(s) if and when necessary.

Central to such compensation philosophy is the effective design and implementation of a long-term incentive program with the objectives of:

- offering a significant incentive opportunity to the Executive Officers to create shareholder value over cycles ranging from three to five years;
- promoting retention of key contributors;
- offering superior rewards for superior results; and
- maintaining tax and cost effectiveness.

The CGHR Committee believes that the Corporation's current senior executive compensation policies and programs are aligned with the Corporation's executive philosophy and allow delivering on the strategy of motivating executives to successfully lead the transformation of the Corporation's business and maximize shareholder value. The Corporation believes that its compensation philosophy is the right one with its aim at optimizing the Corporation's performance by focusing on compensation based on performance and the achievement of pre-determined objectives, thereby linking a significant portion of compensation to shareholders interests. However, the Corporation will ensure that the incentives in place sufficiently drive the executive team to fulfill the Corporation's long-term business transformation strategy while not leading to excessive or inappropriate risk-taking.

Compensation Consulting Services

Periodically, the CGHR Committee retains the services of independent compensation consulting firms to provide guidance and advice on director and executive compensation matters. During the fiscal year ended on September 26, 2015 ("**Fiscal 2015**") and Fiscal 2016, the CGHR Committee retained the services of Lyons, Benenson & Company ("**Benenson**") to review remuneration for non-executive Directors. Benenson reported directly to the CGHR Committee on this matter. During Fiscal 2015 and Fiscal 2016, the CGHR Committee also retained Willis Towers Watson ("**Towers**") to provide consulting services in connection with pension-related matters. Neither Benenson nor Towers has provided any service to the Corporation or to its affiliates, or to any of the Directors or members of Management, other than as described herein. The CGHR Committee is satisfied that it has appropriately fulfilled its mandate during Fiscal 2016.

The table below sets forth the fees incurred by the Corporation in connection with services provided by Benenson and Towers in Fiscal 2015 and Fiscal 2016. During such years, Benenson and Towers were not retained to perform any other work for the Corporation. No mandate is given to Benenson and Towers unless approved by the CGHR Committee.

	Fiscal 2015($)		Fiscal 2016($)	
Mandates	Towers [(1)]	Benenson[(1)]	Towers[(1)]	Benenson[(1)]
Fees for review of the Long-Term Incentive Plan for Executives and/or Directors' compensation	--	15,470[(4)]	0	16,700
Executive compensation consulting	13,000	--	0	--
Actuarial pension related fees[(2)(4)]	393,000	--	483,000	0
Other consulting fees[(3)(4)]	1,156,000	--	1,009,000	17,080
Total	**1,562,000**	**15,470**	**1,492,000**	**33,780**

(1) Towers services were first retained by the Corporation in November 2002 and Benenson services were first retained by the Corporation in August 2011.
(2) Includes fees related to year-end accounting and actuarial valuations for the funding and accounting of Canadian and United States pension plans.
(3) Includes fees related to actuarial valuations for the accounting of post-retirement and post-employment benefit plans, monitoring of pension trust investment performance, general pension and investment consulting, general employee group benefits consulting and general compensation consulting (including Canada, United States and France). Also includes fees for administration services for Canada and United States pension plans.
(4) Exchange rates used to convert U.S. dollars into Canadian dollars: 1.2278 for Fiscal 2015 and 1.3254 for Fiscal 2016.

Comparator Group

For Fiscal 2016, the Corporation's compensation practices were compared to the comparator group provided in the table below (the "**Comparator Group**"):

Industry	Corporation
Paper and Forest Products	Resolute Forest Products (formerly AbitibiBowater Inc.)
	Canfor Corporation
	Cascades Inc.
	Catalyst Paper Corporation
	Domtar Corporation
	Interfor Corporation
	Norbord Inc.
	West Fraser Timber Co. Ltd
Industrial Manufacturing	Gerdau
	ShawCor Ltd.

The ten corporations part of the Comparator Group have been selected on the basis of meeting most or all of the following characteristics that are common to the Corporation:

– listed corporations;
– comparable in size;
– corporations in the pulp, paper, forest products, basic materials, and/or other capital intensive industry; and

– corporations that have either lost executives to or attracted executives from the pulp, paper and forest products industry.

The CGHR Committee considers that the abovementioned characteristics that the corporations in the Comparator Group share with the Corporation allow a better understanding and benchmarking of the competitiveness of the remuneration of the senior executives and the fees of the non-executive Directors.

Equity Ownership Requirement

An equity ownership and holding requirement policy is in effect (the "**Ownership Requirement**") in order to further align the interests of shareholders and NEOs as well as other executives and key employees of the Corporation. The Ownership Requirement must be met by a participant in the LTIP within five years from the date of the participant's first grant of PCSUs (as defined herein) or DSUs thereunder and must be maintained as long as he or she remains a participant in the LTIP. Pursuant to this Ownership Requirement, the CEO is required to own securities equal to three times his base salary whereas all the other NEOs are required to own securities equal to 1.75 times their base salary. In determining a participant's Ownership Requirement, all Shares held by the participant and the vested DSUs credited to his or her account pursuant to the LTIP are considered.

Target Market Position

Each component of the compensation package (i.e. base salary, short-term incentives, long-term incentives, pension, benefits and perquisites) are separately considered for purposes of benchmarking across the Comparator Group. The CGHR Committee approves the formula and target amount for each component of the compensation package separately based on the Corporation's financial goals. Each component by itself could be slightly below or above the median. However, the total target value of the compensation package comprised of all the aforementioned components is positioned at or near the median of the Comparator Group.

Elements of the Executive Compensation

The following table describes the key components of the Corporation's executive compensation package:

Component	Type	Form	Performance Period	Payouts Based On	Market Positioning
Base salary	Fixed	Cash	One year	Adjustments based on individual performance and market trends	Target = 95% of median of the Comparator Group
Short-term incentives	At risk	Cash/Shares	One year	Corporate results and/or operational performance	Target = median of the Comparator Group
Long-term incentives	At risk	PCSUs Performance DSUs,	Three years	(i) Minimum stock market performance of the Shares and (ii) total shareholder return compared to the Peer Group(2)	Target = amount required to position target total compensation at median of the Comparator Group assuming that salary is at 95% of the median of the Comparator Group
	Partially at risk	Non Performance DSUs(1)		The passing of time	
Pension(3)	Fixed	Employer-provided value	One year (linked to applicable	Accrued entitlement	Competitive in local market

Component	Type	Form	Performance Period	Payouts Based On	Market Positioning
			pensionable earnings)		
Benefits	Fixed	Indirect compensation	One year (linked to salary)	Coverage based on a mix of fixed and salary-based components	Target = median of the Comparator Group
Perquisites	Fixed	Indirect compensation	Not performance-driven	Actual usage cost with a maximum	Minimal
Total compensation				Emphasis on at-risk performance-driven pay	Target = at or near the median of the Comparator Group

(1) A participant in the LTIP who does not meet the Ownership Requirement is only entitled to be granted DSUs. Payout of Non-Performance DSUs is considered partially "at risk" given that the amount of same depends on the price of the Corporation's Shares at the time of the payout. See "Long-Term Equity Based Plan for Executives and Key Employees" below for further details.
(2) Both performance measures need to be met.
(3) Mr. Ribeyrolle is not eligible to participate in any pension plan of the Corporation.

The target weightings of each component seek a balance between the at-risk and fixed compensation of each senior executive to ensure his or her alignment with shareholders' interest while not leading to excessive or inappropriate risk-taking. The relative weighting of each component of direct compensation is aligned with each senior executive's ability to influence the short and long-term performance of the Corporation.

Pay Mix

The following table sets forth the percentage of each component of the total compensation package for the NEOs in accordance with the above stated compensation policy and the effect of the assumed achievement of target performance on the compensation programs for Fiscal 2016:

Name	Base Salary (%)	Short-term Incentive (%)	Long-term Incentive(1) (%)	Pension and Benefits (%)	Perquisite (%)	Total Target Compensation (%)	Total at-risk Compensation (%)
James M. Lopez	42	28	22	8	0	100	50
Michel J. Dumas	49	24	17	9	1	100	41
Christian Ribeyrolle	53	27	18	0	2	100	45
Chris Black	49	24	17	9	1	100	41
Linda Coates	49	24	17	9	1	100	41

(1) In Fiscal 2016, only DSUs were granted under the LTIP. 30% of these DSUs were Non Performance DSUs which vest at the end of a three-year performance period, while 70% were Performance DSUs which vest depending upon the achievement of performance metrics. The payout of Performance DSUs is considered to be at risk since it is contingent on the achivement of targets related to two performance measures, namely (i) minimum stock market performance of the Shares and (ii) total shareholder return compared to the Peer Group. The payout of Non-Performance DSUs is considered partially "at risk" given that the amount of same depends on the price of the Corporation's Shares at the time of the payout. See "Long-Term Equity Based Plan for Executives and Key Employees" below for further details.

Pay Leverage

The Corporation's emphasis on variable at-risk compensation results in a leveraged total compensation opportunity for its executives. Total compensation will be below the median of the Comparator Group when performance objectives are not met and, conversely, will exceed the median of the Comparator Group when achieved performance is above performance objectives.

Base Salary

The base salary component of the executive compensation package aims to reflect salaries offered to executives in equivalent positions in the Comparator Group, as well as the responsibilities, performance, abilities, skills, experience and contribution to the Corporation's success of the Executive Officers.

The Corporation uses a salary structure based on scales with a midpoint set at 95% of the Comparator Group median for equivalent positions in the Comparator Group. Base salaries within each scale range from 85% to 130% of the midpoint of the Comparator Group. The actual base salaries reflect the NEO's respective responsibilities, performance, abilities, skills, experience and contribution to the Corporation's success, as well as the evolution of the Comparator Group's compensation practices. The CEO's salary is determined at the sole discretion of the Board. Salaries of other NEOs are also determined by the Board following a recommendation of the CGHR Committee, which makes its recommendation based on, amongst other things, the input received from the CEO.

Short-Term Incentive Plan

The purpose of the Corporation's short-term incentive plan (the "**STIP**") is to support the achievement of short-term objectives that contribute to the execution of the Corporation's strategy in order to maximize shareholder return. This is accomplished by aligning payouts under the STIP with the achievement of predetermined performance objectives measured with key and objective financial performance indicators, as the CGHR Committee considers that such performance is closely related to and reflects the Executive Officer's performance.

The CGHR Committee approved the financial performance indicators and objectives of the STIP for Fiscal 2016 at the beginning of such fiscal year. The financial performance indicators and objectives are based on the Corporation's operating plans for the year as approved by the Board. Members of the Board participate in the Corporation's annual budget and strategic planning meeting where an annual operating budget is approved and which partially forms the basis from which the CGHR Committee formulates corporate performance indicators and related performance objectives to be used under the STIP. The STIP's design specifies the threshold, target and maximum annual incentive award as a percentage of base salary. These percentages vary based on the level of the position held. The threshold represents the minimum level of performance; there is no payout under the STIP where performance is less or equal to the threshold. The target represents the level of performance required to receive 100% payout under the STIP. Where performance level meets the maximum objective established, the NEOs and other STIP participants will receive a payout of 200% under the STIP. The STIP program provides that until the Ownership Requirement has been met, a portion of any cash otherwise payable pursuant to the STIP program to NEOs and other executives and key employees participating in the LTIP (less any applicable withholdings) be paid to a broker or custodian for the purchase on behalf of the participant of Shares in the open market, which portion for the NEOs shall be as follows:

- CEO – 100%
- CFO – 50%
- All other NEOs – 25%

For Fiscal 2016, the threshold, target and maximum annual incentive award as a percentage of base salary established for the STIP to be awarded to the NEOs are set out below:

Name	Threshold (%)	Target (%)	Maximum (%)
James M. Lopez	0	65	130
Michel J. Dumas	0	50	100
Christian Ribeyrolle	0	50	100
Chris Black	0	50	100
Linda Coates	0	50	100

The following table summarizes the Fiscal 2016 performance indicators applicable to Messrs. Lopez, Dumas, and Ms. Coates:

	Performance Indicator	Weight (%)	Threshold	Target	Maximum	Actual	Award (%)
Corporate	Corporate Adjusted EBITDA	50	$76 million	$116 million	$156 million	$147.0 million	88.8
	Cumulative Cash Flow from Operations	50	$33 million	$73 million	$113 million	$84.0 million	63.7
	Total Corporate	**100**					**152.5**

For Fiscal 2016, the CGHR Committee established a STIP objective for Messrs. Lopez, Dumas and Ms. Coates based on equal weighting between the level of Corporate Adjusted EBITDA and the Cumulative Cash Flow from Operations achieved by the Corporation (the "**Corporate Objective**"). In Fiscal 2016, Mr. Lopez received a STIP award of $872,300, which represented 152.5% of a target STIP award of $572,000. In Fiscal 2015, Mr. Lopez received a STIP award of $0, which represented 0% of a target STIP award of $572,000. In Fiscal 2016, Mr. Dumas received a STIP award of $317,200, which represented 152.5% of a target STIP award of $208,000. In Fiscal 2015, Mr. Dumas received a STIP award of $0, which represented 0% of a target STIP award of $203,000. In Fiscal 2016, Ms. Coates received a STIP award of $215,406, which represented 152.5% of a target STIP award of $141,250. In Fiscal 2015, Ms. Coates received a STIP award of $0, which represented 0% of a target STIP award of $133,750.

