



Fit for Future

MERCER INTERNATIONAL INC.
SUSTAINABILITY REPORT 2021

SECTION 1

Messages from Leadership 01

- From the President & CEO
- From the VP, Sustainability & Innovation
- From the Board of Directors
- United Nations Sustainable Development Goals

SECTION 2

Who We Are 11

- Fit for Future
- Sustainable Solutions for Society
- Location Is Key
- 2030 Aspirational Goals
- History & Vision

SECTION 3

Continuously Improve Environmental Performance 21

- World-Class Modern Mills

SECTION 4

Mitigate Climate Change 29

- Climate Change
- Scope 3 Greenhouse Gas Emissions 2021
- Transportation and Logistics Strategy
- Renewable Energy Generation
- Fiber Carbon Sequestration

SECTION 5

Continuously Improve Resource Efficiency 41

- Investing in Fiber Efficiency
- Full Forest Utilization and Consumption
- Responsible Water Usage
- Energy Efficiency
- Reduction in Solid Waste
- Biosolid Land Application

SECTION 6

Embrace Social Responsibility 53

- Road to Zero
- Employee Engagement
- COVID-19
- Mercer Leadership Programs
- Diversity, Equity and Inclusion

SECTION 7

Sustainable Forest Management 63

- Ecosystem-Based Management
- Principles for Sustainable Forest Management
- Protection of Biodiversity

SECTION 8

Enhance Stakeholder and Indigenous Engagement 71

- Engagement of Local Communities
- Indigenous Engagement
- Focusing on Customer Needs

SECTION 9

Governance and More 83

- Board of Directors
- Issue Reporting
- Cybersecurity
- Industry Associations
- Mercer's Materiality Assessment 2021

SECTION 10

Indexes 89

- GRI Disclosure Index
- SASB Disclosure Index
- TCFD Disclosure Index
- Independent Accountants' Review Report
- Notice Regarding Forward-Looking Statements



1
Messages from Leadership

FROM THE PRESIDENT & CEO

David Gandossi



If one theme were to define Mercer and our people in 2021, it would be resilience, a word that embodies the strength and capacity of our people to learn, adapt, pivot and continue safely operating through a year with evolving challenges. We know that challenges will always be present, but adapting well in the face of adversity has enabled us to continue to move intentionally towards our goals.

To be sustainable, we look beyond the ability to meet our present needs and consider the ability of future generations to meet their own needs. It's a commitment to manage and operate our business, including the natural resources under our care or direction, with a long-term view. We believe by doing so we will be able to deliver value to our customers, employees, shareholders, communities and other stakeholders.

For me, it's about showing our commitment to sustainability, in all the ways that concept impacts our company, our people and our planet.

Together, we successfully faced a global pandemic with a commitment to health and well-being and one underlying message: stay safe. The keyword here isn't *safety*, though that is paramount to Mercer. It isn't even *expenditures* or *capital*, though those are crucial considerations as we seek long-term value for our shareholders. It's *commitment*.

Elsewhere in this report — our first comprehensive sustainability report — you'll see my colleagues use words like *care* and *responsibility* and *balance* to define what we believe are the key drivers in all of our operations, enhancing our decision-making, our business and our relationships with our various stakeholders and the communities in which we operate. We believe our commitments to all of the foregoing elements are interconnected and vital to our long-term future, success and sustainability.

It's a commitment that those decisions can reduce our carbon footprint, boost financial performance, maximize the value of fiber from the forest, reduce our chemical and water use, and prepare us for replacing fossil fuels with greener options on our road to net-zero carbon emissions.

We believe that by caring for the health and safety of our workers, maintaining the environmental quality of our operations and being part of and actively engaged in the communities, we provide value for all of our stakeholders. We work to build all of these values and goals into our corporate culture, which we refer to as "the Mercer Way."

As we say in these pages, it's about our commitment today to ensure we are fit for future. We've accomplished a lot in recent years and we have much justifiable pride, but we're not finished. What we do every day shows the value of Mercer's commitment.

David Gandossi
President and CEO

For information and a description of, among other things, our business, operations, including our mills, human resources, results of operations, capital expenditures, innovations, human resources, climate change and the risk factors we face, please see our annual report on Form 10-K for the fiscal year ended December 31, 2021, and filed February 17, 2022, a copy of which is available on our corporate website, www.mercerint.com, and on the United States Securities and Exchange Commission's Electronic Data Gathering, Analysis and Retrieval system: www.sec.gov/edgar/browse/?CIK=0001333274.

FROM THE VP, SUSTAINABILITY
& INNOVATION

Bill Adams



In creating Mercer's first sustainability report, we are guided by a great sense of responsibility. In what follows, we try to share an overview of Mercer's commitment to sustainability in the mills we operate and the forests we manage.

We believed it was time to set out for stakeholders and others, in this report, what we mean when we use the word *sustainability* so that readers would better understand and perhaps even take inspiration from some of what we do. And to do that, we had to make tough choices: what to illuminate in the report and what to leave out.

It comes down to a matter of balance.

We present a lot of data here as a measure that reflects our commitment to sustainability. You'll see charts, tables and graphs on a myriad of technical and environmental goals: water consumption, effluent quality, chemical use and more. The results say a lot about the meaningful impacts we're trying to make in the forest, in the watershed and on our climate.

We also express our commitment to sustainability through our aspirations: to decarbonize our mills and lower emissions intensity, to operate the safest mills in

the industry, to bring more women into leadership positions and to further invest in technology to realize the maximum value from the fiber we harvest or purchase.

We further express it through stories that describe our actions. For example, you'll learn about our partnership with Indigenous communities in Peace River, Alberta, where we are identifying and mapping sites in the forests that are sacred and meaningful to these communities. It's a short account, but it speaks volumes about what we believe and how we behave at all our sites.

After much thought from our senior leadership team, we organized the information into the most material topics here at Mercer: continuously improving environmental performance, mitigating climate change, continuously improving resource efficiency, embracing social responsibility, sustainably managing forests and enhancing stakeholder and Indigenous engagement.

We explore each area through a mix of data, trends, aspirations and stories. Underpinning it all is guidance from the standards and recommendations of the Global Reporting Initiative (GRI), the Task Force on Climate-Related Financial

Disclosures (TCFD) and the Sustainability Accounting Standards Board (SASB). Our metrics, performance and management approach relative to these frameworks are all included in this report.

We know our Mercer team is proud to see the breadth of our sustainability efforts presented in this report for the first time. We are excited to share a key milestone on our net-zero pathway as Mercer is the first forest products company in Canada to have our climate targets validated by the Science Based Targets initiative. We hope our customers and stakeholders recognize us as an organization that aligns with their aspirations and hopes for our forests, rivers, climate and an inclusive society.

Above all, we hope it's an engaging and balanced look at an organization striving to do the right thing every day.

Bill Adams
Vice-President of Sustainability
and Innovation

As it does every day in the forests we manage and the mills we operate, it comes down to a matter of balance. In what follows, we try to share a brief but accurate look at what we believe to be true about Mercer's commitment to sustainability.

FROM THE BOARD OF DIRECTORS

Jim Shepherd



For more than 30 years, I've been fortunate to have a front-row seat as the forest products industry has evolved. Much has changed in that time, but one thing has remained constant: it's a tough industry. It was tough when I started as a young mechanical engineering grad, and it's tough today. Those who come to work each day are challenged by Mother Nature, noisy mills and the high expectations of everyone, including their local communities and those who strive for a sustainable world.

At Mercer, I witness everyone rallying to meet those challenges because we care.

Tough and care might seem mutually exclusive, but they certainly are not at Mercer. Care is at the heart of everything we do, and I hope that notion rings through these pages.

It starts with caring for the forests and how we harvest them, get logs and chips to our mills and extract the most productive fiber possible while reducing our impact on climate change. It's a

privilege to work in these forests, in Canada and Germany, and so we should care for them as the meaningful resources that underpin all of our business.

Most organizations demonstrate care, particularly for their employees. But I've seen few organizations bring such caring into their business as forcefully and comprehensively as Mercer does. In particular, our executive, led by David Gandossi, has made the safety of our teams a primary focus of their leadership.

Tough and care might seem mutually exclusive, but they certainly are not at Mercer. Care is at the heart of everything Mercer does, and I hope that notion rings throughout these pages.

A root of sustainability is insisting that a safety-first mindset is non-negotiable. This is how we can sustain excellence and trust among employees. In addition, it fosters a culture of caring from the boardroom to the shop floor.

Of course, we also care about our investors and the value we bring to them. We are fortunate at Mercer to have a stable shareholder base of thoughtful people who are mindful of the balance between profitability and the need for long-term sustainability. They understand how our business is affected by the relationships between the forest, our customers, partners, Indigenous peoples and our global workforce.

Sustainability reports like this are an important vehicle to show stakeholders what we mean when we say that we care. This is through a record of our actions in the forest, in the relationships we build with customers and partners, and in

the stronger workplace we are creating through our commitment to diversity, equity and inclusion.

The essential thing about caring is that it's impossible to stop once you start. It endures, and I can see how caring drives this team I admire at Mercer to improve continuously. I hope you see it, too, in the numerous stories revealed throughout this report.

Jim Shepherd
Director

Jim Shepherd chairs Mercer's Environmental, Health and Safety Committee, and has served as President of Canfor Corporation, Slocan Forest Products Ltd., Crestbrook Forest Industries Ltd. and Finlay Forest Industries Ltd. He is a past chair of the Forest Products Association of Canada.



United Nations Sustainable Development Goals

Mercer continues to integrate the United Nations' 17 Sustainable Development Goals into our strategic plan as we better understand the impact of our operations. This work enables us to set targets to advance the goals and to focus our continuous improvement approach on our key areas of influence and most significant opportunities for impact. Some of these are detailed on the facing page.

We believe Mercer and other leaders in the forest sector are well-positioned to lead the transition to a low-carbon and circular future driven by renewable natural resources.



