

## 2023 Modern Slavery Report

This Report constitutes the report of Mercer International Inc. ("**Mercer**") pursuant to Section 11 of Canada's *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the "**Act**") on the actions taken to prevent and address Mercer's risks with respect to forced labour and child labour ("**Modern Slavery Risks**") at any step of its production of goods in Canada or elsewhere or of goods it has imported into Canada for the financial year ended December 31, 2023 (the "**Reporting Period**"). This is a joint Report made on behalf of Mercer and certain of its subsidiaries (collectively, the "**Mercer Reporting Entities**") set forth in the following table:

Mercer Reporting Entity	Jurisdiction of Incorporation	Principal Activities
Mercer International Inc.	Washington State, U.S.A.	Ultimate parent company of the Mercer group of companies, including the other Mercer Reporting Entities outlined herein. Mercer is a global forest products company with operations through its subsidiaries in Germany, the United States and Canada with consolidated annual production capacity of 2.3 million tonnes of pulp, 960 million board feet of lumber, 210,000 cubic meters of cross-laminated timber, 45,000 cubic meters of glulam, 17 million pallets and 230,000 metric tonnes of biofuels.
Mercer Celgar Limited Partnership	British Columbia, Canada	Pulp, energy and chemical production and sales.
Mercer Peace River Pulp Ltd.	British Columbia, Canada	Pulp and energy production and sales.

The information provided herein generally applies to each Mercer Reporting Entity unless otherwise specified. In preparing this Report, we consulted with key and applicable personnel at each Mercer Reporting Entity.

### 1. Our Commitment

We are committed to protecting and striving to advance human rights across our operations. This commitment is expressed in the United Nations Guiding Principles on Business and Human Rights. Further, we respect the principles set out in the United Nations Global Compact, Universal Declaration of Human Rights, OECD Guidelines for Multinational Enterprises as well as the International Labor Organization Declaration on Fundamental Principles and Rights at Work. We do not tolerate child labour, forced labour, slavery or human trafficking.

We aim to address Modern Slavery Risks in our supply chain and operations through a process of continuous improvement and collaboration with relevant stakeholders across our operations.

### 2. Our Group Structure, Activities and Supply Chain

#### Structure and Activities

Mercer is a global forest products company and is organized under the laws of the State of Washington. Mercer's shares of common stock are listed on the NASDAQ Global Select Market under the ticker symbol "MERC". Mercer is the sole parent company of the other Mercer Reporting Entities referenced herein.



We produce natural, fiber-based products, including pulp, dimensional lumber and cross-laminated timber (CLT), pallets, pellets, bioenergy, biochemicals and biomaterials. At our pulp mills, we manufacture, sell and distribute pulp, electricity and chemicals. At our sawmills and other facilities in Germany and mass timber facilities in North America, we manufacture, sell and distribute lumber, manufactured products (including CLT, glue-laminated timber (glulam) and finger joint lumber), wood pallets, electricity, biofuels and wood residuals.

Mercer has two reportable operating segments:

- **Pulp** – consists of the manufacture, sale and distribution of pulp, electricity and chemicals at our pulp mills located in Canada and Germany.
- **Solid Wood** – consists of the manufacture, sale and distribution of lumber, manufactured products (including CLT, glulam and finger joint lumber), wood pallets, electricity, biofuels and wood residuals at our sawmills and other facilities in Germany and our mass timber facilities in North America.

We are one of the world’s largest producers of “market” Northern Bleached Softwood Kraft (NBSK) pulp, which is pulp that is sold on the open market. We operate four modern and highly efficient pulp mills. These include: (i) the Stendal mill, located near the town of Arneburg, Germany; (ii) the Rosenthal mill, located in the town of Rosenthal am Rennsteig, Germany; (iii) the Celgar mill, located near the city of Castlegar, British Columbia and owned by our wholly-owned subsidiary, Mercer Celgar Limited Partnership; and (iv) the Mercer Peace River mill, located near the town of Peace River, Alberta and owned by our wholly-owned subsidiary, Mercer Peace River Pulp Ltd. During the Reporting Period, we also had a 50% proportionate share of the annual production capacity of the Cariboo mill, located in Quesnel, British Columbia, through our indirect 50% joint venture interest in Cariboo Pulp & Paper Company.

Our solid wood segment facilities are comprised of: (i) the Friesau mill, which is located in Friesau, Germany and produces a diverse product line ranging from custom rough green and dry lumber for the European market to kiln-dried, dimension lumber for the United States; (ii) the Torgau facility, which is located in Torgau, Germany and is an integrated sawmill and value-add pallet production facility; (iii) the Mercer Spokane facility, which is located near Spokane, Washington, U.S.A. and is a producer of CLT products; (iv) the Mercer Conway facility, which is located near Conway, Arkansas, U.S.A. and is a producer of CLT and glulam; and (v) the Mercer Okanagan facility, which is located in Okanagan Falls, British Columbia and is a producer of glulam and CLT.