The following table summarizes the Fiscal 2016 performance indicators applicable to Mr. Ribeyrolle:

	Performance Indicator	Weight (%)	Threshold	Target	Maximum	Actual	Award (%)
Corporate	Corporate Adjusted EBITDA	25	$76 million	$116 million	$156 million	$147.0 million	44.4
	Cumulative Cash Flow from Operations	25	$33 million	$73 million	$113 million	$84.0 million	31.9
	Total Corporate	**50**					**76.3**

	Performance Indicator	Weight (%)	Threshold	Target	Maximum	Actual	Award (%)
Specialty Cellulose and Chemical Products Group	Specialty Cellulose and Chemical Group Adjusted EBITDA Margin	25	37.2	56.0	65.5	68.7	50
	Specialty Cellulose and Chemical Group Selling Price	8.5	Business unit performance to meet target Selling Price Target = Expected performance				5.7
	Specialty Cellulose and Chemical Group Manufacturing Costs	8.0	Business unit performance in reducing manufacturing costs Target = Budget				9.9
	Specialty Cellulose and Chemical Group Net Working Capital	8.5	Business unit performance to meet target inventory on finished goods and fiber Target = Expected performance				4.2
	Total Group	**50**					**69.8**
	Total	**100**					**146.1**

For Fiscal 2016, the CGHR Committee established STIP objectives for Mr. Ribeyrolle based on the Corporate Objective and several other performance indicators related to the results of the Specialty Cellulose and Chemical Group. Mr. Ribeyrolle's salary is paid in Euros and expressed herein in dollars for comparative purposes. For Fiscal 2016, the exchange rate used is the exchange rate applicable for the Euro as at September 24, 2016, being 1 Euro is equal to $1.4784 and for Fiscal 2015, the exchange rate used is the exchange rate applicable for the Euro as at September 26, 2015 being 1 Euro is equal to $1.4631. In Fiscal 2016, Mr. Ribeyrolle received a STIP award of $277,457, which represented 146.1% of a target STIP award of $189,974. In Fiscal 2015, Mr. Ribeyrolle received a STIP award of $29,272, which represented 16.4% of a target STIP award of $179,230.

The following table summarizes the Fiscal 2016 performance indicators applicable to Mr. Black:

	Performance Indicator	Weight (%)	Threshold	Target	Maximum	Actual	Award (%)
Corporate	Corporate Adjusted EBITDA	25	$76 million	$116 million	$156 million	$147.0 million	44.4
	Cumulative Cash Flow from Operations	25	$33 million	$73 million	$113 million	$84.0 million	31.9
	Total Corporate	**50**					**76.3**
Forest Products, Pulp and Paper	Adjusted EBITDA – Paper, High Yield, Pulp, Forest Products	25	$54 million	$83 million	$112 million	$101 million	40.4
	Group Net Working Capital	12.5	Group days sales in Working Capital Target = Improvement from 2015				6.8
	Delivered Cost/Unit	12.5	Business segment performance in reducing production and delivery costs Target = Budget				22.1
	Total Group	**50**					**69.3**
	Total	**100**					**145.6**

For Fiscal 2016, the CGHR Committee established STIP objectives for Mr. Black based on the Corporate Objective and several other performance indicators related to the results of the Forest Products Pulp and Paper Group. In Fiscal 2016, Mr. Black received a STIP award of $289,645, which represented 145.6% of a target STIP award of $199,000. In Fiscal 2015, Mr. Black had received a STIP award of $134,814, which represented 69.9% of a target STIP award of $193,000.

In the tables above, all performance indicators are GAAP financial measures, except for the following:

Adjusted EBITDA	Represents sales less cost of sales and selling, general and administrative expenses meaning it represents operating earnings before depreciation, amortization and other specific or non-recurring items.
Cumulative Cash Flow from Operations	Represents Adjusted EBITDA less CAPEX, plus the average reduction in inventories and accounts payable as compared to Fiscal 2015.
Delivered Cost/Unit	Represents total manufacturing costs plus freight and delivery charges for a given period divided by the amount of units sold in the period.
Selling Price	Represents the price paid for the products by customers less sales deductions.
Manufacturing Costs	Represents variable costs plus daily and fixed cost without depreciation. The manufacturing cost is based on the production days budgeted by grade with the actual manufacturing cost by grade and with the actual cadency of production.
Group Net Working Capital	Represents, at a given date, means the sum of accounts receivable, inventory and prepaid expenses less accounts payables and accruals of the given Group.

Long-Term Incentive Program

The objectives of the Corporation's long-term incentive program are to link executive pay with the long-term corporate operational and financial market performance, to retain key executives and to contribute to providing them with a competitive total compensation opportunity.

Long-Term Equity Based Plan for Executives and Key Employees

Executive Officers, including NEOs, and other key employees of the Corporation are eligible to participate in the Long-Term Equity Based Plan for Executives and Key Employees (the "**LTIP**"). The purpose of the LTIP is to enhance the Corporation's ability to attract and retain executives and key employees and to promote a greater alignment of interests between such individuals and the shareholders of the Corporation and to provide a performance incentive to such individuals for their services to the Corporation.

Under the LTIP, the CGHR Committee shall, from time to time, award performance-conditioned share units (the "**PCSUs**"), performance-conditioned deferred share units (the "**Performance DSUs**" and, collectively with the PCSU, the "**Performance Units**") and non-performance based deferred share units (the "**Non-Performance DSUs**" and, collectively with the Performance DSUs, the "**DSUs**") to selected Executive Officers, including NEOs, and other key employees of the Corporation, and determine the number of Performance Units and/or Non-Performance DSUs (collectively, the "**Units**") and the conditions, including any limitations, restrictions, vesting period and performance conditions (including, but not limited to, the length of a period of performance, the measures, objectives and their assessment at the end of the applicable period of performance), if any, attached to the Units to be awarded to them.

In satisfaction of vested PCSUs, a participant shall receive a cash payment (less any applicable withholdings) equal to the product of the number of vested PCSUs multiplied by the average market value of the Shares over the last 30 trading days prior to the settlement date to be determined by the CGHR Committee at the start of the performance period. Payments shall be made no later than 30 days following the settlement date of vested PCSUs (or date of involuntary termination, death or disability, if applicable).

Vested DSUs shall be credited to a participant's account and only be redeemable, and the value thereof payable, after the participant ceases to act as an employee of the Corporation and files with the Corporation a redemption notice, except in the case of cessation of employment due to involuntary termination for cause where all vested and unvested DSUs shall be cancelled. The Corporation shall pay to the participant or his or her legal representatives, within 10 business days after receipt of the redemption notice, an amount in cash equal to the product of the number of vested DSUs to be paid multiplied by the average market value of the Shares over the last 30 trading days prior to date of redemption, net of applicable taxes and contributions to government sponsored plans that must be withheld.

In the event of a participant's retirement, death or disability, vested Non-Performance DSUs and all vested Performance Units and a pro rata portion of Performance Units relating to any performance period ending in the fiscal year during which the cessation of employment due to retirement, death or disability occurs shall be paid in accordance with the terms of the LTIP. Unvested Non-Performance DSUs and Performance Units related to any performance period ending after the end of the fiscal year in which the date of retirement, death or disability occurs shall be cancelled. In the event of a cessation of employment of a participant due to involuntary termination for cause, all vested and unvested Units held by the participant shall be cancelled. In all other instances of cessation of employment, including but not limited to voluntary resignation, all unvested Units shall be cancelled and all vested Units shall be paid in accordance with the LTIP. In the event of a change of control of the Corporation, any performance period related to Performance Units granted and outstanding at such time shall be deemed to end on the date of the occurrence of the change of control and the CGHR Committee shall assess whether the conditions attached to such Performance Units were achieved on such date, with payments to be made in accordance with the LTIP if applicable.

The CGHR Committee shall have full and complete authority to interpret the LTIP, to prescribe such rules and regulations and to make such other determinations as it deems necessary or desirable for the administration of the LTIP, including the authority to establish or waive the performance conditions applicable to any award of Performance DSUs, including but not limited to the length of a period of performance, the measures, objectives and their assessment at the end of the applicable period of performance. The Board may, from time to time, amend, suspend or terminate the LTIP in whole or in part. In such event, the rights of a participant shall not be adversely affected, except with the consent of the affected participant.

Since the inception of the LTIP, and except as otherwise described in this Circular, given that the NEOs have not met their applicable Ownership Requirement, the CGHR Committee has only annually granted DSUs to the NEOs.

In Fiscal 2016, the CGHR Committee has established the following targets, as a percentage of actual base salary, with respect to the annual long-term incentive opportunities for the NEOs:

Name	Target (%)
James M. Lopez	50
Michel J. Dumas	35
Christian Ribeyrolle	35
Chris Black	35
Linda Coates	35

Under normal circumstances, the CGHR Committee determines the size of a grant of Units by multiplying the actual base salary of a NEO by the corresponding target percentage as set forth in the above table and dividing the result by the price of the Shares of the Corporation ("**Price**") on a given date ("**Effective Date**"), except where the Effective Date falls during a black-out period, in which case the Price is computed on the basis of the weighted average market value of the Shares of the Corporation on the TSX for the five trading days preceding the sixth full trading day immediately following the day on which a black-out period ends. Given that none of the NEOs had attained his or her Ownership Requirements in Fiscal 2016, all NEOs were granted DSUs under the LTIP. For the purposes of the grant of DSUs made in Fiscal 2016, the Price used to compute the number of DSUs granted was established at $0.92.

The grant of Performance DSUs and Non Performance DSUs to the NEOs for the performance period (the "**Performance Period**") covering Fiscal 2016 to the fiscal year ending on September 29, 2018 ("**Fiscal 2018**") inclusively is set forth in the table below. The number of DSUs awarded by the CGHR Committee consisted of 30% Non Performance DSUs and 70% Performance DSUs.

Name	Grant Date	Performance Period	Number of DSUs Granted during Fiscal 2016	
			Performance DSUs	Non-Performance DSUs
James M. Lopez	November 18, 2015	Fiscal 2016 to Fiscal 2018	334,783	143,478
Michel J. Dumas	November 18, 2015	Fiscal 2016 to Fiscal 2018	108,120	46,337
Christian Ribeyrolle	November 18, 2015	Fiscal 2016 to Fiscal 2018	93,169	39,930
Chris Black	November 18, 2015	Fiscal 2016 to Fiscal 2018	102,793	44,054
Linda Coates	November 18, 2015	Fiscal 2016 to Fiscal 2018	71,236	30,530

In addition to the above grant, the Board granted, on November 19, 2015, a special grant of 15,000 Non-Performance DSUs to Ms. Coates for extraordinary services rendered during Fiscal 2015. These Non-Performance DSUs are not subject to any performance measures and vested on November 19, 2015.

The Non-Performance DSUs granted will automatically vest at the end of the Performance Period. The Performance DSUs granted for the Performance Period vest based on performance over a cumulative three-year performance period with respect to the performance measures described hereinafter. Following the completion of the Performance Period, the CGHR Committee will assess performance in light of the measures described below and will determine the percentage of performance achieved, which percentage will be within the range of 0% and 100%, and will represent the percentage of such Performance DSUs which will vest in relation to the Performance Period. In making its determination, the CGHR Committee may set the vesting percentage at a higher percentage than would have resulted based solely on the performance measure. In no event may the percentage of Performance DSUs which vest at the end of the Performance Period exceed 100%.

The performance measures established by the CGHR Committee for the Performance Period are as follows:

- The Corporation's total shareholder return ("**TSR**") relative to the Peer Group for the Performance Period ("**Relative TSR**") shall be equal to or exceed the Peer Group median TSR; and

- The Corporation's TSR over the Performance Period shall be at least ten percent ("**Minimum TSR**").

With respect to the Performance Period, provided that Minimum TSR is met for the Performance Period, the Performance DSUs that will vest will be determined as follows:

Performance Indicator	Threshold	Target
Relative TSR	90% of the Peer Group median TSR	Peer Group median TSR and above
Vesting Percentage(1)	50%	100%

(1) Between 90 and 100% of the Peer Group median TSR, Performance DSUs will be earned on a straight line formula.

For Fiscal 2016, the peer group used to determine the performance measures established by the CGHR Committee for the purposes of the LTIP is described in the table below (the "**Peer Group**"):

LTIP Peer Group	
Canfor Corporation	Methanex Corporation
Catalyst Paper Corporation	Neenah Paper, Inc.
CCL Industries	Norbord Inc.
Clearwater Paper Corporation	ShawCor Ltd.
Kapstone Paper and Packaging Corporation	Verso Paper Corporation
Lassonde Industries Inc.	Winpak Ltd.
Mercer International	-

Former Long-Term Incentive Plan

Under the stock purchase section of the Former Long-Term Incentive Plan (the "**Former LTIP**"), participants in the Former LTIP were granted an annual entitlement to purchase Shares, without any financial assistance from the Corporation, determined by multiplying the participant's base salary by a factor applicable to the position.

Options granted under the Former LTIP are exercisable at a price per Share equal to the weighted average closing price of the Shares on the TSX during the five trading days preceding the date of the option grant. As result of the Recapitalization that was completed on February 29, 2008, the exercise price of the then issued and outstanding options were increased 17.1 times and the number of options was reduced by the same factor.

Any options granted under the Former LTIP will terminate on the date of expiration specified in the notice of grant, such date being no later than the date that is ten years after the date the option was granted or as otherwise specified in the Former LTIP (such as in the event of the optionee's death or ceasing to be an employee of the Corporation). There is currently no option outstanding under the Former LTIP.

The Board may, subject to approval of the TSX, amend or terminate the Former LTIP at any time but, in such event, the rights of employees will be preserved and maintained.

Securities Authorized for Issuance under Equity Compensation Plans

The following table sets out certain details with respect to the Former LTIP, which is the only compensation plan of the Corporation under which equity securities of the Corporation are authorized for issuance as at September 24, 2016:

	Number of securities to be issued upon exercise of outstanding options	Weighted-average exercise price of outstanding options ($)	Number of securities remaining available for future issuance under equity compensation plans(2)
Equity compensation plans approved by securityholders(1)	-	n/a	301,342
Total	-	n/a	301,342

(1) The Corporation does not maintain any equity compensation plan not approved by securityholders.

(2) Excludes Shares to be issued upon exercise of outstanding options.

As of September 24, 2016, the total number of Shares remaining available for issuance under the Former LTIP was 301,342 or approximately 0.3% of the issued and outstanding Shares. As of September 24, 2016, there was no option to purchase Shares, outstanding under the Former LTIP.

Pension, Benefits and Perquisites

The Corporation provides a competitive package of indirect compensation designed to ensure a competitive and adequate level of coverage for all employees, including its senior executives. The role of pension, benefits and perquisites is to complement the government-provided programs coverage and to promote employee wellness while they serve the Corporation.

The Corporation provides retirement benefits to the NEOs through a combination of basic and supplementary retirement plans as described hereinafter. The following paragraphs present all plans in which NEOs have accrued service since becoming employees of the Corporation.