GOALS	MERCER'S STRATEGIC FOCUS AREAS	MERCER'S INITIATIVES
5 GENDER EQUALITY 	<ul style="list-style-type: none"> + Embrace social responsibility + Develop our talent 	<ul style="list-style-type: none"> + Diversity, equity and inclusion global council, pages 58 and 59 + Recruiting and hiring initiatives for women, pages 58 and 59
6 CLEAN WATER AND SANITATION 	<ul style="list-style-type: none"> + Resource efficiency + Sustainable forest management + Environmental improvement 	<ul style="list-style-type: none"> + Efficient use of water, page 45 + Effluent quality, pages 24 and 25
7 AFFORDABLE AND CLEAN ENERGY 	<ul style="list-style-type: none"> + Mitigating climate change + Resource efficiency 	<ul style="list-style-type: none"> + Energy efficiency focus, pages 46 and 47 + Renewable energy generation, pages 35 and 47
8 DECENT WORK AND ECONOMIC GROWTH 	<ul style="list-style-type: none"> + Embrace social responsibility + Grow and diversify in our core competencies + Develop our talent 	<ul style="list-style-type: none"> + Road to Zero proactive safety management, pages 54 and 55 + Employee engagement survey, pages 17, 56 and 60 + Capital investments to improve competitiveness, pages 18, 19, 50 and 51 + Leadership development, pages 57 and 61
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 	<ul style="list-style-type: none"> + Mitigating climate change + Resource efficiency + Advance our world-class assets 	<ul style="list-style-type: none"> + Wood procurement initiatives, pages 34 and 35 + Investment in wood processing, pages 42 and 43 + Stendal 740 project, page 46
11 SUSTAINABLE CITIES AND COMMUNITIES 	<ul style="list-style-type: none"> + Enhance stakeholder engagement + Mitigating climate change + Resource efficiency 	<ul style="list-style-type: none"> + Local community engagement, pages 72 and 73 + Indigenous engagement, pages 74 and 75
12 RESPONSIBLE CONSUMPTION AND PRODUCTION 	<ul style="list-style-type: none"> + Resource efficiency + Environmental performance + Enhance stakeholder engagement 	<ul style="list-style-type: none"> + Efficient use of wood, pages 42 and 43 + Initiatives to reduce effluent and air emissions for our operations, pages 24 and 25 + Solid waste reduction and circular economy solutions, page 48 + Energy efficiency, pages 46 and 47
13 CLIMATE ACTION 	<ul style="list-style-type: none"> + Mitigating climate change + Resource efficiency + Sustainable forest management 	<ul style="list-style-type: none"> + Focused initiatives to reduce fossil-based emissions at our operations, page 31 + Progress on reducing indirect emissions (Scope 3), page 32 + Forest management to increase the carbon stock sequestered in the managed forests, page 37 + Commitment to the Science Based Targets initiative, page 31
15 LIFE ON LAND 	<ul style="list-style-type: none"> + Mitigating climate change + Resource efficiency + Sustainable forest management 	<ul style="list-style-type: none"> + Sustainable forest management and responsible sourcing of wood and fiber, pages 65-67 + Initiatives to promote and protect biodiversity, page 67



2 Who We Are

Over the past 28 years, through the dedication of our global workforce, we are proud of our accomplishments and the legacy of excellence we strive to uphold. Responding to society's expectations as thoughtful, modern, engaged, responsible global citizens — that's the Mercer Way.



Fit for Future

The Mercer Way is to respect and be mindful of the social license we have as a forest and bioproducts provider.

Our work starts on the land, where our passion is rooted. We embrace science and the innovation brought by our teams to improve our mills, processes and logistics. We are fortunate to have stakeholders who appreciate the care and attention in this work.

The Mercer Way is also about people. We believe our focus on safety, lifelong learning and accountability makes us a unique company. Further, we continue to grow in diversity, equity and inclusion. So while we're not yet where we want to be, we will continually strive to achieve our goals through meaningful action.

For us to be fit for future, we strive to influence change for the better in all we do from the boardroom to the shop floor; for our climate, community and forests; in the air we breathe and the water that sustains us. In the end, the Mercer Way depends on people and the planet.



OUR 4 STRATEGIC PILLARS

1	2	3	4
OPERATE WORLD-CLASS ASSETS	GROWTH AND DIVERSIFICATION WHERE WE HAVE CORE COMPETENCIES	SUSTAINABLE OPERATIONS	MANAGING THE INTEGRITY OF OUR BALANCE SHEET AND LIQUIDITY

Sustainable Solutions for Society

The world is transitioning from dependence on fossil-fuel-based products towards adopting the numerous possibilities offered by bio-based products and sustainable wood resources. We are well-positioned to leverage our experience and expertise in the full utilization and continuous expansion of our bioextractives and biomaterials product mix.

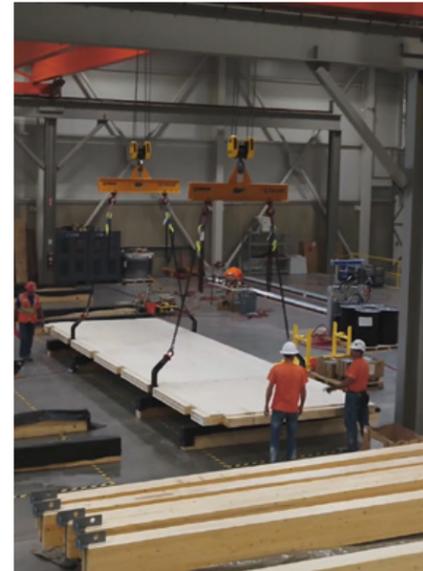
We are actively researching, developing and investing in innovative products, including derivatives from our kraft pulping process, as well as stand-alone extractive facilities.

Our world is changing. The transition away from fossil fuels to more renewable materials is essential to mitigate the impact of climate change.



PULP

We believe demand is rising for natural, fiber-based products, especially tissue, towels and hygiene and specialty paper products. Key elements driving such demand are improving global living standards, circular economy solutions, growing populations and mounting interest in health and cleanliness.



LUMBER AND MASS TIMBER

Wood from sustainably managed forests provides a renewable and climate-friendly material for building our world.



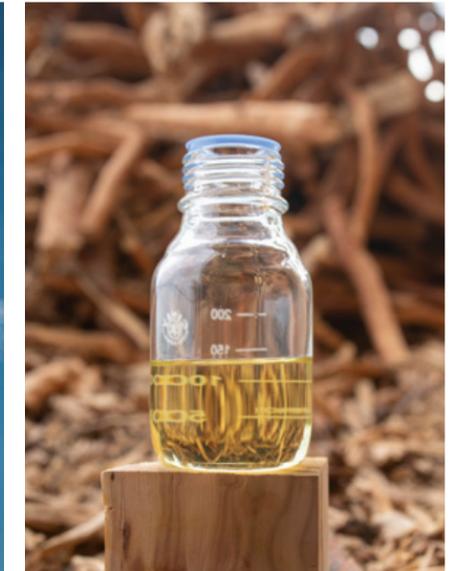
WOOD AND CLIMATE PROTECTION

It is not only the use of wood products that contributes to climate protection. By producing the required energy to operate our sawmill and our pulp mills from renewable raw materials, using every fiber of the procured wood, we contribute to maintaining sustainability for future generations.



ENERGY

Last year, approximately 86 percent of our energy came from renewable biomass obtained from forest waste. We operate four large biorefineries: two in Germany at our Mercer Rosenthal and Mercer Stendal operations, and two in Canada at Mercer Celgar and Mercer Peace River. In addition, the Friesau sawmill in Germany also produces and exports renewable energy. This allows us to be 100 percent electricity self-sufficient and net exporters of green power.



BIOCHEMICALS AND BIOMATERIALS

The kraft mill process produces multiple renewable, bio-based extractives, including crude sulfate turpentine, methanol and crude tall oil. We believe biomass green chemicals may represent a key element of developing new solutions in the fight to create a vibrant, healthy and sustainable 21st-century economy.

Location Is Key

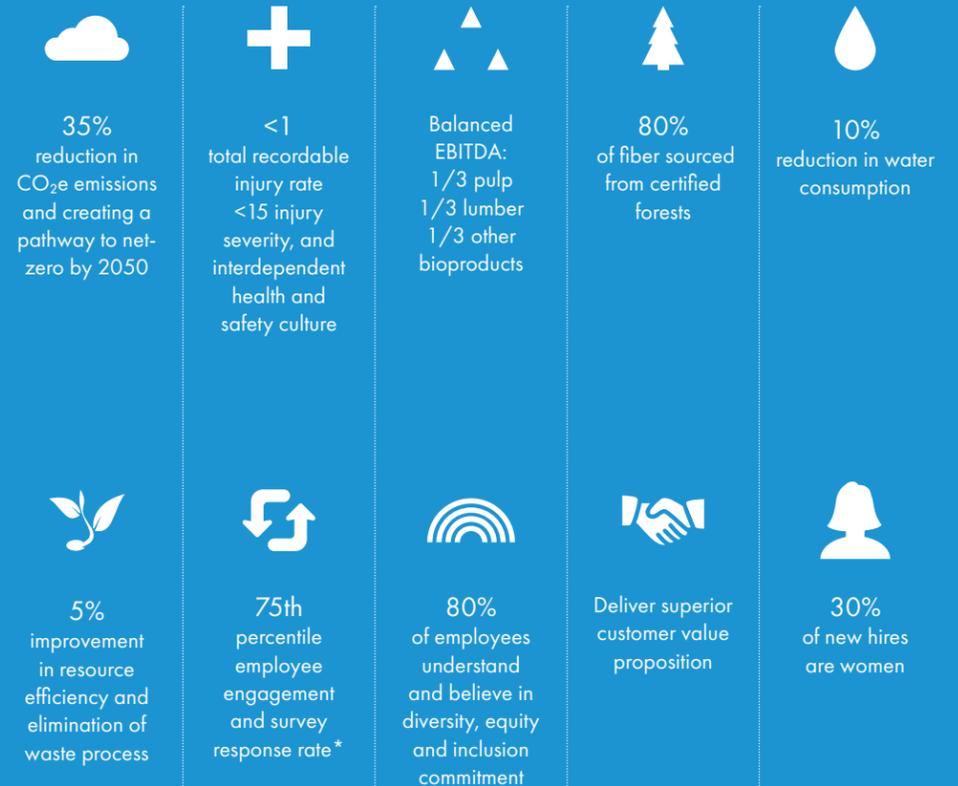
Our mills are strategically located close to excellent fiber sources and key global end-user markets. In addition, our mills are recognized by many operational and environmental certifications. Each of our operations serves as a large, stable employer in their region, adding back into their local economies through benefits and wages.