For further information regarding Mercer and its operations, please refer to our Annual Report on Form 10-K for the year ended December 31, 2023, a copy of which is available on our website at [www.mercerint.com](http://www.mercerint.com).

### ***Supply Chain***

The Mercer Reporting Entities collectively procure goods from several jurisdictions globally, with most of our suppliers and distributors located in Europe, Canada and the United States.



The types of goods generally procured by Mercer as part of its supply chain activities include:

Segment	Types of Goods / Services	Description
<b>Pulp</b>	Fiber	<ul style="list-style-type: none"> <li>- Consists of wood chips produced by sawmills as a by-product of the sawmilling process and pulp logs sourced from third-party suppliers.</li> <li>- The Mercer Peace River mill also holds forest management agreements and timber allocations in Alberta, allowing it to harvest softwood which it then sells or trades to sawmills surrounding the mill in exchange for wood chips.</li> </ul>
	Chemicals	<ul style="list-style-type: none"> <li>- Our pulp mills use certain chemicals for bleaching and water treatment which are generally available from several third-party suppliers and sourcing is primarily based upon pricing and location.</li> </ul>
	Services	<ul style="list-style-type: none"> <li>- Engineering, consulting, transportation and logistics, equipment maintenance and repair, waste management and environmental monitoring.</li> </ul>
	Machinery and Equipment	<ul style="list-style-type: none"> <li>- Mill equipment and systems.</li> </ul>
	Maintenance supplies	<ul style="list-style-type: none"> <li>- Spare parts for maintaining and repairing machinery.</li> <li>- Tools and safety supplies for maintenance staff and operational safety.</li> </ul>
	Energy	<ul style="list-style-type: none"> <li>- Electricity and natural gas for boilers and recausticizing process.</li> </ul>
<b>Wood Products</b>	Fiber	<ul style="list-style-type: none"> <li>- For our sawmills in Europe, consists of sawlogs and wood chips sourced from third-party suppliers in the regions in which are sawmills are located.</li> <li>- For our mass timber operations located in Canada and the United States, consists primarily of lumber sourced primarily from third-party suppliers in the regions in which our facilities are located.</li> </ul>
	Auxiliary materials	<ul style="list-style-type: none"> <li>- Adhesives for bonding the layers of wood.</li> <li>- Hardware and fasteners, such as nails, brackets, plates.</li> </ul>
	Services	<ul style="list-style-type: none"> <li>- Engineering, consulting, transportation and logistics, equipment maintenance and repair, waste management and environmental monitoring.</li> </ul>
	Machinery and Equipment	<ul style="list-style-type: none"> <li>- Facility equipment and systems.</li> </ul>
	Maintenance supplies	<ul style="list-style-type: none"> <li>- Spare parts for maintaining and repairing machinery.</li> <li>- Tools and safety supplies for maintenance staff and operational safety.</li> </ul>
	Energy	<ul style="list-style-type: none"> <li>- Electricity and fuel.</li> </ul>

In addition, our supply chain for our operating facilities in each segment also includes information technology, office supplies, furniture and ancillary goods and services.

### 3. Governance

As set forth in our [Code of Business Conduct and Ethics](#) (the "**Code**"), Mercer strictly complies with all employment laws in the jurisdictions in which it does business, including those laws imposing minimum standards for working conditions and wages.

As part of its oversight of management, the board of directors of Mercer (the "**Board**") oversees the Company's risk management, including oversight of environmental, social and governance and related



matters. The committees of the Board, which meet regularly and report back to the full Board, play significant roles in carrying out the risk oversight function. The Audit Committee's responsibilities include the review of Mercer's risk exposures, including in the areas of Modern Slavery Risks, and the steps taken by Mercer to mitigate such exposures. The Audit Committee also reviews procedures relating to Mercer's Code, including reports of any violations thereunder. The Environmental, Health and Safety Committee of the Board (the "**EHS Committee**") is responsible for satisfying itself that, among other things, Mercer has implemented health and safety policies and compliance systems. The EHS Committee also reviews and reports health and safety related risks.

#### **4. Policies**

Mercer has several regularly reviewed policies, standards, codes and procedures that support our efforts to respect human rights in our operations and supply chains, including mitigating Modern Slavery Risks in our business and supply chain.

##### *Code of Business Conduct and Ethics*

Our [Code](#) is designed to, among other things promote honest and ethical business conduct and compliance with applicable governmental laws. The Code applies to all officers, directors and employees of Mercer. The Code reiterates Mercer's commitment to supporting human rights, including compliance with employment laws in the jurisdictions in which it operates. It also codifies that Mercer does not utilize forced labour or child labour.