Basic Retirement Plan – Defined Benefits for Messrs. Lopez, and Dumas (the "**DB Basic Plan**")

For services performed prior to January 1, 2000, the DB Basic Plan provides for a pension of 1.0% multiplied by earnings (capped at $100,000 for Messrs. Lopez and Dumas and indexed annually based on the increase in the maximum pension tax limit) multiplied by the years of credited service up to December 31, 1999. At termination of employment, the accrued pension is payable from age 65. Early retirement is possible from age 55 and the pension is reduced by 5/12$^{\text{ths}}$ of 1% for each month between the date of early retirement and the date the employee attains the age of 60. The pension is unreduced from age 58 if the sum of age and credited service (i.e. points) is at least 80.

Basic Retirement Plan – Defined Contribution for all NEOs, except for Mr. Ribeyrolle (the "**DC Basic Plan**")

Effective January 1, 2000, the DC Basic Plan provides a defined contribution of 6% of earnings (base salary and short-term incentive). For Messrs. Lopez and Dumas, the earnings in the above formula were capped at $100,000 per year from January 1, 2000 to December 31, 2009. The return credited on the DC Basic Plan is based on the actual return of the underlying fund(s) selected by each individual.

Supplementary Pension Plan – Defined Benefits for Messrs. Lopez and Dumas (the "**DB SERP**")

The DB SERP provides a defined benefit pension of 1.6% of the average of the best consecutive five years of earnings (base salary and short-term incentive) of the last ten years multiplied by years of credited service reduced by the defined benefits pension payable from the DB Basic Plan and further reduced by 0.6% of $100,000 multiplied by years of credited service on and after January 1, 2000. At termination of employment, unless the participant is terminated for cause, the accrued pension is payable from the normal retirement date (i.e. age 65). Subject to the approval of the CGHR Committee, early retirement is possible beginning at age 55. Upon early retirement, the pension is reduced by 5/12$^{\text{ths}}$ of 1% for each month between the date of early retirement and the last day of the month during which the employee attains the age of 60 or, if earlier and subject to the approval of the CGHR Committee, the date the employee would have attained the age of 58 with 80 points.

Effective January 1, 2010 and at their request, Messrs. Lopez and Dumas stopped accruing credited service under the DB SERP. They participate in the DC SERP (as defined herein) for all NEOs, as described hereinafter. As a result of this change and other pension plan changes adopted by Tembec, there will be no management employees accruing credited service under either the DB Basic Plan, the DB SERP or any other defined benefit plan after July 1, 2010.

Supplementary Defined Contribution Plan for all NEOs, except for Mr. Ribeyrolle (the "**DC SERP**")

Effective January 1, 2008, (January 1, 2010 for Messrs. Lopez and Dumas) the annual accruals under the DC SERP corresponds to the excess of 10% of earnings (base salary and STIP) over Tembec's contribution to the DC Basic Plan for the same period. These accruals are accrued with interest based on the yield on the DEX 91 Day T-Bill Index plus 3% per annum. At termination of employment, other than for cause, the accrued balance is payable in instalments over a period of approximately 10 years. A portion (80-85%) of the benefits accrued under the DB SERP and the DC SERP is secured by a letter of credit issued by a Schedule 1 Canadian bank.

Benefits

The objective of the Corporation is to provide adequate and competitive protection to its Executives Officers and their families against effects resulting from health related complications. Periodically, the Corporation retains external consultants to benchmark the benefit plans offered by the Corporation to its Executives Officers with those of the Comparator Group. The benefits that are made available to Executives Officers, including NEOs, by the Corporation include only those that are available equally to all employees: basic and dependent life insurance, accidental death & dismemberment insurance, health insurance, dental insurance.

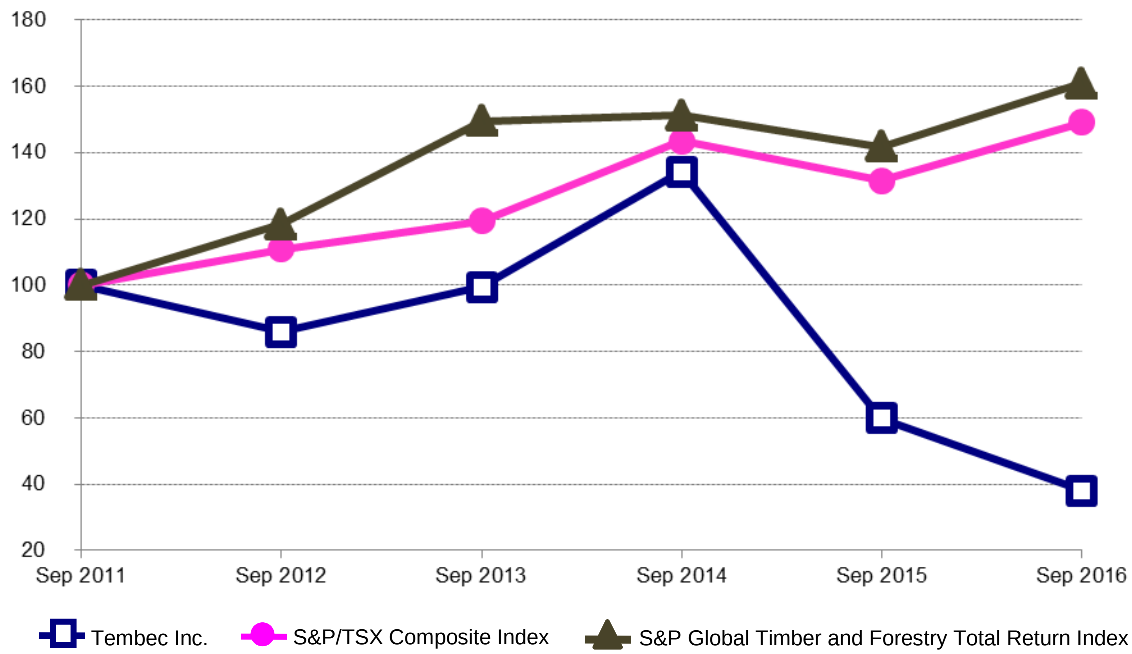
Perquisites

The Corporation offers a very limited number of perquisites. Executives Officers, including NEOs, are entitled to have an annual complete medical check-up. The Corporation assumes the annual fees incurred by certain senior executives for financial and tax counselling. The Corporation does not reimburse any fitness club, sport club or business club membership fees but provides Mr. Ribeyrolle with a car allowance.

Performance Graph

The following performance graph shows the change in the cumulative total shareholder return on the Corporation's Shares compared with the S&P/TSX Composite Total Return Index and the S&P Global Timber and Forestry Total Return Index over the period of September 23, 2011 to September 23, 2016, assuming a $100 investment on September 23, 2011. The year-end value of the share as at September 23, 2016 was $0.92.

The year-end values of each investment are based on share appreciation plus dividends paid in cash, with the dividends reinvested on the date they were paid. The calculation excludes trading commissions and taxes. Total shareholder returns from each investment, whether measured in dollars or percentage terms, can be calculated from the year-end investment values in the graph below.



	September 2011	September 2012	September 2013	September 2014	September 2015	September 2016
Tembec Inc. (1)	100	86	100	134	60	38
S&P/TSX Composite Total Return Index (2)	100	111	119	144	132	149
S&P Global Timber and Forestry Total Return Index (2)	100	118	149	151	142	161

(1) Tembec has not paid any dividend.

(2) The S&P/TSX Composite Total Return Index and the S&P Global Timber and Forestry Total Return Index are adjusted to reflect the reinvestment of cash dividends paid.

The above table shows that an investment in the Shares from September 2011 to September 2016 underperformed the S&P/TSX Composite Total Return Index and the S&P Global Timber and Forestry Total Return Index.

The NEO's Compensation is determined in accordance with the principles described in this Circular and is not specifically based on the performance of the Shares on the TSX due to the fact that the price of the Shares is affected by external factors beyond the Corporation's and the NEO's control. Consequently, the Corporation cannot establish a direct relation between the evolution of the total compensation of the NEOs and the price of the Shares since 2011. During the period covered by the performance graph, the compensation of the NEO's reflect, among other things, their respective scope of responsibilities, skills, experience and contribution to the Corporation's success, as well as the evolution of the Comparators Group's compensation practices.

Summary Compensation Table

The following table provides a summary of the compensation earned by each NEO during Fiscal 2016, Fiscal 2015 and the fiscal year ended September 27, 2014 ("**Fiscal 2014**"). As in prior years, for convenience and year-over-year comparability, annual figures represent compensation paid for the period between October 1, and September 30. This one-year period is consistent with how the CGHR Committee administers executive compensation:

Name and Principal Position	Year	Salary ($)	Share-Based Awards ($)	Option Based Awards ($)	Non-Equity Incentive Plan Compensation ($)[4]	Pension Value ($)	All Other Compensation ($)[5]	Total Compensation ($)
James M. Lopez President and Chief Executive Officer	2016	880,000	440,000[1]	-	872,300	188,200	-	2,380,500
	2015	880,000	440,000[2]	-	0	(377,400)	-	942,600
	2014	880,000	440,000[3]	-	97,240	(459,300)	-	957,940
Michel J. Dumas Executive Vice-President, Finance and Chief Financial Officer	2016	408,500	142,100[1]	-	317,200	72,600	-	940,400
	2015	406,000	142,100[2]	-	0	25,200	-	573,300
	2014	406,000	217,100[8]	-	34,510	(193,800)	-	463,810
Christian Ribeyrolle Executive Vice President, Specialty Cellulose and President, Tembec France SAS	2016	379,949[7]	122,451[1]	-	277,457[7]	0[6]	-	779,857[7]
	2015	365,810[7]	128,033[2]	-	29,272[7]	0[6]	-	523,115[7]
	2014	341,176[7]	115,316[3]	-	78,876[7]	0[6]	-	535,368[7]
Chris Black Executive Vice President Forest Products, Pulp and Paper	2016	389,000	135,100[1]	-	289,645	67,900	-	881,645
	2015	386,000	135,100[2]	-	134,814	52,100	-	708,014
	2014	384,500	133,000[3]	-	62,204	44,400	-	624,104

Name and Principal Position	Year	Salary ($)	Share-Based Awards ($)	Option Based Awards ($)	Non-Equity Incentive Plan Compensation ($)(4)	Pension Value ($)	All Other Compensation ($)(5)	Total Compensation ($)
Linda Coates Vice President, Human Resources and Corporate Affairs	2016	271,250	93,625(1)	-	215,406	48,700	-	628,981
	2015	267,500	107,425(9)	-	0	26,700	-	401,625
	2014	267,500	126,874(8)	-	22,738	28,600	-	445,712

(1) The amount shown represents the value, based on a Share price of $0.92, of the grant made on November 18, 2015 of (i) Non-Performance DSUs that vest at the end of the Performance Period and (ii) the grant of Performance DSUs that vest based on performance over a cumulative Performance Period with respect to performance measures established at the start of such performance period (the "**2016 Performance DSUs**"). Unless the performance measures are met, the 2016 Perfomance DSUs will be cancelled and forfeited. See "Statement of Executive Compensation – Long-Term Equity Based Plan for Executives and Key Employees" for more details.

(2) The amount shown represents the value, based on a Share price of $2.93, of the grant of Performance DSUs made on November 19, 2014 (the "**2015 Performance DSUs**") that vest based on performance over a cumulative three-year performance period (Fiscal 2015-Fiscal 2017) with respect to performance measures established at the start of such performance period. Unless the performance measures are met, the 2015 Performance DSUs will be cancelled and forfeited. See "Statement of Executive Compensation – Long-Term Equity Based Plan for Executives and Key Employees" for more details.

(3) The amount shown represents the value, based on a Share price of $2.66, of the grant of Performance DSUs made on November 20, 2013 (the "**2014 Performance DSUs**") that vest based on performance over a cumulative three-year performance period (Fiscal 2014-Fiscal 2016) with respect to performance measures established at the start of such performance period. Unless the performance measures are met, the 2014 Performance DSUs will be cancelled and forfeited. See "Statement of Executive Compensation – Long-Term Equity Based Plan for Executives and Key Employees" for more details.

(4) The amount shown represents the STIP award paid to and received by each NEO for the given fiscal years.

(5) The table does not provide details regarding perquisites and benefits as they do not meet the minimum threshold for disclosure.

(6) Mr. Ribeyrolle is not eligible to participate in any pension plan of the Corporation.

(7) Mr. Ribeyrolle's is compensated in Euros and the various figures are expressed in dollars in the table above for comparative purposes. For Fiscal 2016, the exchange rate used is the exchange rate applicable for the Euro as at September 24, 2016 being 1 Euro is equal to $1.4784. For Fiscal 2015, the exchange rate used is the exchange rate applicable for the Euro as at September 26, 2015, being 1 Euro is equal to $1.4931. For Fiscal 2014, the exchange rate used is the exchange rate applicable for the Euro as at September 26, 2014 being 1 Euro is equal to $1.4142.

(8) The amount shown represents (i) the value, based on a Share Price of $2.66, of the grant of Performance DSUs made on November 20, 2013 (the "**2014 Performance DSUs**") that vest over a period of three years based on performance over a cumulative three-year performance period (Fiscal 2014 – Fiscal 2016) with respect to performance measures established at the start of such performance period, and (ii) the value, based on a Share price of $2.93, of the special grant of 25,597 Non-Performance DSUs and 11,945 Non-Performance DSUs made on November 20, 2014 for extraordinary services rendered respectively by Mr. Dumas and Ms. Coates during Fiscal 2014 that vested on November 20, 2015. Unless the performance measures are met, the 2014 Perfomance DSUs will be cancelled and forfeited. See "Statement of Executive Compensation – Long-Term Equity Based Plan for Executives and Key Employees" for more details.

(9) The amount shown represents (i) the value, based on a Share price of $2.93, of the grant of Performance DSUs made on November 19, 2014 (the "**2015 Performance DSUs**") that vest based on performance over a cumulative three-year performance period (Fiscal 2015-Fiscal 2017) with respect to performance measures established at the start of such performance period and (ii) the value, based on a Share price of $0.92, of the special grant of 15,000 Non-Performance DSUs made on November 19, 2015 for extraordinary services rendered by Ms. Coates during Fiscal 2015 that vested on November 19, 2015. Unless the performance measures are met, the 2015 Perfomance DSUs will be cancelled and forfeited. See "Statement of Executive Compensation – Long-Term Equity Based Plan for Executives and Key Employees" for more details.