Our involvement in each of our communities is a top priority and we remain committed in various ways: from sponsoring youth and adult sports teams, supporting food security, education, health and wellness, and cultural programs, to participating in and promoting community events.



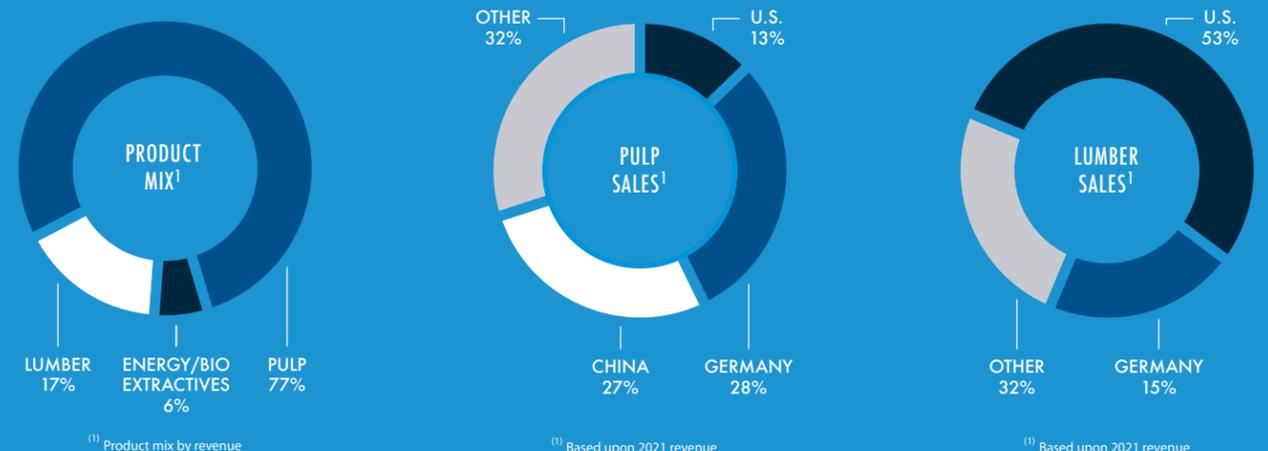
2030 Aspirational Goals

By 2030, we are committed to reducing our Scope 1 Greenhouse Gas Emissions (GHG) intensity by 35 percent and our Scope 3 GHG emissions by 35 percent (from the 2019 benchmark), one step on the path to our being net zero by 2050.



* Mercer 2020 global Employee Engagement Survey

PRODUCT & GEOGRAPHIC MIX



⁽¹⁾ Product mix by revenue

⁽¹⁾ Based upon 2021 revenue

⁽¹⁾ Based upon 2021 revenue

2021 Pulp production - 1,863,893 ADMT (includes 50% of Cariboo Pulp & Paper pulp production)

Pulp production for the four mills owned 100% by Mercer:

✓ 2021 - 1,716,859 ADMT

✓ 2020 - 1,901,461 ADMT

History & Vision

The history of Mercer is marked by the vision of founder Jimmy Lee, who has always seen potential where others saw barriers and found value in the undervalued. Following are some highlights of that history:



2002

We started construction on our second pulp mill, a \$1.1 billion USD facility at **Mercer Stendal**, Germany. It opened two years later, making Mercer Stendal one of the biggest softwood pulp producers in the world. At the time of opening, Mercer's two pulp mills represented the only kraft market pulp operations in Germany. Mercer Stendal has the annual capacity to produce about 740,000 ADMT of pulp and 148 megawatts of green energy and operates modern turpentine and tall oil extraction plants.

DID YOU KNOW?

Germany is one of the world's leading importers for market pulp and was the top importer when Mercer acquired the Rosenthal mill.



2017

We bought one of the world's largest sawmills near Friesau, Germany. Thanks to extensive investments, **Mercer Timber Products** has the capacity to produce 550 million board-feet of kiln-dried lumber annually and 13 megawatts of energy.

We launched **Mercer Holz**, the wood purchasing organization for Mercer International's German operations. As well as supplying Mercer's German mills, Mercer Holz offers procurement, harvesting and logistics services for third-party customers.

2020

We acquired **Mercer Forestry Services** in Lumby, B.C., a chip-hauling company that also harvests logs and builds roads. Mercer Forestry Services transports 300,000 cubic meters of timber annually.

1994

We acquired our first pulp mill at **Mercer Rosenthal**, a facility (once owned by the German state) that has been in operation since 1883. With a \$386 million USD investment, Mercer Rosenthal was converted and expanded to become the first and only kraft pulp mill in Germany. Today, Mercer Rosenthal has the annual capacity to produce 360,000 ADMT of softwood pulp and 57 megawatts of green energy and boasts a modern tall oil extraction plant.



2005

We acquired the **Mercer Celgar** mill in Castlegar, B.C., which has the annual capacity to produce 520,000 ADMT of softwood pulp, 100 MW of green energy, and turpentine.

2018

Our next investment diversified our portfolio, as we purchased 2,500 hectares of Indian sandalwood plantations and a sandalwood extraction facility in Australia, **Santanol**.

Shortly after, we acquired our mill in Peace River, Alberta, the only hardwood and softwood pulp mill among our assets. Each year, **Mercer Peace River** has the annual capacity to produce 475,000 ADMT of pulp and 70 megawatts of green energy.



2021

Most recently, we acquired **Mercer Mass Timber** near Spokane, Washington. This near-new state-of-the-art 270,000 sq. ft. cross-laminated timber (CLT) facility can manufacture more than 140,000 cubic meters of CLT annually — more than a quarter of the total North American capacity. It's one of the largest such factories in the world.

As well, **Mercer Timber Products** completed the planer mill upgrades, now a fully automated facility planing more than 12,000 boards of dimension lumber per hour.



3 Continuously Improve Environmental Performance

We work hard to curb our carbon emissions and minimize our mills' emissions to the environment. We always strive to do better, and it's this spirit of continuous improvement that drives everything we do at Mercer.

World-Class Modern Mills



When curious neighbors tour our Mercer Stendal pulp mill in Arneburg, Germany, they often remark on what's immediately visible: the cleanliness, the nearby Elbe River and the efficient movement of people, equipment and fiber. We like to think our less obvious processes might impress them even more.

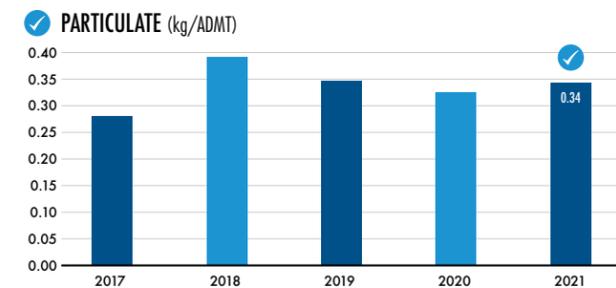
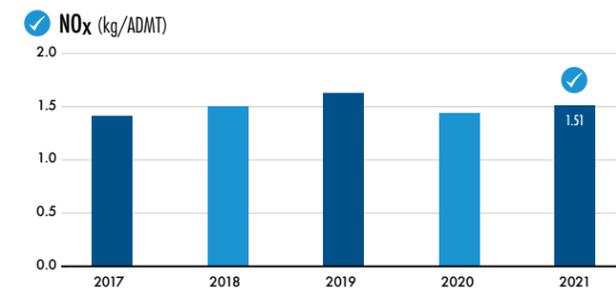
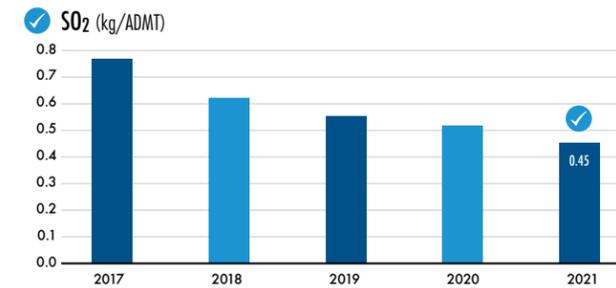
Thanks to regular investments since it opened in 2004, Mercer Stendal is completely electricity self-sufficient; in fact, the mill generates close to a 1 million megawatt hours of electricity every year. As a result, there is enough electricity to feed back into the public grid that we believe can power about 175,000 homes. In addition, by applying the best available technologies (BATs), most solids and organic substances are removed from the water we use from the Elbe River. As a result, clearer, cleaner water is returned to the river for continued use by fisheries and wildlife habitats.

André Listemann, Mercer Stendal's Managing Director, says the drive to improve is sharpened by the weight of expectations from our stakeholders: our customers, employees, shareholders

and the larger global community. "More and more, people think of ESG — environment, social and governance performance. Whether they're investors or thoughtful neighbors right next door to us in Arneburg, they expect us to be at the top of the class. As they should," he says. "It brings us to work, every day, looking for ways to get better."

Adolf Koppensteiner, our Chief Operating Officer with the ultimate eye on our mills' performance, says Mercer Stendal isn't finished improving. It never will be. He lists several initiatives and ideas that could reduce impact even further, including producing greener chemicals in the kraft pulp process and pursuing more efficient water use. Innovation is key.