##### *Supplier Code of Conduct*

Mercer has adopted a [Supplier Code of Conduct](#), which applies to all of its suppliers, being any business or individual that provides goods or services to Mercer under terms specified in a contract. The Supplier Code of Conduct reflects the minimum standards that must be met by Mercer's suppliers. All suppliers are expected to adhere to it, including further down the supply chain, where applicable, throughout their own supply chains.

The Supplier Code of Conduct provides, among other things, that suppliers are expected to respect internationally proclaimed human rights and ensure that they are not complicit in human rights abuses; respect the labour rights of their employees, including legal rights pertaining to free association and collective bargaining; prohibit all forms of forced and compulsory labour; not engage in child labour; and not discriminate in employment and occupation.

It further provides that suppliers must respect the principles set out in the United Nations Global Compact, the United Nations Universal Declaration of Human Rights and Guiding Principles on Business and Human Rights, OECD Guidelines for Multinational Enterprises as well as the International Labour Organization Declaration on Fundamental Principles and Rights at Work.

Suppliers are required to promptly notify Mercer of any violations of the Supplier Code of Conduct. Non-compliance may also be reported through Mercer's anonymous grievance channel on EthicsPoint (see "Whistleblower Policy" below). The Supplier Code of Conduct includes audit and inspection rights to confirm compliance. The code provides that Mercer reserves the right to take corrective measures in the event of any non-compliance, including the lawful termination of supplier contracts or the removal of any supplier personnel from Mercer facilities who behave in a manner inconsistent therewith.

### *Human Rights Policy*

Our [Human Rights Policy](#) outlines our commitment to protecting and striving to advance human rights across our operations. The Human Rights Policy states that we do not tolerate child labour, forced labour, slavery and human trafficking. In support of this commitment, we expect all employees at all levels and our business partners to align their actions accordingly.

Additionally, the Human Rights Policy provides that Mercer's personnel will work to ensure that our suppliers respect human rights and act in accordance with our policies regarding human rights. They will do this by monitoring performance and assisting our suppliers to comply with our standards, and taking such other measures as may responsibly be available.

### *Whistleblower Policy*

Pursuant to our [Whistleblower Policy](#), violations of the Code and our other policies and procedures, including the Supplier Code of Conduct can be reported through multiple avenues, including on an anonymous and confidential basis, while being protected from retaliation.

In addition, our Whistleblower Policy provides that each of our employees has a duty to raise and report concerns regarding "improper activities", including violations of the Code, Mercer's other policies (including the Supplier Code of Conduct) and applicable laws.

Mercer's subsidiary, Mercer Europe GmbH and certain of its subsidiaries are also subject to the German Supply Chain Due Diligence Act and has issued a [policy statement](#) thereunder.

## **5. Risk Management**

The management of Modern Slavery Risks in our supply chain is embedded within our risk management framework and processes. In addition to the policies set forth above, we have taken measures to strengthen risk management in our supply chain by utilizing a risk-based approach, which focuses on locations and industry sectors where such risks are likely to arise.

Our risk assessment framework includes the following elements relating to Modern Slavery Risks:

- annual risk assessments, with *ad hoc* assessments as deemed necessary, conducted for our business area and direct vendors;
- identification and weighting of prioritized human rights risks;
- establishment of preventative measures (and/or remedial measures, as applicable) to be assigned to human rights related risks;
- annual monitoring and evaluation of the effectiveness of preventative / remedial measures;
- determination of the execution of risk assessments and the implementation of preventative measures regarding indirect suppliers, in circumstances where Mercer comes into substantiated knowledge of human rights related risks;
- implementing complaints procedures (see "Policies" above);



- the adoption of the Code, Supplier Code of Conduct and other policies (see "Policies" above); and
- internal monitoring and compliance documentation.

In addition, Mercer obtains external third-party data on human rights and environmental risks in applicable regions. This process aims to identify and understand risks that Mercer may encounter either directly or indirectly, as well as those it may unintentionally cause or to which it may contribute through its operations and supply chain.

Mercer's risk-based approach focuses on locations and industry sectors where human rights risks are most likely to arise and consists of the following primary steps:

- Abstract risk analysis of the countries where Mercer operates based on publicly available data concerning human rights risks. Based on the risk profile for each country, Mercer identifies the most relevant risks that might arise from its operations in those territories.
- Concrete risk analysis is undertaken for vendors with a high risk level to determine if appropriate preventative measures are in place to cover the identified risks. Self-assessment forms are used to validate the results of the previous abstract risk analysis.
- Preventative actions are duly considered wherever gaps are identified.