Incentive Plan Awards

Outstanding Option-Based Awards and Share-Based Awards

The following table details all outstanding PCSUs and DSUs held under the LTIP by each NEO as at September 24, 2016.

	Option-based Awards					Share-based Awards		
Name	**Issuance Date**	**Number of securities underlying unexercised options (#)**	**Option exercise price ($)**	**Option expiration date**	**Value of unexercised in-the-money options ($)**	**Number of shares or units of shares that have not vested (#)(1)**	**Market or payout value of share-based awards that have not vested(2) ($)**	**Market or payout value of vested share-based awards not paid out or distributed(3)**
James M. Lopez President and Chief Executive Officer	20-Nov-13					165,414	152,181	--
	19-Nov-14					150,171	138,157	--
	18-Nov-15					478,261	440,000	-- --
Michel J. Dumas Executive Vice-President, Finance and Chief Financial Officer	14-Nov-12					--	--	67,042(4)
	20-Nov-13					53,421	49,147	--
	19-Nov-14					48,498	44,618	--
	20-Nov-14					--	--	23,549(5)
	18-Nov-15					154,457	142,100	--
Christian Ribeyrolle Executive Vice President, Specialty Cellulose and President, Tembec France SAS								-- --
	20-Nov-13					43,352	39,884	--
	19-Nov-14					40,973	37,695	--
	18-Nov-15					133,099	122,451	--

	Option-based Awards					Share-based Awards		
Name	**Issuance Date**	**Number of securities underlying unexercised options (#)**	**Option exercise price ($)**	**Option expiration date**	**Value of unexercised in-the-money options ($)**	**Number of shares or units of shares that have not vested (#)(1)**	**Market or payout value of share-based awards that have not vested(2) ($)**	**Market or payout value of vested share-based awards not paid out or distributed(3)**
Chris Black Executive Vice President, Forest Products, Pulp and Paper	20-Nov-13					50,000	46,000	--
	19-Nov-14					46,109	42,420	--
	18-Nov-15					146,848	135,100	--
Linda Coates Vice President, Human Resources and Corporate Affairs	14-Nov-12					--	--	11,795(4)
	20-Nov-13					34,539	31,776	--
	19-Nov-14					31,954	29,398	--
	20-Nov-14					--	--	10,989(5)
	18-Nov-15					101,766	93,625	--
	19-Nov-15					--	--	13,800(6)

(1) Number of DSUs granted under the LTIP.

(2) Based on a share value of $0.92 as at September 23, 2016 and assuming achievement of target levels.

(3) Based on a share value of $0.92 as at September 23, 2016.

(4) Value of the 72,872 DSUs that vested for Mr. Dumas and that of the 12,821 DSUs that vested for Ms. Coates.

(5) Value of the 25,597 DSUs that vested for Mr. Dumas and that of the 11,945 DSUs that vested for Ms. Coates.

(6) Value of the of the 15,000 DSUs granted on November 19, 2015 with immediate vesting.

. Incentive Plan Awards – Value Vested or Earned during the Year

The following table sets forth, for each NEO, the value of all incentive plan awards that have vested or been earned during Fiscal 2016:

Name	Option-based awards Value vested during the year ($)	Share-based awards – Value vested during the year ended September 24, 2016 ($)(1)	Non-equity incentive plan compensation – Value earned during the year ($)
		PCSU/DSUs	**STIP**
James M. Lopez President and Chief Executive Officer	--	--	872,300
Michel J. Dumas Executive Vice President, Finance and Chief Financial Officer	--	90,591	317,200

Name	Option-based awards Value vested during the year ($)	Share-based awards – Value vested during the year ended September 24, 2016 ($)(1)	Non-equity incentive plan compensation – Value earned during the year ($)
		PCSU/DSUs	STIP
Christian Ribeyrolle Executive Vice President, Specialty Cellulose and President, Tembec France SAS	--	--	277,457
Chris Black Executive Vice President, Forest Products, Pulp and Paper	--	--	289,645
Linda Coates Vice President, Human Resources and Corporate Affairs	--	36,584(2)	215,406

(1) During Fiscal 2016, following the completion of the performance period covering the fiscal year ended September 28, 2013 to Fiscal 2015, the CGHR Committee assessed performance to establish the percentage of the Performance DSUs granted on November 14, 2012 which would vest. Further to this assessment, the CGHR Committee determined that none of the Performance DSUs granted to the NEOs on November 14, 2012 would vest, except for the Performance DSUs awarded to Messrs Dumas, and Ms. Coates on November 14, 2012, with respect to which the CGHR Committee has exercised its authority to waive the performance conditions applicable to such award of Performance DSUs and, accordingly, determined that they vested fully. The Committee exercised its authority in consideration of the extraordinary services rendered by Messrs Dumas, and Ms. Coates during the said performance period. Based on a share value of $0.92 as at September 23, 2016

(2) Includes the value of the special grant of 15,000 fully vested DSUs to Ms. Coates on November 19, 2015.

Defined Benefit Pension Plans Table

The following table presents statutory information on the defined benefit plan offered to each NEO calculated as at September 24, 2016 (numbers are rounded to the nearest hundred except for the number of years of credited service):

Name	Number of years of credited service (1)	Annual benefits payable ($)		Opening present value of defined benefit obligation ($)(5)	Compensatory change ($)(6)	Non-compensatory change ($)(7)	Closing present value of defined benefit obligation ($)(8)
		At year end(2)	At age 65(2)(3)(4)				
James M. Lopez	20.00	371,700	371,700	6,081,600	13,000	1,057,700	7,152,300
Michel J. Dumas(9)	24.08	171,000	171,000	2,915,400	0	427,600	3,343,000
Christian Ribeyrolle(10)	--	--	--	--	--	--	--
Chris Black(10)	--	--	--	--	--	--	--
Linda Coates(10)	--	--	--	--	--	--	--

(1) Number of years of credited service in the DB SERP. Number of years credited in the DB Basic Plan may be lower. The credited service is subject to a maximum of 35 years under the DB SERP provisions. Credited service accruals for members of prior SERP under the DB SERP ceased effective January 1, 2010.

(2) Total benefits payable from the DB Basic Plan, the DB SERP applicable to each individual.

(3) Calculation of the annual benefits payable at age 65. The annual benefits payable at age 65 are equal to the accrued annual benefits since there is no credited service accrual on or after January 1, 2010 under the DB Basic Plan and the DB SERP.

(4) For purposes of calculating the annual benefits payable, the best average earnings are calculated as at September 30, 2016 and reflect the STIP payable in Fiscal 2016.

(5) Defined benefit obligation using a discount rate of 4.10%. The assumptions and methods used are the same as the assumptions used to prepare the financial statement disclosures as at September 26, 2015 in accordance with IAS 19 (rev. 2011).

(6) Includes service cost at the beginning of the year (which is nil for this plan), the impact of pay different from that reflected in the start of the year obligation (difference in the defined benefit obligation based on the expected and the actual salary) and impact of amendments to the pension plans, if any (there were no such amendments).

(7) Impact of all other changes including interest on prior year's defined benefit obligation plus changes in discount rate used to measure the obligations, changes in other assumptions and experience gains or losses other than compensation related gains or losses.

(8) Defined benefit obligation using a discount rate of 3.25%. The assumptions and methods used are the same as the assumptions used to prepare the financial statement disclosures as at September 24, 2016 in accordance with IAS 19 (rev. 2011).

(9) Mr. Dumas' credited service includes his years of service with a subsidiary of the Corporation in a similar plan.

(10) Messrs. Ribeyrolle and Black and Ms. Coates do not participate in the DB Basic Plan or the DB SERP.

Defined Contribution Pension Plans Table

The following table presents statutory information on the defined contribution plans offered to each NEO calculated as at September 24, 2016 (numbers are rounded to the nearest hundred):

Name	Accumulated value at start of year ($)(1)	Compensatory ($)(2)	Non-Compensatory ($)(3)	Accumulated value at year end ($)(4)
James M. Lopez	860,400	175,200	45,400	1,081,000
Michel J. Dumas	469,100	72,600	45,000	586,700
Christian Ribeyrolle(5)	--	--	--	--
Chris Black	624,100	67,900	71,000	763,000
Linda Coates	140,100	48,700	8,000	196,800

(1) As at September 26, 2015. The accumulated value as at September 30, 2015 includes the September contribution remitted in October and the contribution on the STIP payable in December 2015.

(2) Employer contributions to the DC Basic Plan and notional employer contributions to the DC SERP. Includes the contribution on the STIP accrued in Fiscal 2016 payable in December 2016.

(3) Investment earnings during Fiscal 2016. Accumulated value at start of year and annual contributions to the notional account of the DC SERP are credited with a rate of return equal to the yield represented by the DEX 91 Day T-Bill Index plus 3% per annum as per the plan provisions. Accumulated value at start of year and annual contributions to the DC Basic Plan account are credited with a rate of return based on actual return on the underlying fund(s) selected by each individual.

(4) As at September 24, 2016. The accumulated value as at September 30, 2016 includes the September contribution remitted in October and the contribution on the STIP payable in December 2016.

(5) Mr. Ribeyrolle does not participate in the DC Basic Plan or the DC SERP.

Termination and Change of Control Benefits

Except as described in this section, the obligations of the Corporation vis-à-vis its NEOs in the event of termination (whether voluntary, involuntary or constructive), resignation or retirement were described above in this Circular.

The Corporation has employment contracts in force with all its NEOs; however only the employment contracts with Messrs. Lopez, Dumas, Black, and Ms. Coates (the "**Named NEOs**") include a Change of Control Clause as defined hereinafter. Pursuant to the Named NEOs' employment agreements, in the event of termination without serious reason or a substantial change to the essential terms of the Named NEOs' employment conditions during the 12 months following ("**Change of Control Clause**"):

(i) the sale or disposition of all or substantially all of the Corporation's assets, or consummation of any transaction, or series of transactions, having similar effect;

(ii) an amalgamation, consolidation or merger involving the Corporation;

(iii) the transfer, exchange or issue of shares that could result in a change of control of the Corporation, such as an arrangement involving the Corporation, within the meaning of Section 192 of the *Canada Business Corporations Act*, that would have this effect;

(iv) any person acquiring or becoming the owner of, or a combination of persons acting jointly or in concert acquiring or becoming the owner of, directly or indirectly, more than 50% of the Corporation's voting shares, whether through the acquisition of previously issued and outstanding voting shares, or of voting shares that have not been previously issued, or any combination thereof, or any other transaction having a similar effect;

(v) any transaction or series of transactions that could result in a change of control of the Corporation;

(vi) the Corporation's liquidation or dissolution;

(vii) the Corporation's insolvency, including the Corporation making an assignment in bankruptcy or a proposal in bankruptcy or being petitioned into bankruptcy;

(viii) the Corporation making an arrangement or a compromise within the meaning of the *Companies' Creditors Arrangement Act*; or

(ix) any transaction or series of related transactions that have the substantial effect of any or more of the foregoing events;

then Mr. Dumas and Mr. Black shall be entitled to the payment of the equivalent of 24 months of salary, as well as monetary compensation for all benefits that would otherwise be paid for the two years following the termination of their respective employment. In similar circumstances, Ms. Coates shall be entitled to the payment of the equivalent of 12 months of salary, as well as monetary compensation for all benefits that would otherwise be paid for the year following the termination of her employment. In similar circumstances, Mr. James M. Lopez shall be entitled to the payment of the equivalent of 30 months of salary as well as monetary compensation for all benefits that would otherwise be paid for the 30 months following termination of his employment, except in the event of the occurrence of any of the events described in paragraphs (i), (vi) or (vii) or removal from the Board, which would entitle him to a payment based on 24 months of salary as well as monetary compensation for all benefits that would otherwise be paid for such period of time. See "Long-Term Equity Based Plan for Executives and Key Employees" for further details on the impacts of a cessation of employment on awarded Units.

The following table presents the value of potential payments and entitlements to the NEOs assuming the NEOs' employment had been terminated as of September 23, 2016, following a change in control as described above. If applicable, amounts based on share price were calculated using $0.92 , the per share price of the Shares as at September 23, 2016. 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 the Corporation's salaried employees in general. No enhanced benefits are payable in other termination scenarios and no amount is payable upon a change of control in the absence of termination or change in the NEO's responsibilities as described above:

CHANGE IN CONTROL					
Name	**Severance Pay ($)**	**Retirement Plan Benefits ($)**	**Death and Disability Benefits ($)**	**Continued Perquisites and Benefits ($)**	**Total ($)**
James M. Lopez (24 months)	2,904,000	290,400	17,800	14,100	**3,226,300**
James M. Lopez (30 months)	3,630,000	363,000	22,200	17,600	**4,032,800**
Michel J. Dumas	1,248,000	124,800	14,800	14,100	**1,401,700**
Christian Ribeyrolle	849,300	0	0	11,000	**860,300**
Chris Black	1,194,000	119,400	14,200	14,100	**1,341,700**
Linda Coates	423,750	42,375	2,500	3,500	**472,125**

SECTION 4 – DIRECTORS COMPENSATION

Compensation of Directors

The CGHR Committee is responsible for annually reviewing the compensation of the Directors and for making recommendations to the Board which considers and approves the adequacy and form of the compensation of the Directors upon recommendation of the CGHR Committee and ensures that compensation realistically reflects the responsibilities and time involved in being an effective Director.

Non-executive Directors receive compensation for acting as members of the Board and as members of any committee of the Board. During Fiscal 2016, such Directors received the annual retainer and attendance fees described in the table below. However, a portion of the annual Board retainer fees has been paid in November 2013 to Directors via a front-loaded grant of deferred shares units ("**Deferred Share Units**") covering a three-year period under the current Deferred Share Unit Plan described further below.

Annual Board Retainers	
Chairman of the Board	**$320,000**(1)
Board members *(excluding the Chairman of the Board)*	**$115,000**(1)
Annual Committee Retainers	
Audit Committee	
− Chairman	**$35,000**
− Member (excluding Committee chairman)	**$15,000**
CGHR Committee	
− Chairman	**$15,000**
− Member (excluding Committee chairman)	**$7,500**
Environment, Health and Safety Committee	
− Chairman	**$5,000**
− Member (excluding Committee chairman)	**$2,500**

Meeting Attendance Fees	
In person or via conference call	**$2,000**

(1) The Deferred Share Unit component of the annual retainer is $65,000 for Board members (excluding the Chairman of the Board) and $180,000 for the Chairman of the Board.