He adds that the same rigor and reach apply to all our mills. In our Canadian mills, he notes as one example that the two new woodrooms currently under construction will cut emissions and boost wood-usage efficiency. As well, the effluent quality in the Canadian mills is already well below our local permit requirements — yet we strive for further improvements.



"I've been in this industry for many years," Adolf says. "The conversation in the historical past was that mills made a difficult environmental situation even more difficult. But we never stop seeking to improve. This means we have started to change the conversation and reality. Today, we are part of a bigger solution."

KPIs: Air Quality

★ SIGNIFICANCE: Air quality impacts human health and the environment. Investment in best available techniques helps to ensure operations can meet regulatory requirements and achieve resource efficiency improvements. Our operations measure and monitor SO₂, NO_x and particulate matter.

🎯 PROGRESS AND TARGETS:

SO₂ (Sulphur Dioxide)

- The SO₂ emissions originate from our kraft pulp mill processes.
- We have reduced our SO₂ emission intensity (kilograms of SO₂ per tonne of pulp) by 40 percent over the past five years.

NO_x (Nitrogen Oxide)

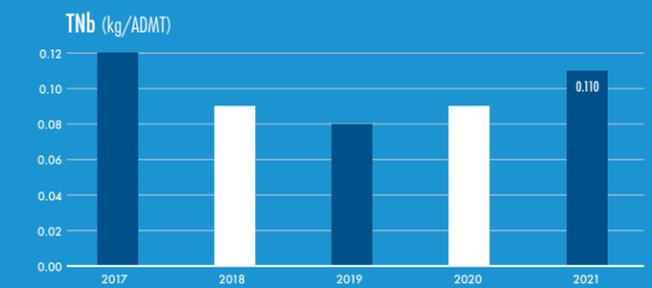
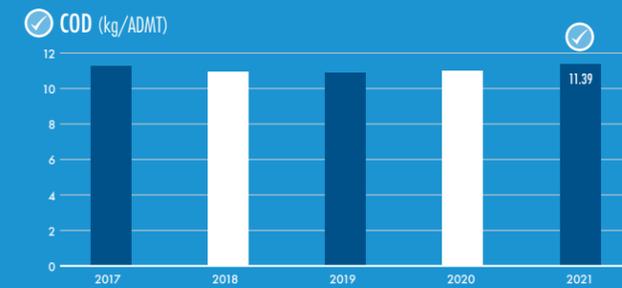
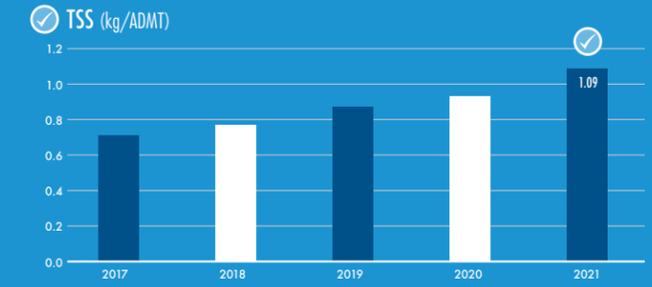
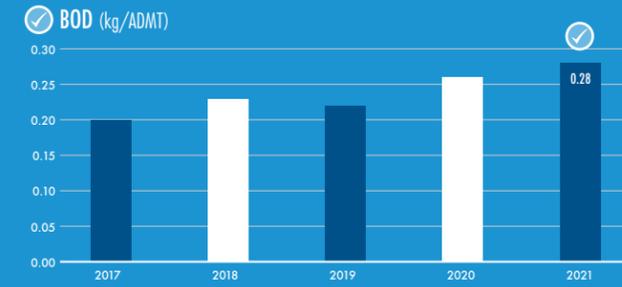
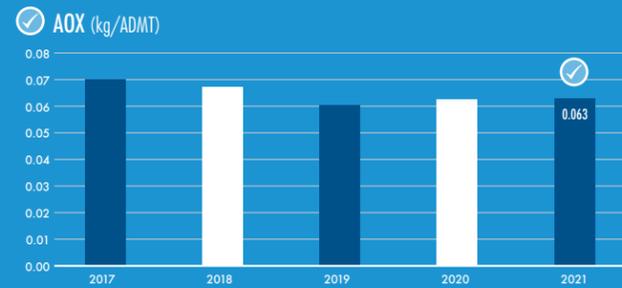
- NO_x emissions from our pulp mills predominantly originate from burning fuels in our boilers.
- NO_x emission intensity (kilograms of NO_x per tonne of pulp) has increased slightly over the past five years.

Particulates:

- Mercer continues to implement initiatives at the mills to reduce this air quality parameter through optimizing processes and upgrading to electrostatic precipitators for the biomass boilers and lime kiln operations.
- The particulate air emissions (kilograms per tonne of pulp) have varied year over year, with an increase over the past five years.

🏠 THE MERCER WAY: Mercer is committed to minimizing environmental impacts resulting from air emissions from our operations. All of our four pulp mill operations are certified to the ISO 14001 Environmental Management System (EMS). We use EMS standards to carefully manage our air emissions and ensure full regulatory compliance. These standards ensure we operate with leading maintenance practices and management systems. Mercer is active with regulators and local communities to discuss improvement opportunities that include eliminating odors that impact our local communities. Mercer's Environmental Policy supports the evaluation of potential risks to ensure these are addressed with a proactive approach.

KPIs: Effluent and Wastewater Quality



★ SIGNIFICANCE:

Access to fresh water is essential for human life and well-being and is recognized by the United Nations as a human right. The amount of water withdrawn and consumed by an organization and the quality of its discharges can impact the functioning of an ecosystem. Direct impacts on a watershed can have broader effects on the quality of life in an area, including social and economic consequences for local communities and Indigenous peoples. Monitoring and measuring water quality provides empirical evidence to support compliance with environmental laws and regulations. Improving the quality of effluent from our mills' wastewater treatment plants to their respective rivers is key to reducing our environmental impact.

🎯 PROGRESS AND TARGETS:

Each year, effluent quality targets are established to measure and monitor the following effluent parameters and nutrient addition, focusing on continuous performance improvement.

AOX (Absorbable Organic Halogens)

- Mercer's AOX emissions from the production of bleached chemical pulp indicate the quantity of halogens bound to the organic compounds present in the effluent.
- The AOX per tonne of pulp has decreased by 11 percent over the past five years.

BOD (Biochemical Oxygen Demand)

- The BOD load per tonne of bleached chemical pulp is an indicator of process control and the efficiency of the biological effluent treatment system.
- BOD of wastewater effluents is used to indicate the short-term impact on the oxygen levels of the receiving water.
- The combined Mercer operations experienced an 8 percent increase in 2021 due to operational upsets and extended downtime at the Mercer Peace River mill that negatively impacted the performance of the mill's effluent treatment system.

COD (Chemical Oxygen Demand)

- COD is an indicator of process control and the efficiency of the biological effluent treatment system.
- The COD load increased 3 percent in 2021 compared with 2020.

TSS (Total Suspended Solids)

- The TSS is often a measure of the effluent treatment system (type), quality and biological health.
- The TSS load per tonne of pulp increased significantly for our combined operations as a result of Mercer Peace River's extended 88-day downtime and corresponding reduced pulp production.

Nutrient Addition (Phosphorus and Nitrogen)

- Phosphorus is found naturally in wood chips and lime used in pulping. Total Bound Nitrogen (TNb) measures how many unused nutrients are discharged to the receiving water. Nutrient addition in the pulp mills' effluent treatment plants provides the biology of the nutrients needed to ensure efficient treatment process operation.
- The phosphorus load per tonne of pulp has continuously improved over the past five years. Nitrogen levels have remained stable for all mills over the past five years.
- The Mercer Rosenthal and Mercer Stendal mills have successfully removed excess phosphorus before discharge.

♻️ THE MERCER WAY:

Our continuous improvement approach to effluent quality is based on operating best practices and investing in best available techniques to ensure our mills operate modern plants that exceed regulatory requirements and improve resource efficiency. Our ISO 14001 Environmental Management System certification at each pulp mill supports this rigorous approach to managing water and effluent quality. Our water management practices include internal water monitoring, spill control and containment procedures. These reduce the risk to wastewater, upstream contaminants, temperature and more. Our best practices include troubleshooting processes, alarms and control systems and facility audits and inspections with close cooperation with the respective authorities. Our pulp capacity expansion and modernization projects, including the Stendal 740 and the Rosenthal 400, are designed to include effluent quality improvement initiatives to ensure these expansion projects reduce our overall environmental footprint.

Mercer Goal 1:

CONTINUOUS IMPROVEMENT IN ENVIRONMENTAL PERFORMANCE

	2021	2022	PROGRESS TO DATE / 2030 VISION
MERCER HOLZ	Reduce risk of damage to soil and water by converting all trucks and harvesting equipment to bio-hydraulic oil	Complete conversion by end of 2022	Conversion process progressing well with completion planned by end of 2022
MERCER PEACE RIVER	Minimize waste disposal to landfill	Pursue circular economy opportunities with these targets: Aerated Stabilization Basin (ASB) biosolids @ 3,065 Bone Dried Tonnes (BDT), wood ash land application @ 1,000 wet tonnes, hot lime sales from landfill @ 2,000 wet tonnes, reduce volume of dregs to landfill by 2,300 m ³	ASB biosolids @ 3,065 BDT, wood ash @ 1,129 wet tonnes, hot lime @ 564 wet tonnes. Eliminate solid waste through operational improvements and circular economy solutions
	Eliminate community odor complaints & identify capital plan projects to reduce risk of odor	Develop a project to incinerate Non-condensable gases (NCG) streams in the recovery boiler to eliminate SO ₂ emissions	Received two odor complaints in 2021. Project to eliminate flash steam scheduled for 2025
MERCER ROSENTHAL	Reduce COD load of wastewater substream	Reduce COD in secondary condensate	Installed secondary condensate stripper, results to be tracked in 2022
	Reduce log yard noise emission	Reduce noise emissions through construction at log dumping station	
MERCER CELGAR	Reduce waste disposal to landfill through improved operation of lime and dregs processes. Benchmark other operations to develop solutions for recycling lime	Implement dregs circuit improvement initiatives. Improve soda inventory management	Identified operational changes and opportunities for improvement of the dregs circuit. Changes in place by end of 2022
	Improve basin biology health to minimize pH effluent events. Implement a controls project to maintain primary clarifier effluent of 6.5–8.5 pH following a diversion	Improve effluent health and reduce total suspended solids events	Developed control strategy and completed engineering. Implemented effluent pumping station control with use >98%
	Reduce venting emissions from chip bin & dilute NCG venting		Venting emissions reduced through focus on prevention in the daily management system and improvements in digester level and feed systems
MERCER STENDAL	Reduce waste disposal by 5% over three years	Reduce waste disposal by 5% over three years. Reduce disposal costs of green liquor dregs	Solid waste increased slightly to 22.3 kg/ADMT in 2021
MERCER FORESTRY SERVICES	Reduce risk of environmental damage to soil and water	Minimize ground disturbance through low-impact harvesting equipment	Began a winch-assisted harvesting site to improve safety and sustainable harvesting
SANTANOL	Assess plantation/forest management certifications to reduce risk of environmental damage	Complete certification assessment in 2022	Not completed due to COVID, rescheduled to 2022
	Minimize water use and chemical use for pesticides and herbicides	Investigate strategies for recycling vacuum systems and cooling water. Goats to manage all melon weed (420 hectares) by end of 2022. Decrease chemical use by a further 10%	Increased livestock use to manage weeds meant less reliance on chemical spraying. Further decrease use of chemicals for pesticides and herbicides
MERCER TIMBER PRODUCTS	Reduce fresh water use in the continuous kilns by optimizing spraying system. Reduce dust emissions in the shaving loading area	Modernization of backup boiler to enhance heat generation, improve the filter system and waste gas purification control	Significant progress has been made in optimizing water consumption in the continuous kilns and dust emissions. The upgrade to the backup boilers will be state of the art in terms of air emissions performance



4 Mitigate Climate Change

We are mindful of our future climate in all our operations. We believe that the more we reduce our greenhouse gas emissions while producing more green energy, the more we can contribute and play a role in helping to solve the planet's most pressing climate challenges.

Climate Change

Mercer supports the Task Force on Climate-Related Financial Disclosure (TCFD), a global initiative that enhances transparency regarding climate change financial risk. In 2020, we conducted a climate change scenario analysis as part of our adoption of the TCFD framework. We partnered with Business for Social Responsibility (BSR) to develop a series of climate change scenarios for 2050, integrating key trends

such as global climate politics, the impact on wood supply and the social license to operate. Using this new multidimensional perspective, Mercer has analyzed three scenarios (see below).

These three scenarios provide information to better prepare Mercer to assess the risks and opportunities related to climate change. From our analysis, we have created a

more comprehensive and resilient decarbonization strategy that will provide a framework designed to help mitigate both transitional and physical impacts of climate change.

We believe that long-term resilience depends on the successful adaptation and transformation of our operations and supply chains in the context of a range of potential scenarios.



AUTOMATION ACCELERATION

A geopolitically fragmented world, a slow global economy and ramping-up climate impacts.

Aligned to a +3°C trajectory

Slowly declining emissions



WALLED WORLD

A geopolitically fragmented world, a challenging economic situation and scaled environmental shocks.

Aligned to a +4°C trajectory

Rising emissions



RESILIENT REBIRTH

A recovering economy fully embracing the low-carbon transition in a cooperative way, still subject to environmental shocks.

Aligned to a +1.5°C trajectory

Very strongly declining emissions

KPIs: Mitigating Climate Change

★ SIGNIFICANCE:

Climate change is one of the greatest threats facing the environment, society and the global economy. Rising temperatures impact biodiversity, threaten our communities and bring increased risk to our business and the global economy. The UN's Intergovernmental Panel on Climate Change warns that current GHG emission levels will increase temperatures beyond 2°C and increase the frequency and magnitude of heatwaves, drought and severe storms. In addition, climate change may affect our operations and supply chains through its impact on weather, rising sea levels and our forests' resilience against insects and forest fires. The transition to a low-carbon economy will bring risks (new carbon regulation and taxation) and opportunities through the unique role of wood-based products in mitigating climate change.

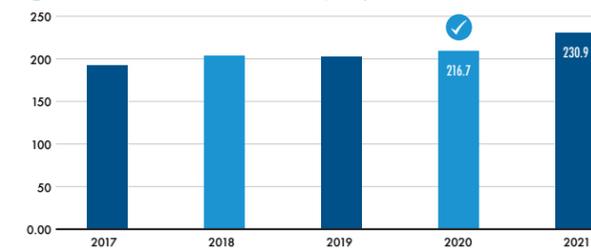
🎯 PROGRESS AND TARGETS:

- Mercer has committed to achieving a 35% reduction in carbon emissions intensity for our pulp mills by 2030 against our 2019 baseline, in line with the 2015 Paris Accord that limits the global temperature rise to well below 2°C.
- The primary fossil fuel consumption is natural gas required to fuel lime kilns. The mills also consume some natural gas in our biomass boilers to supplement the biomass fuel.
- The GHG emissions intensity from fossil fuels increased significantly in 2021 due to a mechanical breakdown in the biomass feeding system for the Mercer Peace River mill's power boiler and the scheduled 88-day maintenance outage to complete the recovery boiler rebuild.
- Mercer Rosenthal reduced its GHG emissions to its lowest level on record.
- The total GHG emissions from fossil fuels for the combined four pulp mills remained essentially unchanged in 2021.
- The Mercer pulp mill operations set goals in 2022 to reduce GHG emissions intensity by 5% from the 2019 baseline and to further develop our decarbonization strategy to replace natural gas in our kilns with biofuels.

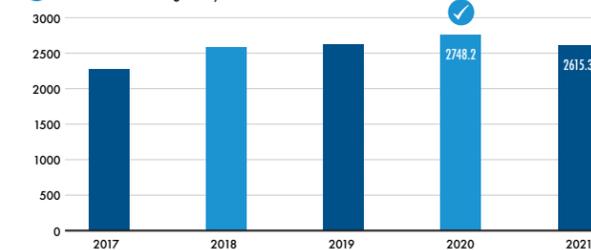
🌱 THE MERCER WAY:

Mercer is committed to eliminating the use of fossil fuels at our operations and is a signatory to the Science Based Targets initiative (SBTi) to ensure we are transparent in our net-zero carbon journey. Our renewable and recyclable materials provide nature-based solutions that replace fossil-based alternatives. In addition, we completed a comprehensive Scope 3 GHG emissions study in 2020 to evaluate the climate change impact of our supply chain and identify opportunities to reduce GHG emissions through collaboration with our customers, suppliers and supply chain partners.

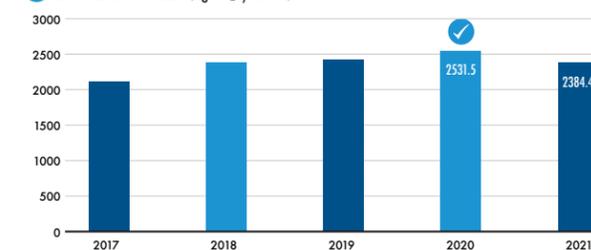
✔️ FOSSIL FUELS (SCOPE 1 EMISSIONS) (kg CO₂e/ADMT)



✔️ TOTAL FUELS (kg CO₂e/ADMT)



✔️ BIOGENIC FUELS (kg CO₂e/ADMT)



✔️ 2020 Scope 1 Emissions: 412,156 tonnes CO₂e
 2021 Scope 1 Emissions: 396,594 tonnes CO₂e

SCOPE 3 GREENHOUSE GAS EMISSIONS 2021

Mercer is committed to collaborating with our customers, suppliers and supply chain partners to achieve a 35 percent reduction in Scope 3 GHG emissions by 2030 (baseline 2019) to achieve our SBTi validated targets.

UPSTREAM SCOPE 3 EMISSIONS

Indirect GHG emissions related to purchased or acquired goods and services

Material Acquisition & Pre-Processing



Canadian, US & European forests



Chemicals for kraft pulping

CATEGORY

1 Purchased Goods and Services
292,787 (tonnes CO₂e)
Chemicals and wood fiber are the two main purchased goods

2 Capital Goods
98,300 (tonnes CO₂e)
Capital investment at the Mercer mills

3 Fuel- and Energy-Related Activities
70,486 (tonnes CO₂e)
Natural gas & diesel purchases, including emissions from extraction, production and transport of fossil fuels used at sites

4 Upstream Transportation
162,439 (tonnes CO₂e)
Emissions from transportation of chemicals and wood fiber from forests and sawmills



SCOPE 1 & 2 EMISSIONS

Mercer Manufacturing

Scope 1 Emissions 396,465 (tonnes CO₂e)
Direct fossil-based emissions at Mercer operations

Scope 2 Emissions 48,276 (tonnes CO₂e)
Emissions related to purchased electricity

LOCATIONS



Mercer Rosenthal



Mercer Stendal



Mercer Celgar



Mercer Peace River



Mercer Timber Products

DOWNSTREAM SCOPE 3 EMISSIONS

Indirect GHG emissions related to sold goods and services at receipt

Distribution & Storage Use, and End-of-Life



CATEGORY

9 Downstream Transportation and Distribution
156,116 (tonnes CO₂e)
Emissions from transporting our products to our global customers

10 Processing of Sold Products
670,055 (tonnes CO₂e)
Emissions related to the manufacturing of our customers' products including: paper, tissue packaging and specialty

12 End-of-Life Treatment of Sold Products
175,984 (tonnes CO₂e)
Emissions related to the end-of-life treatment of sold products, including recycling, incineration and landfill



Global Customers



NOTE: Does not include Mercer Mass Timber as Mercer acquired the facility in 2021. Historical scope 3 emissions recalculated against the most recent methodology in order to ensure comparability. Scope 2 Emissions include only the four pulp mills.