## **6. Training and Engagement**

At Mercer, all employees sign our Code upon joining Mercer and undergo regular reviews of ethical business conduct policies. Furthermore, employees directly involved in supply chain activities are obligated to certify their compliance with the Code annually. Additionally, these employees receive training in sustainable purchasing practices. In 2024, we plan to introduce a newly developed training program on Supply Chain Due Diligence. This program will encompass various aspects of due diligence within the supply chain, including human rights, such as the prevention of forced labour and child labour.

## **7. Due Diligence**

Mercer undertakes due diligence to identify and assess actual and potential adverse impacts connected to human rights in its supply chain, including in relation to forced labour and child labour. As part of its initial and periodic diligence, Mercer screens suppliers for human rights, including forced and child labour issues through utilizing third-party data services.

We engage directly with suppliers to enhance the depth of these assessments and also consult with external stakeholders where necessary.

In addition, annually, Mercer utilizes both external and internal data to conduct an analysis of its direct vendor portfolio. This analysis focuses on geographical risk, industry risk and purchasing volume. The results of this analysis inform and drive the ongoing development and enhancement of Mercer's risk management strategies concerning human rights.

## **8. Risks of Modern Slavery in Our Operations and Supply Chain**

### ***Risk Assessment and Other Activities in the Reporting Period***

During the Reporting Period, Mercer took the following steps to prevent and reduce Modern Slavery Risks in its business and supply chains:



- Considered the latest advice from government and key industry associations and international organizations on human rights risks and control measures;
- reviewed our procurement policies and procedures, and adopted the Supplier Code of Conduct;
- in compliance with our policies, we continued conducting due diligence of our potential suppliers before entering into our contracts; and
- we conducted an internal assessment of the Modern Slavery Risks in our supply chain, including our own operations.

### ***Potential Modern Slavery Risks in Our Supply Chain***

Mercer does not consider any of its owned operations to carry Modern Slavery Risks, given our workforce and human resources policies and procedures. The employees within our operations work predominantly in Canada, the United States and Germany, which have a low prevalence of forced labour and child labour, a low risk of vulnerability thereto and a reasonably robust government response thereto.

Additionally, we have a number of internal controls and policies designed to safeguard the rights of our employees, including our Code, Human Rights Policy, Supplier Code of Conduct and our Whistleblower Policy, along with our commitment to respecting and observing all human rights, in accordance with applicable law and the principles set forth in applicable international standards described herein.

Based upon our internal risk assessments, which included a review of the Mercer Reporting Entities' suppliers utilizing third-party data services, we consider Modern Slavery Risks in our supply chain to be low. We note that our predominant supply chain input is fiber, which is generally sourced regionally by our mills and facilities in Canada, the United States and Germany, which have a low prevalence of forced labour and child labour, a low risk of vulnerability thereto and a reasonably robust government response thereto.

## **9. Remediation of Modern Slavery Risks and Loss of Income**

We have developed a remediation process to address and, where possible, reduce actual adverse impacts within its supply chain. This process entails investigating the incident, assessing our involvement in terms of extent and impact, and formulating potential remedial or preventative actions with the goal of avoiding similar issues in the future.

Based on our assessment of our activities and supply chain, as described above, during the Reporting Period, there were no measures taken to remediate any forced labour or child labour or the loss of income to the most vulnerable families given that there were no incidents of forced or child labour identified in our operations or supply chain.

## **10. Assessing Effectiveness**

As part of Mercer's overall risk management processes, the Board's Audit Committee assesses Mercer's risk exposures, including as to Modern Slavery Risks and the steps taken by Mercer to mitigate such exposures. The oversight of supplier due diligence and ongoing management of risks related to the supply chain are the responsibility of Mercer's Vice President Procurement. The responsibilities of this role include ensuring that due diligence activities within the supply chain are transparent and well-managed in accordance with Mercer's policies and procedures. Mercer maintains internal control documentation describing its due diligence procedures and reports on human rights related risks to senior management at least annually and when otherwise required. Senior management is also promptly notified of any substantiated information relating to human rights breaches. Senior management communicates such



breaches to the Audit Committee and the Board, when needed, and reports periodically, at least annually, to the Audit Committee on human rights related risks.

Other activities we utilize to assess the effectiveness of our actions include third-party supplier risk assessments, screening utilizing media, news and sanctions lists, surveys and the implementation of our Code and policies, such as our Human Rights Policy and Whistleblower Policy. As our internal processes, systems and supply chains evolve, we will continue to take steps to monitor the effectiveness of our actions to prevent forced labour and child labour in our business and supply chain.

## 11. Approval and Attestation

This Report has been approved by the board of directors of Mercer International Inc. on behalf of itself and each Mercer Reporting Entity.

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

*/s/ Juan Carlos Bueno*

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I have the authority to bind Mercer International Inc.  
Juan Carlos Bueno  
President, Chief Executive Officer and a Director of  
Mercer International Inc.  
May 9, 2024.