Directors are reimbursed for travel and other out-of-pocket expenses incurred in attending Board or committee meetings. From time to time, the Corporation may ask a Director to attend other meetings or functions. Directors are paid $2,000 for attending each such meeting or function.

The total amount of fees and retainers earned by Directors in respect of meetings of the Board and its committees and other activities as member of the Board or any of its committees since September 26, 2015 is $837,000. This amount does not include the value of the front-loaded grant of Deferred Share Units made in November 2013, which represents an amount of $540,000 for the chairman of the Board and $195,000 for each of the Board members and which has been included in the disclosure related to the compensation of the Directors for Fiscal 2014 and therefore was not included in Fiscal 2016.

Directors Compensation Table

The following table describes director compensation for non-executive Directors for Fiscal 2016:

Name	Fees earned(1) ($)	Share-based awards(2) ($)	Other Compensation ($)	Total ($)
Norman M. Betts(5)	56,500	--	--	56,500
James N. Chapman	115,500	--	--	115,500
James V. Continenza	205,500	--	10,000(3)	215,500
Jacques Leduc	117,000	--	2,000(4)	119,000
Francis M. Scricco	105,000	--	--	105,000
David J. Steuart	108,500	--	2,000(4)	110,500
Lorie Waisberg	107,000	--	8,000(4)	115,000

(1) This amount includes all compensation (retainer and attendance fees, except for the Deferred Share Unit component of the Board retainer).

(2) The total value of the front-loaded grant of Deferred Share Units made in November 2013 in the amount of $540,000 for the Chairman of the Board and $195,000 for each of the Board members was included in the disclosure related to the compensation of the Directors' for Fiscal 2014 and therefore was not included in Fiscal 2015 and Fiscal 2016. One-third of the Deferred Share Units granted on such date vested on January 30, 2014, one-third vested on January 29, 2015 and the final third vested on January 28, 2016.

(3) This amount includes payments received for activities as a member of the Strategic Committee.

(4) This amount includes payments received for activities as a member of the Board.

(5) Mr. Betts ceased to act as director of the Corporation on January 28, 2016.

The following table provides the breakdown of total compensation by component:

Name	Annual Retainers Paid in Cash ($)		Annual Retainer Paid in Deferred Share Units ($)	Meeting Fees ($)						Total ($)
	Board	Committees		Board	Audit Committee	CGHR Committee	Environment, H&S Committee	Strategic Committee	Other	
Norman M. Betts[(3)]	25,000	17,500	65,000	10,000	4,000	--	--	--	--	121,500
James N. Chapman	50,000	7,500	65,000	32,000	--	8,000	--	18,000	--	180,500
James V. Continenza	140,000	7,500	180,000	32,000	--	8,000	--	18,000	10,000[(1)]	395,500
Jacques Leduc[(4)]	50,000	25,000	65,000	32,000	10,000	---	--	--	2,000[(2)]	184,000
Francis M. Scricco	50,000	15,000	65,000	32,000	--	8,000	--	--	--	170,000
David J. Steuart[(5)]	50,000	12,500	65,000	32,000	6,000	--	8,000	--	2,000[(2)]	175,500
Lorie Waisberg	50,000	15,000	65,000	32,000	10,000	--	--	--	8,000[(2)]	180,000

(1) This amount includes payments received for activities as a member of the Strategic Committee.

(2) This amount includes payments received for activities as a member of the Board.

(3) Mr. Betts ceased to act as director of the Corporation on January 28, 2016.

(4) Mr. Leduc became chair of the Audit Committee on January 28, 2016.

(5) Mr. Steuart became a member of the Audit Committee on January 28, 2016.

Deferred Share Unit Plans

Tembec has a Deferred Share Unit Plan (the "**Deferred Share Unit Plan**") for its non-executive Directors in place. The purpose of Tembec's Deferred Share Unit Plan is to enhance the Corporation's ability to attract and retain high quality individuals to serve as members of the Board and to promote a greater alignment of interests between non-executive members of the Board and the shareholders of the Corporation. A Deferred Share Unit is a right to receive a cash payment equal to the value of one Share following termination of service with the Corporation and its affiliates. Since payment is not permitted until termination of service, awards of Deferred Share Units provide the equivalent to an ongoing equity stake in the Corporation.

Under the Corporation's Deferred Share Unit Plan, non-executive Directors receive a portion of their annual compensation for serving as Directors in the form of Deferred Share Units. The Deferred Share Unit component of the annual retainer is $65,000 for Board members (excluding the Chairman of the Board) and $180,000 for the Chairman of the Board. The number of Deferred Share Units credited on any date is calculated by dividing the amount of the annual retainer to be paid to the Director in the form of Deferred Share Units by the market price of Shares on such date as determined in accordance with the Deferred Share Unit Plan. For the purposes of determining the number of Deferred Share Units, to which a Director is entitled, the annual retainer fee encompasses only amounts paid to Directors for service on the Board and does not include committee retainer fees or meeting attendance fees.

Under the Deferred Share Unit Plan, the CGHR Committee may, at its sole discretion, make front-loaded grants of Deferred Share Units to non-executive Directors in anticipation of annual retainer fees otherwise payable in connection with services to be rendered in future periods. In November 2013, the CGHR Committee exercised such discretion and approved a special grant of Deferred Share Units to non-executive Directors covering a three-year period starting Fiscal 2014 through Fiscal 2016. For the Chairman of the Board, the value of the grant was $540,000 and for each other Board member it was $195,000.

Directors Outstanding Option-Based Awards and Share-Based Awards

The following table sets forth, for each non-executive Director, all awards outstanding as of September 24, 2016:

	Option-based Awards					Share-based Awards		
Name	Issuance Date	Number of securities underlying unexercised options (#)	Option exercise price ($)	Option expiration date	Value of unexercised in-the-money options[(1)] ($)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested [(1)] ($)	Market or payout value of vested share-based awards not paid out or distributed [(1)] ($)
Norman M. Betts[(2)]	--	--	--	--	--	-	-	0
James N. Chapman	--	--	--	--	--	-	-	287,429
James V. Continenza	--	--	--	--	--	-	-	647,020
Jacques Leduc	--	--	--	--	--	-	-	118,212
Francis M. Scricco	--	--	--	--	--	-	-	181,096
David J. Steuart	--	--	--	--	--	-	-	181,096
Lorie Waisberg	--	--	--	--	--	-	-	181,096

(1) Based on a Share price of $0.92 as of September 23, 2016.

(2) Mr. Betts ceased to act as director of the Corporation on January 28, 2016 and as such all of his DSUs were paid out as per the Deferred Share Unit Plan.

Directors Incentive Plan Awards – Value Vested or Earned during the Year

The following table sets forth, for each non-executive Directors, the value of all incentive plan awards vested during Fiscal 2016. The amounts reflect the value of Deferred Share Units previously granted to Directors that vested on January 28, 2016:

Name	Share-based awards – Value vested during the year(1) ($)
Norman M. Betts(2)	24,979
James N. Chapman	94,039(3)
James V. Continenza	138,233(3)
Jacques Leduc	24,979
Francis M. Scricco	24,979
David J. Steuart	24,979
Lorie Waisberg	24,979

(1) Based on a Share price of $0.93 on January 28, 2016.
(2) Mr. Betts ceased to act as director of the Corporation on January 28, 2016.
(3) This amount includes a special payment received in the form of Deferred Share Units (74,358 DSUs) for activities as member of the Special Committee.

SECTION 5 – INDEBTEDNESS

The aggregate indebtedness to Tembec for the purchase of securities of the Corporation as at November 25, 2016 of all Executive Officers, Directors, employees and former Executive Officers, Directors and employees and all other indebtedness of these persons to Tembec, excluding routine indebtedness (as defined under applicable securities laws), was approximately $140,000. The table below represents the approximate aggregate indebtedness, excluding routine indebtedness, outstanding as at November 25, 2016, entered into in connection with a purchase of securities and all other indebtedness.

Aggregate Indebtedness (Millions $)		
Purpose	**To the Corporation or its Subsidiaries**	**To Another Entity**
Share purchases	--	--
Other	0.14	--

SECTION 6 – OTHER INFORMATION

Corporate Governance

The Directors and management consider good corporate governance to be central to the effective and efficient operation of the Corporation. The Corporate Governance Policy of the Corporation adopted by the Board defines the functions and the mandate of the Board in respect of corporate governance. The

Corporation's corporate governance practices are described in this Circular, including in Schedule "A" attached to this Circular.

Independence

All Nominee Directors, except Messrs. James M. Lopez and Michel J. Dumas, qualify as independent within the meaning of National Instrument 58-101 – *Disclosure of Corporate Governance Practices* and all Audit Committee members qualify as independent within the meaning of National Instrument 52-110 – *Audit Committees*. Messrs. James M. Lopez and Michel J. Dumas are not considered independent based on the fact that they are respectively President and CEO of the Corporation and Executive Vice President, Finance and CFO of the Corporation.

Diversity

The Corporation recognizes the importance and benefit of having a Board comprised of highly talented and experienced individuals who reflect the diversity of the Corporation's stakeholders, including its employees and the changing demographics of the communities in which the Corporation operates.

The Corporation has not adopted a written policy relating to the identification and nomination of women directors. Despite not having a written policy, diversity, including gender, is a component of the selection process for new Board members. The CGHR Committee will recommend candidates to be nominated for election or appointment as Directors who are highly qualified, based on their talents, expertise, personal skills, background, experience and knowledge, including taking into account diversity considerations such as gender, age and national origin, having regard to the Corporation's current and future plans and objectives. As of November 25, 2016, there is no woman member of the Board of Directors of the Corporation.

The Corporation also gives consideration to the gender diversity in its Executive Officers appointment process. The Corporation considers the presence of women on the executive team as an added value. As of November 25, 2016, there are 2 women who are Executive Officers out of the 11 Executive Officers of the Corporation, including its major subsidiaries, as defined in National Instrument 58-101 - *Disclosure of Corporate Governance Practices*, representing a percentage of 22%. The Corporation has not adopted a "target" regarding the representation of women on the Board or in Executive Officer positions. The term "target" is defined in National Instrument 58-101 - *Disclosure of Corporate Governance Practices* as, in effect, a number percentage, or range of numbers or percentages, adopted by the Corporation of women on the Board or in Executive Officer positions of the Corporation by a specific date. The Corporation has not adopted specific targets, but will promote its objectives with respect to Board renewal with a view to identifying and fostering the development of a suitable pool of candidates for nomination or appointment over time.

Directors Term Limits & Other Mechanisms of Board Renewal

Industry and Institutional knowledge along with commitment and expertise are vital to the successful functioning of the Board. Given the size of the Corporation's business and its industry, the Board has determined that while it is committed to fostering diversity among board members, it would be unduly restrictive to adopt specific director term limits or retirement age limits on its Directors, as such limits may cause the loss of experience and expertise important to the optimal operation of the Board. Diversity and Board renewal will be supported through other mechanisms designed to address the needs of the Corporation and not through the imposition of term limits.

Directors' Skills Matrix

The following tables details the key skills and expertise of the Nominee Directors.

	Forestry, Pulp and Paper Industry Experience	Manufacturing Experience	Executive Leadership Experience	Financial / Accounting Experience / Knowledge	EHS Experience / Knowledge	HR / Compensation Experience / Knowledge	Corporate Governance Knowledge	Risk Management Experience / Knowledge	Legal / Government / Regulatory Affairs Knowledge	Managing or Leading Growth	Government Affairs	Service on Public Company Boards	Capital Structuring and Capital Markets	Project Management	Technology / IT
James N. Chapman				X		X	X	X		X		X	X		
James V. Continenza	X	X	X			X	X	X		X		X	X	X	X
Michel Dumas	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Jacques Leduc	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
James M. Lopez	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
Francis M. Scricco		X	X		X	X	X			X		X		X	X
David J. Steuart	X	X	X	X	X		X			X	X			X	
Lorie Waisberg		X	X	X	X	X	X		X	X	X	X	X		

Audit Committee Information

The Audit Committee currently consists of Messrs. Jacques Leduc (chairman), David J. Steuart and Lorie Waisberg. All the members of the Audit Committee are financially literate. Information related to the Audit Committee may also be found in the Corporation's annual information form dated December 16, 2016 which is available on SEDAR at www.sedar.com or can be obtained upon request to the Secretary of the Corporation at 800 René-Lévesque Blvd. West, Suite 1050, Montreal, Québec, H3B 1X9[1] (facsimile: (514) 871-1980).

Liability Protection for Directors and Officers

The Corporation has entered into indemnification agreements with each of its Directors and Executive Officers. It also maintains Directors' and Officers' liability insurance which provides coverage against claims made against them in relation to their term of office. The aggregate protection under the policy is for an amount of $80 million, including $15 million for Side A DIC coverage, with no

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[1] Effective December 17, 2016, the address of the Head Office will be 100-4 Place Ville-Marie Montréal, Québec, H3B 2E7

deductible for non-indemnifiable losses and deductibles of $250,000 for all other claims. The total annual premiums were $286,219 for the 2016-2017 policy year.

Interest of Certain Persons in Matters to be Acted Upon

None of the persons who are or have been Directors or Executive Officer of the Corporation at any time since the beginning of Fiscal 2016, the Nominee Directors or the associates or affiliates of those persons have any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting other than the election of Directors or the appointment of Auditors.

Interest of Informed Persons in Material Transactions

To the best of the Corporation's knowledge, no "informed person" of the Corporation (as such term is defined under applicable securities legislation), no Nominee Director nor any associate or affiliate of the foregoing persons has or has had any material interest, direct or indirect, in any transaction since the commencement of Fiscal 2016 or in any proposed transaction which has materially affected or would materially affect the Corporation or any of its subsidiaries.