TRANSPORTATION AND LOGISTICS STRATEGY

In managing our modern fleet of rail cars, Wolfgang Beck considers and looks to the future of German forests and climate change. This may seem like a modern idea. But in fact, what animates the Managing Director of Mercer Holz, our wood purchasing and logistics organization in Germany, is a philosophical shift that happened 300 years ago.

“When we consider what is best for our forests, for our climate and our business,” says Wolfgang, “we can keep the historical German idea of sustainability espoused by Hans Carl von Carlowitz at the forefront of our thinking.”

In 2020, our German transport partner Deutsche Bahn Cargo recognized the Mercer Germany Group in its “Das Ist Grün/That’s Green” initiative for our use of rail over trucks in the pulp sector. That year, we avoided 4,863 tonnes of CO₂ emissions by delivering more than three-quarters of our pulp sales by train rather than truck in Germany.

Carlowitz invented the concept of sustainability in the early 18th century as he watched the mines he managed for the King of Saxony harvest vast stands of timber for construction and fuel. In his landmark 1713 tome about forestry, Carlowitz insisted that no more wood should be cut than could be regrown through planned reforestation.

“Today, this idea of sustainability guides all of our decision-making at Mercer. It applies not only to how we source our fiber and manage forests in Germany and Canada, but also in other, perhaps surprising, ways.”

High-Tech Rail Cars

Mercer Holz is one of Europe’s largest timber buyers, charged with supplying our Mercer Rosenthal and Mercer Stendal pulp mills and our Mercer Timber Products sawmill with fiber from European forests. Over the past decade, Wolfgang and his team have reinvented how we move fiber to those operations, particularly through purchasing more than 500 high-tech rail cars.

A typical block train filled with logs or wood chips saves 28 tonnes of carbon dioxide versus the same routes and payloads navigated by truck. Our specially designed rail wagons haul more too, and cut the brake noise that otherwise disrupts Germany’s railside towns and cities.

RENEWABLE ENERGY GENERATION

Each of our pulp mills and our sawmill produces enough green energy not only to heat and power our operations but to sell emissions-friendly surplus electrical energy to local utilities or grids. Our mills are constantly looking for new ways to utilize our renewable energy. As an example, Mercer Stendal has installed charging stations to power the newest vehicles in the mill’s fleet and team members’ green vehicles. Mercer Rosenthal also uses about 20 electric vehicles for internal transport.





FIBER CARBON SEQUESTRATION

Our forests provide an essential ecosystem service in the global fight against climate change — the uptake and storage of carbon in forests and wood products.



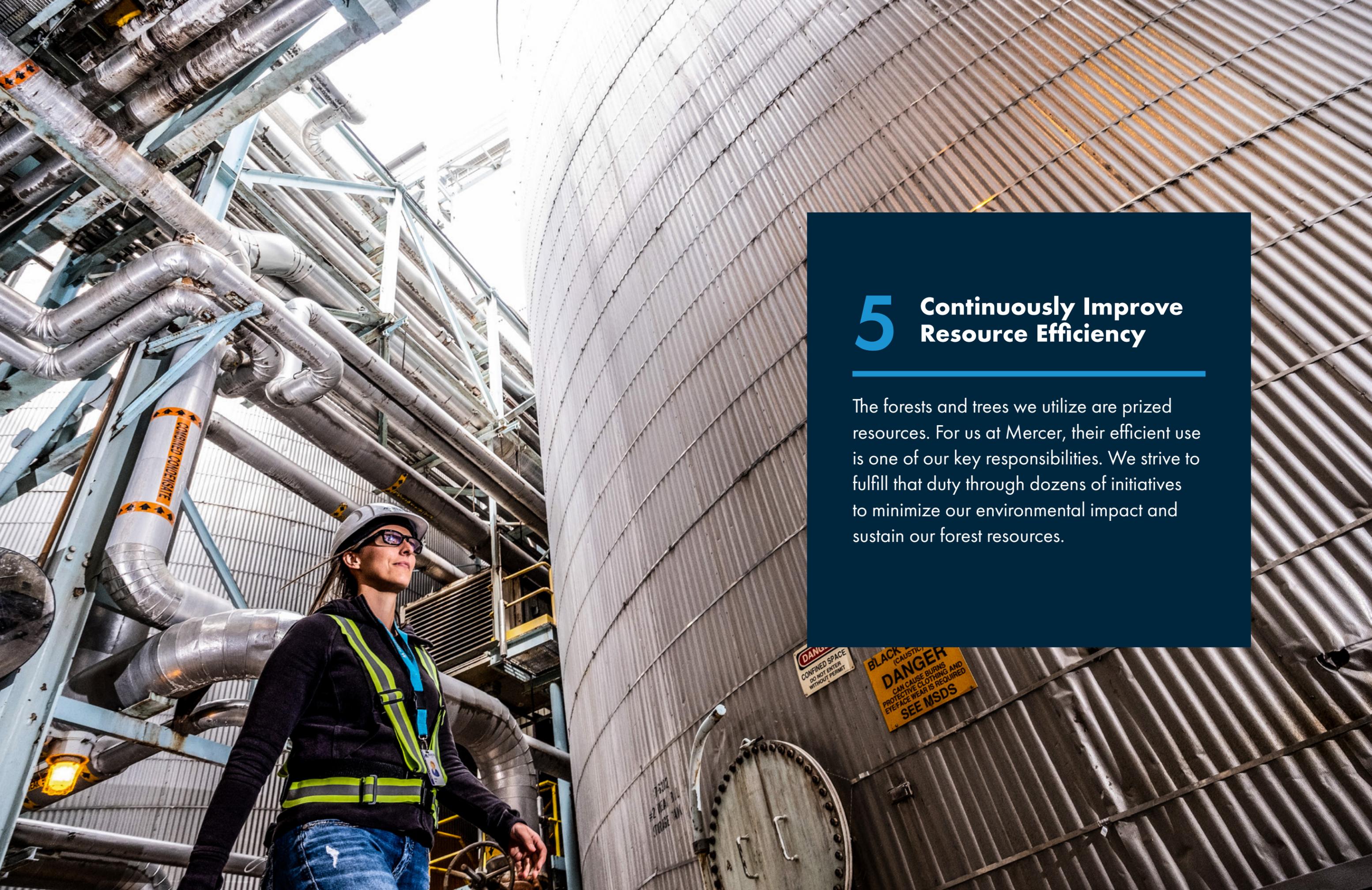
PRODUCTS OF A TREE							
WOOD % ALLOCATION	50% WOOD	25% GREEN ENERGY		25% RESIDUALS			
CO ₂ CAPTURING PRODUCTS	Lumber & CLT	Lignin-Extractives	Electricity	Paper packaging	Graphic paper	Specialty paper	Tissue
PRODUCT YEARS OF CO ₂ HELD	100 years	0–0.5 years	0–0.5 years	2–15 years	5–10 years	2–5 years	0–1 years
	Displaces steel and concrete construction materials	Displaces fossil fuel energy	Displaces fossil fuel energy	Displaces plastic packaging – fewer fossil fuels		Displaces fossil-fuel-based synthetic fibers and plastics	



Mercer Goal 2:

MITIGATE CLIMATE CHANGE

	2021	2022	PROGRESS TO DATE / 2030 VISION
MERCER CORPORATE	Conduct water risk study for each operation	Develop comprehensive understanding of water risk for each facility and plans for addressing potential issues	Completed company-wide water risk assessment using WWF Water Risk Filter and detailed risk assessment at Rosenthal
	Join SBTi & develop goal to achieve GHG emission targets well below 2°C	Approved SBTi goals for Scopes 1–3 GHG emissions aligned with well-below-2°C pathway	Mercer became a signatory to the SBTi
MERCER HOLZ	Reduce Scope 3 GHG emissions & develop process to calculate CO ₂ emissions/m ³	Complete project to calculate CO ₂ & monitor and improve supply chain GHG emissions in wood sourcing	Launched collection project for supply chain GHG emissions & established goal to reduce Scope 3 emissions by 35% by 2030
MERCER PEACE RIVER	Reduce Scope 3 GHG emissions by developing/approving new woodroom project	\$57 million CAD woodroom facility completed in 2022	New woodroom facility to launch May 2022. Annual Scope 3 reduction target is 31,000 tonnes CO ₂ e
	Reduce Scope 1 GHG emissions to 340 kg/ADMT by reducing natural gas burned in recovery boiler/power boiler	Reduce Scope 1 GHG emissions to 340 kg/ADMT. Install high efficiency controllers on precipitator and rebuild stoker pad	Operational challenges led to Scope 1 GHG emissions of 526 kg CO ₂ /ADMT (from 347 in 2020). Challenges included an 88-day outage to repair the recovery boiler
MERCER ROSENTHAL	Convert on-site vehicles to emission-free	Increase emission-free vehicles from 20 to 25	Purchased five electric cars to increase on-site fleet from 15 to 20
	Reduce GHG emissions to 135 kg CO ₂ /ADMT	Reduce GHG emissions to 125 kg CO ₂ /ADMT	Achieved emissions of 128 kg CO ₂ /ADMT. Define project and process alternatives to replace fossil fuel with biofuel at lime kiln
MERCER CELGAR	Increase renewable energy generation to 407 GWh	Install demonstration plant and R&D lab to extract up to 1 tonne/day of lignin from black liquor & conduct further biomaterials research	Only 212 GWh renewable electricity generated due to significant generator damage resulting in 6 months of generator downtime
	Reduce Scope 3 GHG emissions related to harvesting, transporting, and chipping wood	Complete \$27 million CAD woodroom modernization project	Woodroom construction begun December 2021
	Reduce Scope 1 GHG emissions to 260 kg CO ₂ /ADMT	Improved mill reliability led to 250 kg CO ₂ /ADMT. Install STG3 steam turbine extraction port to increase operational flexibility and reduce fossil fuel needs	Achieved GHG emissions of 267 kg CO ₂ e/ADMT. Mill upset conditions required additional use of natural gas
MERCER STENDAL	Renewable energy generation of 456 GWh	Generate 456 GWh renewable energy	Generated 392 GWh renewable energy in 2021
	Reduce Scope 1 GHG emissions to 109 kg CO ₂ /ADMT	Define project and describe process alternatives to replace fossil fuel with biofuel at lime kiln	Emissions to 109 kg CO ₂ /ADMT in 2021. Installed stationary lime cooler as part of the Stendal 740 Project to reduce specific use of fossil natural gas at lime kiln by 2% kWh/tonne lime
	Generate 870 GWh renewable energy	Generate 900 GWh renewable energy	Increased electricity production to 896 GWh
MERCER FORESTRY SERVICES	Reduce Scope 3 GHG emissions in transportation through e-mobility investments	Increase number of emission-free vehicles and charging stations	Installed two public charging stations in 2021
	Upgrade 10% of mobile equipment and trucking fleet to Tier 4 emissions standards	Upgrade 10% of heavy equipment to Tier 4 emission standards	14% of heavy equipment fleet upgraded with new equipment meeting Tier 4 emissions standards
SANTANOL	Reduce GHG emissions by expanding livestock plan, reducing burning of plantation waste and replacing 20% of high-emissions vehicles	Increase goat program to 2,000 goats, replace remaining high-emission vehicles with hybrid or electric, and evaluate host tree wood samples for other applications	Goat program progressed to 700 animals (25% of total estate), 40% of fleet replaced with improved-emission vehicles, and biochar trials completed and used in 2021 planting to monitor impact of trees
MERCER MASS TIMBER	Spokane facility acquired	Reduce natural gas for building heating, purchase high-speed roll-up doors, and implement low-emission replacement approach for new on-site vehicles	
MERCER TIMBER PRODUCTS	Reduce Scope 1 GHG emissions through replacing mobile equipment to emission-free vehicles. Increase rail transportation	Install additional charging stations for electric vehicles. Develop accurate tracking system for GHG emissions for production and transport and benchmark with other sawmills to determine minimization strategy	Replacement of mobile equipment to zero-emissions started in 2021. Increased share of goods transported by rail instead of truck by 9%. Reduction of the GHG emissions by 35% by 2030