Majority Voting Policy

A "Majority Voting Policy" to the effect that a nominee for election as a Director of Tembec who receives a greater number of votes "withheld" than votes "for", with respect to the election of Directors by shareholders, shall tender his or her resignation to the chairman promptly following the meeting of shareholders at which the Director was elected. The Board will promptly accept the resignation unless there are extraordinary circumstances that should delay the acceptance of the resignation or justify rejecting it. The Board will announce its decision in a press release within 90 days following the meeting of shareholders. The Director who tendered his or her resignation should not be part of any committee or Board deliberations pertaining to the resignation. This Majority Voting Policy only applies in circumstances involving an uncontested election of Directors. Pursuant to the Majority Voting Policy, an "uncontested election of Directors" means an election of Directors in respect of which the number of nominees for Director shall be equal to the number of Directors to be elected as determined by the Board.

Other Business

Management knows of no matters which will come before the Meeting other than the matters referred to in the Notice of Meeting. If any amendments or new matters are submitted to the Meeting, the accompanying proxy instrument will be voted on such amendments or new matters in accordance with the best judgment of the person voting it.

Shareholder Proposals for the 2018 Annual Meeting

The Corporation will include proposals from shareholders that comply with applicable laws in next year's management information circular for the Corporation's 2018 annual meeting. Please send your proposals to the Secretary of the Corporation at 800 René-Lévesque Blvd. West, Suite 1050, Montreal, Québec, H3B 1X9 by August 18, 2017.[2]

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[2] Effective December 17, 2016, the address of the Head Office will be 100-4 Place Ville-Marie
Montréal, Québec, H3B 2E7

Additional Information

Financial information about the Corporation is provided in the Corporation's comparative annual financial statements and management's discussion and analysis for its most recently completed financial year. Additional information relating to the Corporation is available on SEDAR at www.sedar.com. Copies of the Corporation's annual information forms and annual reports, including the annual audited financial statements and the related management's discussion and analysis, may be obtained on request from the Corporate Secretary of the Corporation at 800 René-Lévesque Blvd. West, Suite 1050, Montreal, Québec, H3B 1X9[3] (facsimile: (514) 871-1980).

Approval of the Board

The Board of Directors of the Corporation has approved the content and the sending of this Circular.

Montreal, Québec, December 16, 2016.

PATRICK LEBEL
Vice President, General Counsel
and Corporate Secretary

[33] Effective December 17, 2016, the address of the head office will be 100-4 Place Ville-Marie Montréal, Québec, H3B 2E7

SCHEDULE "A"
CORPORATE GOVERNANCE PRACTICES

The directors and management of the Corporation (respectively, the "**Directors**" and "**Management**") consider good corporate governance to be central to the effective operation and success of the Corporation. In order to ensure proper and current corporate governance practices, the Directors and Management regularly compare the Corporation's practices and procedures with the guidelines set out in National Instrument 58-201 – *Corporate Governance Guidelines*, the proposals of various other regulatory authorities and the practices adopted by its peers.

Board of Directors

The board of directors of the Corporation (the "**Board**") is responsible for the overall stewardship of the Corporation and has full power and authority to manage and control the affairs and business of the Corporation. It establishes the overall policies and standards for the Corporation. While delegating certain of its authority and responsibilities to its committees and Management, it retains full effective control over the Corporation and monitors the executive officers of the Corporation (the "**Executive Officers**"). The Directors are kept informed of the Corporation's operations at meetings of the Board, of its committees and through reports, analyses and discussions with Management.

Composition and Skills

The Board currently consists of eight members and eight nominees are proposed for election as Directors for the ensuing year. The Board, with the input of the Corporate Governance Human Resources Committee (the "**CGHR Committee**"), periodically reviews its size and composition to assess its effectiveness.

Independence

The Corporation considers that a majority of the Directors proposed to be nominated for election are independent within the meaning of National Instrument 52—110 — *Audit Committees* and National Instrument 58-101 – *Disclosure of Corporate Governance Practices*. James N. Chapman, James V. Continenza, Jacques Leduc, Francis M. Scricco, David J. Steuart and Lorie Waisberg are nominee Directors who are considered independent. James M. Lopez is President and Chief Executive Officer of the Corporation (the "**CEO**") and Michel J. Dumas is Executive Vice President, Finance and Chief Financial Officer of the Corporation (the "**CFO**") and both are therefore not considered independent.

Mandate

The Board has a written mandate which describes its principal functions, a copy of which can be found on the Corporation's website at www.tembec.com and is annexed as Schedule "B" to the management information circular. The mandate provides that the Board will consider recommendations made by the officers who are responsible for the general day-to-day management of the Corporation. The Board is also responsible for overseeing the formulation by Management of long-term strategic, financial and organizational and related objectives. The mandate of the Board also requires that it implements structures and procedures to ensure that it functions independently of Management, such as the Board's practice of conducting in-camera sessions as part of each regularly scheduled meeting of the Board.

In accordance with its mandate, the Board ensures that it excludes Management and non-independent Directors from its meetings, from time to time, as appropriate. The Board did, in the past fiscal year, schedule separate meetings to be held without certain members of Management or non-independent Directors being present and it did conduct in-camera sessions as part of each regularly scheduled meeting. In addition to the CEO, the Vice President, General Counsel and Corporate Secretary and the CFO of the Corporation were also present at all regularly scheduled meetings of the Board. At the invitation of the Board, other Executive Officers attended Board meetings and provided reports to the Board on the financial and operating performance of the various business groups of the Corporation.

The functions of the Board include the review and approval of: (i) the audited annual financial statements and the related management's discussion and analysis following review by the Audit Committee; (ii) the interim unaudited financial statements and the related management's discussion and analysis following review by the Audit Committee; (iii) transactions out of the ordinary course of business; and (iv) any capital expenditures and non-budgeted financial commitments in excess of $2,500,000. The Board also considers and reviews the means by which shareholders can communicate with the Corporation, including the opportunity to do so at the annual meeting, through the Corporation's website and the adequacy of resources available within the Corporation to respond to shareholders through the office of the Corporate Secretary or otherwise.

Committees

The Board has established three standing committees, each of which is constituted by its own charter, to which the Board has delegated certain of its authority and responsibilities, as well as certain advisory functions and power to make recommendations and report to the Board. All committees of the Board are composed of a majority of independent Directors, except for the Environment, Health and Safety Committee. The Board has also established a Special Committee for Strategic Purposes with a mandate to explore strategic alternatives available to the Corporation.

CGHR Committee

The CGHR Committee is responsible for developing the Corporation's approach to Board and corporate governance issues. The CGHR Committee is composed entirely of independent Directors. The CGHR Committee reviews and reports to the Board annually on what ought to be the size, composition, profile and compensation of the Board. It also recommends candidates to be nominated for election or appointment as Directors and evaluates the Board's performance. The CGHR Committee also evaluates the performance of the Board's committees and the contribution of members of the Board and its committees. The CGHR Committee reviews, on an annual basis, the Board/Management relationship and recommends to the Board structures and procedures to ensure that the Board functions independently of Management. The CGHR Committee's charter may be found on the Corporation's website at www.tembec.com.

The CGHR Committee met 4 times during Fiscal 2016. The CGHR Committee is composed of Messrs. Francis M. Scricco (chairman), James N. Chapman and James V. Continenza, all of whom are independent. The members of the CGHR Committee were selected according to their experience and their knowledge of matters to be dealt with by the CGHR Committee.

Each of the members of the CGHR Committee has direct experience that is relevant to his responsibilities in executive compensation, as well as the skills and experience that enable him to make decisions on the suitability of the Corporation's policies and practices. All members either hold or have held executive management positions of organizations with oversight over human resources functions. In connection with their responsibilities, all members have implemented, managed and/or provided advice on compensation policies and practices, including with respect to wage policies, components of management compensation, succession plans, pension plans and share based incentive programs. As a result, the members of the CGHR Committee collectively have the relevant skills and experience necessary to enable the CGHR Committee to make decisions as to the suitability of the Corporation's compensation policies and practices. See "Business of the Meeting — Information Concerning Nominee Directors" for the biography of each member of the CGHR Committee, and "Statement of Executive Compensation - Role, Composition and Decision Making Process of the CGHR Committee" for a detailed description of the role played by the CGHR Committee with respect to executive compensation.

Audit Committee

The Audit Committee meets on a regular basis with the financial officers of the Corporation and the independent auditors to, among other things, review and inquire into: (i) matters affecting financial reporting; (ii) the adequacy of internal controls and procedures for financial reporting and accounting; (iii) the audit procedures and audit plans; and (iv) the financial and business risks or exposures of the Corporation and the steps that Management has taken to control such risks. It also recommends to the Board the external auditors to be appointed and their remuneration. The Audit Committee annually reviews the independence of the external auditors.

The Audit Committee reviews and recommends to the Board, for its approval: (i) the interim unaudited financial statements and the related management's discussion and analysis; (ii) the audited annual financial statements and the related management's discussion and analysis; (iii) prospectuses and offering memoranda; and (iv) the annual and interim earnings press release and other public disclosure documents containing audited or unaudited financial information required by regulatory authorities. The responsibilities of the Audit Committee, including those responsibilities described above, are reviewed by the Board annually. The Audit Committee charter may be found on the Corporation's website at www.tembec.com.

The Audit Committee met 5 times during Fiscal 2016. The Audit Committee is composed of Messrs. Jacques Leduc (chairman), David J. Steuart and Lorie Waisberg all of whom are independent, financially literate and have accounting expertise, with Mr. Leduc possessing the professional designation of Chartered Accountant. See "Business of the Meeting — Information Concerning Nominee Directors" for the biography of each member of the Audit Committee.

Environment, Health and Safety Committee

The Environment, Health and Safety Committee is responsible for reviewing and making recommendations and reports to the Board relating to the policies, standards, practices and programs of the Corporation on matters pertaining to both the environment and occupational health and safety. The Environment, Health and Safety Committee monitors the Corporation's performance in relation to its own policies, as well as in relation to applicable legislation pertaining to both the environment and occupational health and safety. It also reviews and reports to the Board on the Corporation's state of readiness to respond to crisis situations. The Environment, Health and Safety Committee charter may be found on the Corporation's website at www.tembec.com.

The Environment, Health and Safety Committee met 4 times during Fiscal 2016. The Environment, Health and Safety Committee is composed of Messrs. David J. Steuart (chairman), Michel J. Dumas and James M. Lopez. Mr. Michel J. Dumas is the CFO of the Corporation and Mr. James M. Lopez is the CEO of the Corporation, and both are therefore not considered independent Directors.

Position Descriptions

The Board mandate provides that the Board will, together with the CEO and with the assistance of the CGHR Committee, develop or update from time to time a position description for the CEO, as well as a description of the roles and responsibilities of the executive chairman of the Board and for the chair of each committee.

CEO

The CEO is accountable for the overall strategic direction, planning, organizing, leading and controlling of the business and for achieving maximum return on invested capital, while ensuring optimum utilization of all of the Corporation's resources. The CEO coordinates the efforts of senior executives, working with them and the Board to develop short and long term objectives, strategies and policies for the organization. He is also responsible to promote and establish positive relations with all stakeholders, including customers, the financial community and government. In addition, the CEO provides strategic leadership in pursuing and negotiating mergers, acquisitions and dispositions.

Executive Chairman of the Board

The executive chairman of the Board is appointed by the full Board and may not be a member of Management. Mr. James V. Continenza is the current executive chairman. He is an independent Director and serves as Board leader. Mr. Continenza is a Senior Executive with the proven ability to transform businesses and create substantial shareholder value. His leadership and board experience spans a variety of industries. He is an innovative leader with the proven ability to develop and lead complex initiatives from concept through implementation. He is respected by his peers as a visionary strategist with an effective ability to execute.

The Board has developed a written position description for the executive chairman of the Board. The executive chairman's role is to be primarily responsible for the proper functioning of the Board, for its balance of membership subject to shareholder approval, for ensuring that all relevant issues are on the agenda, and for ensuring that the Board works as a cohesive team and Directors are encouraged to play their full part in its activities and providing the requisite leadership to achieve this. The executive chairman must ensure that the Board has access to such members of Management as may be required by the Board and ensure that the responsibilities of the Board are well understood by both the Board and Management and that the relative responsibilities of the Board and Management are clearly understood and respected. Together with the CGHR Committee, the executive chairman is responsible for identifying guidelines for the selection of Directors and the evaluation of their conduct. The executive chairman is responsible for providing advice, counsel and mentorship to fellow members of the Board, acting as liaison between the Board and Management, monitoring, overseeing and working with the CEO and other members of the senior management team to set, implement and execute strategic priorities (including the pursuit and negotiation of acquisitions and dispositions, financings and corporate reorganizations), subject to the Board's approval, monitoring and overseeing, planning and implementation of operations, including budgets and forecasts, corporate policies, performance reviews against budgets and forecasts, capital expenditures and succession planning, retaining such external consultants as the executive chairman deems appropriate in order to fulfill the executive chairman's responsibilities, provided that the executive chairman shall report on any such retainer to the next meeting of the Board, providing advice, counsel and mentorship to the CEO, including assisting the CEO in setting priorities, allocating his time and building project teams, in consultation with the CEO, ensuring that there is an effective relationship between management personnel and the members of the Board, ensuring that the Board is in full control of the Corporation's affairs and alert to its obligations to shareholders; carrying out other duties as requested by the Board as a whole, depending on need and circumstances. The executive chairman is appointed by the Board and shall not be a member of management.

Chair of each standing committee

Each chair must be an independent Director and is primarily responsible for the proper functioning of his or her respective committee, for ensuring that all relevant issues are on the agenda and for ensuring that all members are enabled and encouraged to play their full part in its activities. The chair must ensure that the Directors receive timely, relevant information tailored to their needs.

Chair of the Audit Committee

The principal role of the chairman of the Audit Committee is to ensure that the Audit Committee carries out its duties efficiently and that it understands and respects the limits between the responsibilities of the Board and those of the Audit Committee and of Management. The chairman's principal responsibilities are to: (i) ensure all relevant issues are on the agenda for Audit Committee meetings; (ii) chair meetings of the Audit Committee and report to the Board regarding any issues examined by the Audit Committee at the next Board meeting immediately following each Audit Committee meeting; (iii) ensure that major financial and accounting issues are clearly identified and communicated to the Audit Committee and ultimately to the Board for its approval and that all material issues falling under the charter of the Audit Committee are dealt with by the Audit Committee and the Board during the year; (iv) see to it that the Audit Committee ensures that auditing procedures regarding the Corporation's accounts comply with regulatory requirements and that communications are free and open with the Corporation's external auditors and internal auditors in order to allow such professionals to collaborate fully with the Audit Committee; (v) ensure that Audit Committee members have sufficient resources (in particular, relevant and timely information) for the Audit Committee to run efficiently; (vi) act as a representative of the Audit Committee to negotiate and settle any auditing issues relating to accounts of the Corporation during discussions with external auditors outside regularly scheduled meetings of the Audit Committee and, if required, convene an emergency meeting of the Audit Committee; (vii) ensure that Audit Committee members are encouraged to fully participate in the Audit Committee meetings; and (viii) establish procedures for the treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

Chair of the CGHR Committee

The principal responsibilities of the chairman of the CGHR Committee are to: (i) ensure all relevant issues are on the agenda for such CGHR Committee's meetings; (ii) chair meetings of the CGHR Committee and report to the Board regarding any issues examined by the CGHR Committee at the next Board meeting immediately following each CGHR Committee meeting; (iii) see to it that the CGHR Committee ensures that the Corporation's corporate governance and human resource policies comply with regulatory requirements and that communications are free and open with any external expert advising firms responsible for making recommendations to the CGHR Committee and the Board in order to allow such professionals to collaborate fully with the CGHR Committee; (iv) ensure that significant corporate governance or human resources issues are clearly identified and communicated to the CGHR Committee and dealt with by the Board or the CGHR Committee, as appropriate; (v) ensure that CGHR Committee members have sufficient resources, including relevant and timely information for the CGHR Committee to run efficiently; (vi) ensure that committee members are encouraged to fully participate in the CGHR Committee meetings; and (vii) act as a representative of the CGHR Committee to negotiate and settle any issues relating to the implementation or application of the Corporation's code of ethics and business conduct (the "**Code of Ethics and Business Conduct**") during discussions with experts or external advisors outside regularly scheduled meetings of the CGHR Committee and, if required, convene an emergency meeting of the CGHR Committee.

Chair of the Environment, Health and Safety Committee

The principal role of the chairman of the Environment, Health and Safety Committee is to ensure that the Environment, Health and Safety Committee carries out its duties efficiently and that it understands and respects the limits between the responsibilities of the Board and those of the Environment, Health and Safety Committee and of Management. The chairman's principal responsibilities are to: (i) ensure all relevant issues are on the agenda for Environment, Health and Safety Committee meetings; (ii) chair meetings of the Environment, Health and Safety Committee and report to the Board regarding any issues examined by the Environment, Health and Safety Committee at the next Board meeting immediately following each Environment, Health and Safety Committee meeting; (iii) see to it that the Environment, Health and Safety Committee ensures that the Corporation's Environment, Health and Safety policies comply with regulatory requirements and that communications are free and open with any external expert advising firms responsible for making recommendations to the Environment, Health and Safety Committee and to the Board in order to allow such professionals to collaborate fully with the Environment, Health and Safety Committee; (iv) ensure that significant environment, health and safety issues are clearly identified and communicated to the Environment, Health and Safety Committee or the Board, as appropriate; (v) ensure that Environment, Health and Safety Committee members have sufficient resources, including relevant and timely information, for the Environment, Health and Safety Committee to run efficiently; and (vi) act as resource person and advisor to the executive chairman of the Board and Management in matters relating to environment, health and safety.

Summary of Attendance of Directors

The Board met 16 times during Fiscal 2016, including meetings being held outside of the normal course of business. The overall average attendance was 99.31% at Board meetings and 100% at committee meetings during Fiscal 2016.

Selection of Candidates to the Board, Orientation and Continuing Education

Pursuant to its mandate, the Board has developed a profile to define the skills and competencies required from the members of the Board. The profile is used to determine annually which additional skills and competencies will be helpful to the Board as well as to evaluate specific candidates submitted for consideration for Board membership. The identification of candidates is the responsibility of the CGHR Committee, which is guided by the profile developed by the Board. When recommending suitable candidates for nominees for election, the CGHR Committee specifies which of the criteria established by the Board form the basis of each recommendation. Independence from Management and from other members of the Board are important factors in considering candidates for the Board. The majority of the Board should be independent within the meaning of Multilateral Instrument 52-110 – *Audit Committees* and National Instrument 58-101 – *Disclosure of Corporate Governance Practices*.

The Board, through its CGHR Committee, is also responsible for providing prospective Directors with sufficient information to permit them to fully understand the role of the Board, the role of its committees, the contribution that individual Directors are expected to make, including the commitment of time and energy that the Corporation expects from Directors, as well as the nature and operations of the Corporation's business. In this respect, the CGHR Committee approves and implements an appropriate orientation and education program for new members of the Board and a continuing education program for all Board members. The CGHR Committee has produced a Directors' manual which is used in the orientation program for new Directors. As part of the continuing education program, the CGHR

Committee arranges presentations by experts on relevant topics, where appropriate. The Board also holds budget and strategy meetings at which Directors familiarize themselves with the Corporation's operations.

Selection of Management

The Board, acting upon the advice of the CGHR Committee, is responsible for approving the appointment of all Executive Officers and certain key officers. The Board is also responsible for the appointment of a CEO, for the development of the CEO's position description and objectives, for monitoring and assessing the CEO's performance against these objectives, determining the CEO's compensation and providing advice and counsel in the execution of the CEO's duties.

Ethical Business Conduct

The Corporation has adopted a written Code of Ethics and Business Conduct which provides guidelines to ensure that all Directors, officers and employees of the Corporation and its subsidiaries and all consultants, suppliers and other persons working on behalf of the Corporation respect its commitment to conduct business relationships with respect, openness and integrity. The Corporation believes that its success is possible because of its values, which include integrity, accountability, trust, transparency and teamwork. The Corporation is committed to conducting its business in compliance with applicable laws, statutes and regulations and expects its employees, Directors, consultants, suppliers and other individuals working with or on behalf of the Corporation to do likewise. In addition, business dealings among employees and by employees with shareholders, customers, suppliers, community organizations and governmental and regulatory authorities must be based on the highest ethical standards.

The Board monitors compliance with the Corporation's Code of Ethics and Business Conduct and is responsible for granting any waivers from compliance. Compliance with the Corporation's Code of Ethics and Business Conduct is also reviewed by the Audit Committee as part of the Corporation's internal audit process and the CGHR Committee in relation to Board members. Management and mid-management employees of the Corporation are requested annually to confirm having received a copy of the Code of Ethics and Business Conduct, read and understood it and agree to abide by its standards. In addition, the Code of Ethics and Business Conduct provides a procedure for individuals working with the Corporation to confidentially communicate concerns or complaints to the Corporation, including to the chairman of the Audit Committee, where appropriate. The Corporation has not filed any material change report that pertains to a conduct of a Director or officer that constitutes a departure from the Code of Ethics and Business Conduct since the beginning of its most recently completed financial year. The Corporation's written Code of Ethics and Business Conduct is available on the Corporation's website at www.tembec.com and was filed on SEDAR at www.sedar.com on July 30, 2015.

Compensation

The CGHR Committee annually reviews the remuneration of the Executive Officers, namely the CEO, Executive Vice Presidents, CFO and other designated Vice Presidents reporting directly to the CEO and other officers of the Corporation having regard for competitive position, internal equity and individual performance. In establishing senior executive compensation, the CGHR Committee has decided to refer to compensation paid by companies in a defined comparator group. Further to this review the CGHR Committee makes recommendations to the Board regarding the remuneration of the Executive Officers and other officers reporting directly to the CEO and approves the remuneration of officers other than the Executive Officers. The Board determines the compensation of the Executive Officers upon the recommendation of the CGHR Committee.

The CGHR Committee annually conducts a review of Directors' compensation for Board and committee service and recommends changes to the Board where appropriate. The Board considers and approves the adequacy and form of the compensation of Directors upon recommendation of the CGHR Committee and ensures that compensation realistically reflects the responsibilities and time involved in being an effective Director.

For the purpose of conducting its review of Directors' compensation, the CGHR Committee refers to periodic reports provided by Towers Watson and/or Benenson and other information regarding compensation practices. Towers Watson also provides reports to the CGHR Committee on pension-related matters.

Assessments

Every year, a detailed questionnaire is sent to Directors, in their capacity as Directors and, as the case may be, as a member of one or more of the committees of the Board, to obtain their views on the effectiveness of the Board or of a committee of the Board and the contribution of its members. The results of the questionnaires are compiled by the Corporate Secretary and sent to the chairman of the CGHR Committee and those that are relevant to a particular committee are sent to its chairman and to the executive chairman of the Board. The committee chairmen and the executive chairman of the Board, at the Board and committee meetings following the receipt of the results, share the results with the members of the relevant committee and of the Board, discuss any issues arising from the results, and assess the need for Board renewal in light thereof and taking into account the Corporation’s current and future plans and objective.

The CGHR Committee reports to the Board on the performance of the Board and its committees and the contribution of members of the Board and its committees. The Board reviews annually the assessment of the Board's and committees' performance and recommendations provided by the CGHR Committee and evaluates its own effectiveness, the whole in accordance with the Corporation's Corporate Governance Policy. The Board takes appropriate action based upon the results of the review process.

Outside Advisors

The CGHR Committee, through its chairman, will evaluate and, if appropriate, approve any requested engagement by individual Directors of outside advisors at the Corporation's expense.

SCHEDULE "B"
MANDATE OF THE BOARD OF DIRECTORS

TEMBEC INC.

I.INTRODUCTION

A. Purpose and Objectives

The Board of Directors (the "**Board**") of Tembec Inc. (the "**Corporation**") is responsible for the overall stewardship of the Corporation and for fostering its long-term success consistent with its fiduciary responsibility to its shareholders.

B. Powers

The Board has full power and authority to manage and control the affairs and business of the Corporation, and establishes its overall policies and standards. While delegating certain of its authority and responsibilities to committees and to the management of the Corporation, it retains full effective control over the Corporation and monitors senior management.

II.COMPOSITION AND BOARD ORGANIZATION

A. Composition

1. The Board will be constituted of a majority of independent directors, as that term is defined under applicable securities legislation ("**Independent Directors**"). The Corporation expects and requires directors to be and remain free of conflictual interests or relationships and to refrain from acting in ways that are actually or potentially harmful, conflictual or detrimental to the Corporation's best interests.

2. The membership of the Board will include a sufficient number of individuals who are financially literate and independent, as those terms are defined in applicable securities legislation, to ensure that the members of the Audit Committee fulfill the composition requirements described in the Audit Committee's charter.

B. Meetings

1. The Board will meet at least five times per year.

2. The Board will implement structures and procedures to ensure that it functions independently of management, which will include the exclusion of management from its meetings, from time to time, as appropriate.

3. Minutes of all meetings of the Board will be maintained and approved by the Board.

C. Directors of the Board

1. The Board, with the assistance of the Corporate Governance and Human Resources Committee, is responsible for evaluating its size and determining the appropriate number of directors for the Board.

2. The Board is responsible for approving new nominees to the Board and for assessing directors based upon the recommendations of the Corporate Governance and Human Resources Committee.

3. The Corporate Governance and Human Resources Committee will annually consider the skills and competencies of the members of the Board in order to determine what additional skills and competencies would be helpful to the Board. The Corporate Governance and Human Resources Committee will convey its findings to the Board to be used to identify specific candidates.

4. The Board will ensure that there is an appropriate orientation and education program for new members of the Board and continuing education program for all Board members. It will ensure that prospective candidates for Board membership have received the appropriate information to permit them to fully understand the role of the Board and its committees, the contributions expected from individual directors, as well as a general understanding of the nature and operations of the Corporation's business.

5. The Board will annually review the assessment of the Board's performance and recommendations provided by the Corporate Governance and Human Resources Committee and evaluate its own effectiveness, the whole in accordance with the Corporation's corporate governance policy. The Board will take appropriate action based upon the results of the review process.

6. The Board will consider and approve the adequacy and form of the compensation of directors, upon recommendation of the Corporate Governance and Human Resources Committee and ensure that compensation realistically reflects the responsibilities and time involved in being an effective director.

D. Committees

1. The Board will appoint committees to assist it in performing its duties and processing the information it receives. The responsibilities of those committees will be set forth in their charters, as amended from time to time. There are currently three Standing Committees; namely, the Corporate Governance and Human Resources Committee, the Environment, Health and Safety Committee and the Audit Committee.

2. The Board will name members of committees after considering the recommendations of the Corporate Governance and Human Resources Committee and the executive Chairman of the Board, as well as the skills, preferences and availability of individual Board members, all in accordance with the charters of such committees.

3. The Board will annually appoint a member of each of its committees to act as chairman of the committee.

4. The Board will receive reports from each committee as to the work undertaken by the committee and, in each case, the committee's recommendations, if any, for change with respect to its responsibilities. The Board will evaluate and approve, if appropriate, such recommendations. The Board will also receive minutes of all committee meetings.

5. The Board will annually evaluate the performance and review the work of its committees, including their respective charters and the sufficiency of such charters.

III. RESPONSIBILITIES AND DUTIES

A. General

1. The Board is responsible for:

   (a) directing management to ensure legal requirements have been met and documents and records have been properly prepared, approved and maintained;

   (b) approving changes in the Corporation's by-laws and articles of incorporation, matters requiring shareholder approval and agendas for shareholder meetings; and

   (c) performing such functions as it reserves to itself or which cannot, by law, be delegated to committees of the Board or to management.

B. Management of the Corporation

1. The Board will appoint and determine the remuneration of the Chief Executive Officer (the "**CEO**") and other Senior Executives of the Corporation, upon recommendation of the Corporate Governance and Human Resources Committee. For the purposes hereof, Senior Executives means the senior executives of the Corporation; namely, the CEO, the CFO, the Executive Vice Presidents and other direct reports to the CEO.

2. The Board will, together with the CEO and with the assistance of the Corporate Governance and Human Resources Committee, develop or update from time to time a position description for the CEO, for the executive chair of the Board and for the chair of each committee of the Board. The Board will review and approve the objectives developed for the CEO by the Corporate Governance and Human Resources Committee and review the assessment of the CEO's performance in relation to such objectives made by the Corporate Governance and Human Resources Committee.

3. The Board will, to the extent feasible, satisfy itself as to the integrity of the CEO and other Senior Executives and ensure that the CEO and other Senior Executives create a culture of integrity throughout the Corporation.