5 Continuously Improve Resource Efficiency

The forests and trees we utilize are prized resources. For us at Mercer, their efficient use is one of our key responsibilities. We strive to fulfill that duty through dozens of initiatives to minimize our environmental impact and sustain our forest resources.

Investing in Fiber Efficiency



Before it's even asked, Carsten Merforth anticipates the question with the patience of a man who's heard it a hundred times before: How does a commitment to sustainability work in an industry built on altering nature?

"Since I was a boy, I have always wanted to work in nature, to work in the forest," says the Managing Director of Mercer Timber Products (MTP) and the head of our sawmill in Friesau, which sits in Eastern Germany near the border with the Czech Republic. "And so I understand this question. I know to some it might be a contradiction to believe this and then to cut down those very trees in the forest." But to Carsten (who holds a doctorate in forestry economics), it isn't a contradiction.

In the 550 million board-feet (880,000 cubic meters) of annual lumber capacity at MTP, he sees a renewable material grown by the sun, nurtured by the rain,

In the 550 million board-feet of lumber cut and shipped annually at MTP, he sees a renewable material grown by the sun, nurtured by the rain, that reduces the carbon footprint of new homes by as much as a third compared to steel or concrete.

that reduces the carbon footprint of new homes by as much as a third compared to steel or concrete. He also sees MTP's steam turbines, fueled by energy-rich biomass from recovered bark, generating enough energy to run the sawmill while returning electricity to the local grid. He sees both a facility and a dedicated workforce with plans to cut carbon emissions further.

"This fiber that comes to Mercer Timber Products — it's our responsibility to get the most from it using the least amount of energy possible. That factors into all of our investment decisions."

Enhancing Capabilities

We believe investments have transformed MTP into one of Europe's most modern sawmills. The mill holds one of the fastest planing machines globally, including sorters, scanners and continuous kilns. Such technological advancements further our sustainability efforts, ensuring lumber production for the European,

North American and Asian markets that improves the efficient use of energy and natural resource inputs.

With the same goal in mind of supporting sustainability through modernization, our Canadian pulp mills are investing \$84 million CAD to enhance their chipping capabilities with upgraded woodrooms, enabling other forest operators to burn less wood waste on harvesting sites.

FULL FOREST UTILIZATION AND CONSUMPTION

Working to decarbonize our operations is not enough. We have also prioritized improving our use of forest fiber to maximize its benefits. As a result, we see improvement in all our mills across the organization.

In 2021, Mercer Peace River has achieved 120 percent of Alberta's provincial wood utilization standards by chipping the whole tree and increasing merchantable and previously unmerchantable volumes through recovery, thereby improving pulp yield. What is left behind is redistributed to the cutblock, maintaining productive habitat. We believe this 120 percent achievement will continue after the 2022 transition from portable chipping to a central chipping facility.

Our Mercer Holz procurement team buys a range of quality wood from sustainably managed private, communal and state forests for our German mills. A \$70 million USD upgrade to our Mercer Timber Products sawmill has increased the usability of each log. At Mercer Celgar, we've worked with the industry and government to facilitate the collection of waste wood to convert to valuable wood chips for use in our pulp operations. In addition, new chip-screening equipment optimizes the wood chips we "cook" into pulp in all our pulp mills, reducing maintenance and increasing efficiency.

These small but significant improvements allow us to maximize the use of renewable resources.

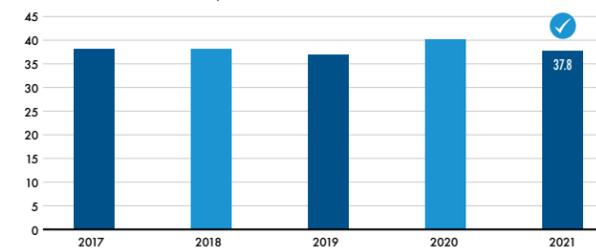


RESPONSIBLE WATER USAGE

Wet Area Mapping

At Mercer Peace River, one water-efficiency technology we utilize is wet area mapping, a process that collects hydrological data, using LiDAR and GIS technologies, to protect unseen, near-surface wet areas before harvest. In addition, within our global pulp operations, we recycle water so efficiently that we can return approximately 95 percent or more to our rivers — clean water that has had sediment and chemicals (such as phosphorus) removed that were present in the source water from agricultural runoff.

✓ TREATED EFFLUENT (m³/ADMT)



Canadian Environmental Effects Monitoring

For the past 25 years, all Canadian mills have been conducting environmental effects monitoring to understand the subtle effects of effluent on the environment and reduce or eliminate any negative impacts. These assessments include the potential effects on fish and organisms that make up the aquatic ecosystem.

These monitoring studies have helped Canadian pulp mills operate with minimal impact on water resources. In addition, each site follows the water discharge requirements of site-specific provincial permits and federal pulp and paper effluent regulations. As a result, we believe we do not significantly negatively impact these ecosystems.

KPIs:

Responsible Water Usage

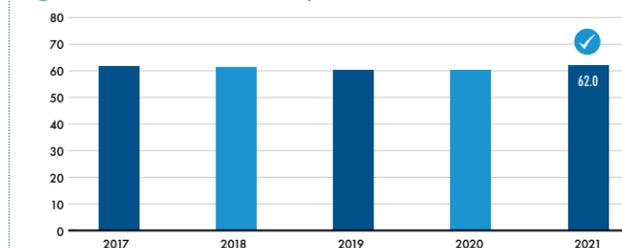
★ SIGNIFICANCE:

Water is an essential resource in pulp manufacturing. Mercer's goal is to use water responsibly and efficiently to ease the pressure on our water systems and bring competitive advantages to our operations. Each watershed in which we operate is unique, and we must strive to minimize the negative impact of our operations on water resources. In addition, climate change makes water management more challenging as extreme weather brings more droughts and high-precipitation events.

🎯 PROGRESS AND TARGETS:

- Mercer's process water volumes per tonne of pulp have been stable over the past five years, with a 3 percent increase in 2021 compared to 2020 due to the extended outage at Mercer Peace River.
- Our total water usage includes non-contact cooling water necessary to ensure safe and efficient power generation from the condensing turbines at the pulp mills.
- Mercer has established a goal to reduce water consumption by 10 percent by 2030 from our 2019 baseline year, and each mill has continuous improvement activities designed to achieve this goal.

✓ TOTAL WATER WITHDRAWAL (m³/ADMT)



♻️ THE MERCER WAY:

The Mercer mills are located in regions with sufficient water resources. Mercer has conducted a risk assessment using the Water Risk Filter (World Wildlife Fund) in combination with the Aqueduct Water Risk Atlas (World Resources Institute) to better understand the potential risk that our operations pose to the water resources that we rely on. This assessment includes both the hydrological balance characteristics and the content of pollutants and contaminants to support proactive water management. The wastewater treatment in our facilities is done according to best available technology to minimize the negative impacts on water resources. Our operations focus on operating strategies and process improvements that increase water recycling and reduce water consumption.



ENERGY EFFICIENCY

Stendal 740 Project

Our mills continuously pursue energy efficiency, but one mill stands out for its rigor and inventiveness. Mercer Stendal has several projects that demonstrate our drive to save energy, reduce costs, cut GHG emissions and transfer excess power to neighboring communities.

The Stendal 740 capital project captures and recovers the heat energy produced in our lime kiln. Previously released into the air, this now-contained energy will replace several megawatt-hours that fossil fuels would otherwise produce. On a smaller scale, in its parking lots, production operating areas and elsewhere, Mercer Stendal will gradually convert all lights to LED, saving 900 watts per light.