4. The Board will annually receive and consider a report from its Corporate Governance and Human Resources Committee on succession planning, including appointing, training and monitoring of senior management and the CEO.

5. As part of the responsibility of the Board to oversee management of the Corporation, the Board will engage in active monitoring of the Corporation and its affairs in its stewardship capacity.

6. The Board will oversee the management of the Corporation through an ongoing review process and, in doing so, the Board will establish an effective working relationship with the CEO and other Senior Executives.

C. Strategy and Planning

1. The Board will oversee the formulation of long-term strategic, financial and organizational goals for the Corporation on a regular basis, taking into account, among other things, the opportunities and risks of the business.

2. The Senior Executives, headed by the CEO, will be responsible for general day to day management of the Corporation and for making recommendations to the Board with respect to long term strategic, financial, organization and related objectives.

3. The Board will oversee an annual strategic planning process within the Corporation and will approve the Corporation's strategic plan. This plan will take into account the opportunities and risks of the Corporation's business. The Board will also, from time to time, approve annual business plans and multi-year business plans for the Corporation and its businesses.

4. The Board will engage in a review of short and long-term performance of the Corporation in accordance with approved plans.

D. Financial and Corporate Issues

1. The Board will annually review the significant risks and opportunities affecting the Corporation and its businesses and the systems and controls in place to manage and monitor risks and opportunities. The Board may impose such limits as may be in the interests of the Corporation and its shareholders.

2. The Board will adopt prudent financial standards with respect to the businesses of the Corporation and prudent levels of debt in relation to the Corporation's consolidated capitalization.

3. The Board will approve capital expenditures and non-budgeted financial commitments in excess of $2,500,000.

4. The Board will consider and approve:

   (a) transactions out of the ordinary course of business;

   (b) special employment contracts, upon recommendation of the Corporate Governance and Human Resources Committee;

   (c) all matters that would be expected to have a major impact on shareholders;

   (d) the appointment of any person to any position that would qualify such person as an officer of the Corporation; and

   (e) any amendments to the Corporation's pension plans relating to governance structure and design of benefits where Board approval for such amendments is required by the terms of said pension plans.

5. The Board will also receive reports and consider:

   (a) The quality of relationships between the Corporation and its key stakeholders;

   (b) Changes in the shareholder base of the Corporation from time to time and relationships between the Corporation and its significant shareholders;

   (c) Periodic reports from Board committees with respect to matters considered by such committees; and

   (d) Environment, health and safety matters as they affect the Corporation and its business.

6. The Board will consider and approve such other matters as the Board may, from time to time, determine.

E. Policies and Procedures

1. The Board will, through its Audit Committee, oversee the integrity of the Corporation's internal control and management information systems.

2. The Board will monitor compliance with the ethics policies or codes of the Corporation and will be responsible for granting any waivers from compliance with such policies or codes for directors and officers.

3. The Board will, through its Audit Committee, ensure that the Corporation adopt suitable policies regulating disclosure to and communication with shareholders, the investment community, members of the media, governments and organizations, employees and the greater public. These policies will be reviewed annually or when necessary.

4. The Board has the responsibility for monitoring compliance by the Corporation with the corporate governance requirements of applicable securities regulators and stock exchanges.

F. Compliance Reporting and Corporate Communications

1. The Board will oversee how the Corporation communicates its goals and objectives to its shareholders and other relevant constituencies, including the approval of policies relating to:

   (a) how the Corporation interacts with analysts, investors, other key stakeholders and the public; and

   (b) continuous disclosure obligations and selective disclosure.

2. The Board will approve the disclosure of:

   (a) the Corporation's system of governance; and

   (b) the operation of its system of governance prepared or approved by the Corporate Governance and Human Resources Committee.

3. The Board will review and approve the Corporation's management proxy circular and annual information form following review by its Corporate Governance and Human Resources Committee and, as regards the annual information form, by its Audit Committee as well.

4. The Board will review and approve annual audited financial statements, quarterly financial statements and related management discussion and analysis disclosure and press releases in connection therewith following review and recommendation by the Audit Committee.

5. The Board will consider and review the means by which shareholders can communicate with the Corporation and the Board, including the opportunity to do so at the annual meeting, communication interfaces through the Corporation's website and the adequacy of resources available within the Corporation to respond to shareholders through the office of the Secretary and otherwise.

SCHEDULE "C"
TEMBEC ("THE CORPORATION")

BY-LAW NO. 2016-2
A By-law Relating to the Advance Nominations of Directors of the Corporation

INTRODUCTION

The purpose of this By-law No. 2016-2 of the Corporation (the "**By-law**") is to provide shareholders, directors and management of the Corporation with a clear framework for nominating directors. This By-law fixes a deadline by which shareholders of the Corporation must submit director nominations to the Corporation prior to any annual or special meeting of shareholders and sets forth the information that a shareholder must include in the notice to the Corporation for the notice to be in proper written form.

NOMINATION OF DIRECTORS

1. Subject only to the *Canada Business Corporations Act* (the "**Act**"), Applicable Securities Law and the articles of the Corporation, only persons who are nominated in accordance with the procedures set out in this By-law shall be eligible for election as directors to the board of directors (the "Board") of the Corporation. Nominations of persons for election to the Board may only be made at an annual meeting of shareholders, or at a special meeting of shareholders called for any purpose at which the election of directors is a matter specified in the notice of the meeting, as follows:

   (a) by or at the direction of the Board or an authorized officer of the Corporation, including pursuant to a notice of meeting;

   (b) by or at the direction or request of one or more shareholders pursuant to a proposal made in accordance with the provisions of the Act or a requisition of shareholders made in accordance with the provisions of the Act; or

   (c) by any person (a "**Nominating Shareholder**") who:

      (i) at the close of business on the date of the giving of the notice provided for below in this By-law and at the close of business on the record date for notice of such meeting, is either entered in the securities register of the Corporation as a holder of one or more shares carrying the right to vote at such meeting or who beneficially owns shares that are entitled to be voted at such meeting; and

      (ii) who complies with the notice procedures set forth below in this By-law.

2. In addition to any other applicable requirements under applicable laws, for a nomination made by a Nominating Shareholder, the Nominating Shareholder must have given notice thereof that is both timely (in accordance with paragraph 3 below) and in proper written form (in accordance with paragraph 4 below), to the Corporate Secretary of the Corporation in accordance with the procedures set out in this By-law.

3. To be timely, a Nominating Shareholder's notice to the Corporate Secretary of the Corporation must be made:

(a) in the case of an annual meeting of shareholders (including an annual and special meeting), not less than 30 prior to the date of the meeting; provided, however, that in the event that the annual meeting of shareholders is to be held on a date that is less than 50 days after the date on which the first public announcement (the "**Notice Date**") of the date of the annual meeting was made, notice by the Nominating Shareholder may be made not later than the close of business on the tenth (10^{th}) day following the Notice Date; and

(b) in the case of a special meeting (which is not also an annual meeting) of shareholders called for any purpose which includes the election of directors to the Board, not later than the close of business on the fifteenth (15^{th}) day following the day on which the first public announcement of the date of the special meeting of shareholders was made by the Corporation.

In no event shall an adjournment or postponement of an annual meeting or special meeting of shareholders or any announcement thereof commence a new time period for the giving of a Nominating Shareholder's notice as described above.

4. To be in proper written form, a Nominating Shareholder's notice to the Corporate Secretary of the Corporation must comply with this By-law and disclose or include, as applicable:

(a) as to each person whom the Nominating Shareholder proposes to nominate for election as a director (each a "**Proposed Nominee"**):

(i) the name, age, business and residential address;

(ii) the principal occupation, business or employment both presently and for the past five years;

(iii) whether the Proposed Nominee is a "resident Canadian" within the meaning of the Act;

(iv) the number of securities of each class of voting securities of the Corporation or any of its subsidiaries beneficially owned, or controlled or directed, directly or indirectly, by the Proposed Nominee, as of the record date for the meeting of shareholders (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice;

(v) any relationships, agreements, arrangements, or understandings (including financial, compensatory or indemnity related) between the Proposed Nominee or any affiliates or associates of, or any person or entity acting jointly or in concert with, the Proposed Nominee and the Nominating Shareholder or any affiliates or associates of, or any person or entity acting jointly or in concert with, the Nominating Shareholder, in connection with the Proposed Nominee's nomination and election as director; and

(vi) any other information that would be required to be disclosed in a dissident proxy circular or other filings required to be made in connection with the solicitation of proxies for election of directors pursuant to the Act or Applicable Securities Laws;

(b) as to each Nominating Shareholder giving the notice and each beneficial owner, if any, on whose behalf the nomination is made:

(i) the name, business and, if applicable, residential address of such person;

(i) the number of securities of each class of voting securities of the Corporation or any of its subsidiaries beneficially owned, or controlled or directed, directly or indirectly, by the Nominating Shareholder or any other person with whom the Nominating Shareholder is acting jointly or in concert with respect to the Corporation or any of its securities, as of the record date for the meeting of shareholders (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice;

(ii) the interests in, or rights or obligations associated with, any agreement, arrangement or understanding, the purpose or effect of which is to alter, directly or indirectly, such person's economic interest in a security of the Corporation or such person's economic exposure to the Corporation;

(iii) any proxy, contract, arrangement, agreement, understanding or relationship pursuant to which such person, or any of its affiliates or associates, or any person acting jointly or in concert with such person, has any interests, rights or obligations relating to the voting of any securities of the Corporation or the nomination of directors to the Board;

(iv) any direct or indirect interest of such person in any contract with the Corporation or with any of the Corporation's affiliates or principal competitors;

(ii) any relationship, contract, arrangement, agreement or understanding (including and without limitation, whether familial, business, financial, compensator and indemnity related or otherwise) in any way relating to the Proposed Nominee's nomination and election as a director between such person or any affiliates or associates of, or any person or entity acting jointly or in concert with, such person and the Proposed Nominee or any affiliates or associates of, or any person or entity acting jointly or in concert with, the Proposed Nominee;

(v) a representation that the Nominating Shareholder is a holder of record of securities of the Corporation, or a beneficial owner, entitled to vote at such meeting, and intends to appear in person or by proxy at the meeting to propose such nomination;

(vi) a representation as to whether such person intends to deliver a proxy circular and/or form of proxy to any shareholder of the Corporation in connection with such nomination or otherwise solicit proxies or votes from shareholders of the Corporation in support of such nomination; and

(vii) any other information relating to such person that would be required to be included in a dissident proxy circular or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to the Act or as required by Applicable Securities Laws.

Reference to "Nominating Shareholder" in this Section 4 shall be deemed to refer to each shareholder that nominates or seeks to nominate a person for election as director in the case of a nomination proposal where more than one shareholder is involved in making the nomination proposal.

5. To be considered timely and in proper form, a Nominating Shareholder's notice shall be promptly updated and supplemented if necessary, so that the information provided or required to be provided in such notice shall be true and correct as of the record date for the meeting.

6. If requested by the Corporation, a Proposed Nominee shall furnish any other information as may reasonably be required by the Corporation to determine the eligibility of such Proposed Nominee to serve as a director of the Corporation or a member of any committee of the Board, with respect to independence or any other relevant criteria for eligibility, or that could be material to a shareholder's understanding of the independence or eligibility, or lack thereof, of such Proposed Nominee**.**

7. For the avoidance of doubt, the procedures set forth in this By-law shall be the exclusive means for any person to bring nominations for election to the Board before any annual or special meeting of shareholders of the Corporation and no person shall be eligible for election as a director of the Corporation unless nominated in accordance with the provisions hereof; understood that nothing in this By-law shall be deemed to affect the right of the Board to appoint directors or fill any vacancies to the Board as set forth in the articles of the Corporation or in accordance with the provisions of the Act and provided, however, that nothing herein shall be deemed to preclude discussion by a shareholder (as distinct from the nomination of directors) at a meeting of shareholders of any matter that is properly before such meeting pursuant to the provisions of the Act or the discretion of the Chairman. The Chairman of any meeting of shareholders of the Corporation shall have the power and duty to determine whether any proposed nomination is made in accordance with the provisions of this By-law and, if the Chairman determines that any proposed nomination is not in compliance with such provisions, to declare that such defective nomination shall be disregarded.

8. **For the purposes of this By-law:**

"**Applicable Securities Laws**" means the applicable securities legislation of each relevant province and territory of Canada, as amended from time to time, the rules, regulations and forms made or promulgated under any such statute and the published national instruments, multilateral instruments, policies, bulletins and notices of the securities commission and similar regulatory authority of each province and territory of Canada; and

"**public announcement**" means disclosure in a press release disseminated by the Corporation through a national news service in Canada, or in a document filed by the Corporation for public access under its profile on the System of Electronic Document Analysis and Retrieval at www.sedar.com.

9. Notwithstanding any other provision hereof, notice or other documents or information given to the Corporate Secretary pursuant to this By-law may only be given by personal delivery, facsimile transmission or by email (at such email address as may be stipulated from time to time by the Corporate Secretary of the Corporation for purposes of this notice), and shall be deemed to have been given and made only at the time it is served by personal delivery to the Corporate Secretary of the Corporation at the address of the principal executive offices of the Corporation, email (at the address as aforesaid) or sent by facsimile transmission (provided that receipt of confirmation of such transmission has been received); provided that if such delivery or electronic communication is made on a day which is a not a business day or later than 5:00 p.m. (Montreal time) on a day which is a business day, then such delivery or electronic communication shall be deemed to have been made on the next following day that is a business day.

10. The Board may, in its sole discretion, waive any requirements of this By-law.

Adopted by the directors of the Corporation on November 17, 2016.

SCHEDULE "D"

TEMBEC INC. (THE "CORPORATION")
ADVANCE NOTICE BY-LAW RESOLUTION

BE IT RESOLVED THAT:

1. the By-law No. 2016-2 of the Corporation adopted by the Board of Directors of the Corporation, the full text of which is reproduced in Schedule C to the management information circular of the Corporation dated December 16, 2016, be, and it is hereby, approved, ratified and confirmed; and

2. any director or officer of the Corporation be and is hereby authorized to do such things and to sign, execute and deliver all documents that such director and officer may, in their discretion, determine to be necessary in order to give full effect to the intent and purpose of this resolution.

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