KPIs:

Energy Efficiency and Renewable Power Generation

★ SIGNIFICANCE:

Energy efficiency and renewable energy generation bring competitive advantages to our operations. Mills that only rely on self-generated renewable energy will mitigate their risks of escalating carbon taxes. We believe renewable energy will play a major role in reducing CO₂ emissions from fossil-based energy production.

🎯 PROGRESS AND TARGETS:

- The 2030 aspirational goal for energy efficiency is to reduce the energy intensity of our pulp manufacturing by 5 percent from our 2019 baseline year.
- In 2021, our pulp mills' electrical energy consumption intensity was 0.63 MWh, which was only slightly better than 0.64 MWh per tonne of pulp during our 2019 baseline year.
- The total energy intensity was 27.5 GJ per tonne of pulp compared to the 2019 baseline year of 28.6 MWh per tonne, which translates to a 4 percent improvement.
- The percentage of renewable energy compared with total energy and the total electrical power generation were both lower due to the extended outage at our Mercer Peace River mill and our Rosenthal mill.
- The power generated at our pulp mills is integrated into our kraft mill process for combined heat and power and represents the majority of Mercer's total energy consumption.

Energy Type & Amount	2019	2020	2021
Renewable Energy (GJ/tonne)	29.1	28.4	27.3
Non-Renewable Energy (GJ/tonne)	4.74	4.10	4.51
Total Energy (GJ/tonne)	33.9	32.5	31.8
% Renewable	86.0%	87.4%	85.8%*
% Non-Renewable	14%	12.6%	14.2%
Electrical Energy Demand (MWh/tonne)	0.72	0.72	0.73
Total Energy Demand (GWh)	1,364	1,362	1,264
Percentage Electricity from Grid	3.3%	1.4%	12.9%
Electricity Generation (GWh)	2,138	2,235	1,798

*Net of Renewable Energy Credits (REC) sales.

⚙️ THE MERCER WAY:

Mercer is committed to continuous improvement in energy efficiency and an increased share of renewable energy. Our mills focus on operating strategies and process improvements that increase energy efficiency and optimize the cogeneration plants to generate surplus renewable energy for the regional grids in Canada and Germany.

KPIs:

The Circular Economy to Reduce Waste

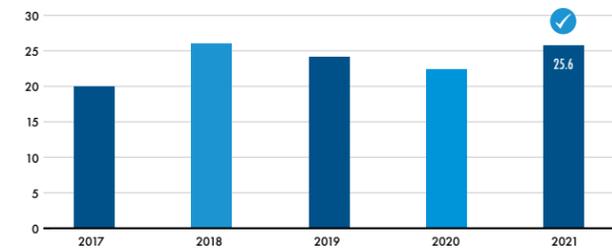
★ SIGNIFICANCE:

Population growth increases the demand and competition for raw materials. Resource efficiency and circular economy solutions help address resource scarcity and mitigate climate change. We believe our ability to embrace these solutions will provide a competitive advantage.

🕒 PROGRESS AND TARGETS:

- Mercer's 2030 aspirational goal is to eliminate solid waste from our landfills through capital investments, operational efficiency improvements and circular economy solutions to direct our waste to create value-added opportunities such as soil enhancement.
- Solid waste includes wood ash, recausticizing dregs and lime waste deposited in our operations' landfills.
- We have developed more robust measuring protocols to ensure we can track our progress.

✔ TOTAL WASTE TO LANDFILL (kg/ADMT)



🏆 THE MERCER WAY:

Mercer is committed to eliminating the solid waste that is deposited in our operations' landfills by 2030. We are working with several partners to develop innovative solutions that reduce the waste material and to help find solutions to utilize the waste material as a feedstock in other manufacturing processes.

REDUCTION IN SOLID WASTE

One of the biggest challenges we face at Mercer is what to do with the solid waste our various processes generate. In the past, there was only one viable option for these materials: the landfill. Mercer is working on operational efficiency improvements and circular economy solutions designed to accomplish our "zero waste to landfill" manufacturing goal by 2030.

BIOSOLID LAND APPLICATION

The Mercer Peace River environmental-award-winning biosolid land application "Nutriboost" program, in operation since 2003, strictly adheres to the many standards and guidelines established by the Alberta government to ensure governance of the safe land application of biosolids. Nutriboost is a mutually beneficial reuse initiative that offers local farmers valuable nutrients contained in the biosolids from Mercer Peace River's treatment facilities to enhance their crops. These properly prepared biosolids are a rich source of essential fertilizer elements needed by plants, including nitrogen, phosphorus, potassium and organic matter.

Nutriboost has many benefits: it greatly reduces a farmer's dependence on commercial fertilizers and builds up soil quality for future generations by improving soil structure, reducing erosion and increasing the soil's ability to absorb and retain water.



Mercer Goal 3:

CONTINUOUS IMPROVEMENT IN RESOURCE EFFICIENCY

	2021	2022	PROGRESS TO DATE / 2030 VISION
MERCER CORPORATE	Establish enterprise energy intensity and percentage of energy from renewable sources framework	Complete data collection methodology and benchmarking	Benchmarking continued, but enterprise study not completed
MERCER HOLZ	Develop network of wood terminals over five years to improve access to competitive wood supply and increase rail access	Start construction on two purchased terminals	Two terminals purchased. Evaluation of more sites ongoing
	Use digitalization with delivery partners to optimize wood delivery process by truck	App programmed and will be tested	Implementation slightly delayed; needed infrastructure developed in 2022
MERCER PEACE RIVER	Increase yield through modern chipping plant	New chipping facility to be completed, with target yield improvement from hardwood forests of 8.5%	Construction continued, with an anticipated commissioning date of May 2022
	Complete energy and water reduction study	Reduce hydraulic loads to aerated stable basin (ASB), including re-evaluation of extraction and modified continuous cooking (MCC) screens on digester.	Energy and water study completed. Replacement of surface condenser scheduled for 2024. Evaluate further opportunities to reduce water consumption 10% by 2030
MERCER ROSENTHAL	Increase energy efficiency in fiber supply chain by adopting 10-axle trucks for cut-to-length hardwood logs	Develop migration plan for 10-axle trucks. First tandem tractors arrived January 2022	Approvals obtained from the government of Alberta. The first three 10-axle trailers have been delivered
	Reduce specific wood consumption from 5.2 m ³ /ADMT to 5.1	Implement debarking drum supervisory controls to reduce wood loss	Consumption target met at 5.1 m ³ /ADMT. Implementation of debarking postponed to 2022 because of supplier delays
MERCER CELGAR	Reduce fresh water consumption	Reduce fresh water consumption by 25 liters per second	2021 water consumption 28.7 m ³ /ADMT
	Increase stability of digester Kappa to increase yield	Continue digester process control strategy and operator training	New digester controls increased stability. Statistical process control chart now in use
	Increase yield through modern woodroom upgrade	Woodroom upgrade to be completed with target yield improvement of 5%	Woodroom project engineering completed in 2021; commissioning in 2022
MERCER STENDAL	Improve water use efficiency by optimizing hot water makeup in pulp machine area	Complete white water pump installation to reduce water makeup requirements	White water pump was not installed in 2021 due to additional engineering and planning required to complete the project
	Reduce fiber loss through installation of knots and rejects recovery system	Knots recycle system to be commissioned by January 2022. Target to reduce waste by 15 tonnes of fiber per day	Equipment upgrades identified and corrected
MERCER FORESTRY SERVICES	Reduce energy consumption by minimizing compressed air consumption	Target: 30% reduction in electricity for compressed air	Replaced positioners with lower compressed air consumption on automatic valves
	Reduce specific wood consumption		Chip screening plant overhauled to improve efficiency
SANTANOL	Reduce fresh water use by 1.7% (5% over three years)	Continued increased mill-wide awareness to reduce fresh water use	Water consumption increased 3% to 35.3 m ³ /ADMT
	Improve transportation efficiency by more effectively managing trucks across the fleet and establishing a central camp infrastructure	Use telematics to monitor fuel use, speed and driving routes. Set up automated reports with Streamline system and expand across more of fleet	Central camp was not established, as primary customer was unable to secure required infrastructure
MERCER TIMBER PRODUCTS	Reduce unnecessary tractor operations and chemical use	Continue strategy with green rows to improve insect mix and reduce aerial chemical use	Chemical reduction program and goat project reduced chemical use by 48% across estate
	Implement new trimming technology in the planer mill to reduce the share of rejects of lumber	Convert the sawn timber package width from 1.5 to 2 meters throughout the plant to reduce forklift traffic by 33%. Reduce electrical and thermal energy by 1.3%	New trimming technology in the planer mill reduced the share of rejects by 68%



6 Embrace Social Responsibility

At Mercer, embracing social responsibility means consciously upholding our commitments to those communities providing us with a social license to operate. Those commitments extend to the people who work here, and we're proud of how far we've come in our health and safety journey.

Road to Zero



To be recognized for a second year in a row for a topic that I feel very passionately about is humbling. I thank all of our Mercer team members who have adopted health and safety as a core value and for incorporating these values into their day-to-day safety actions.

— David Gandossi, Mercer CEO, on winning CEO of the Year at the 2021 Canada's Safest Employer Awards

When Mark Goebel joined our Mercer Celgar mill in Castlegar, B.C., six years ago, he brought a wealth of experience in safety management. Early in his career, he'd spent 17 years as a first responder to haunting workplace incidents at mines and mills throughout North America; later, he spent a decade managing prevention programs in high-risk environments. But when he started at Mercer Celgar as the Health and Safety Manager, he saw something new.

"It wasn't that you could point to something specific and say, 'This one

thing needs to change,'" says Mark, now Vice-President, Health and Safety. "When I arrived, something more was needed in the culture, in the relationships. When it came to safety, we needed to improve the trust among our workforce."

Senior executives recognized this need, and in 2016 they launched our enterprise-wide Road to Zero campaign, intending to transform the health and safety culture across the organization — including at Mercer Celgar.

High Risks

Forest product operations like ours have typical big-industry health and safety risks. Our employees handle chemicals, high-pressure steam, intense heat and massive electrical energy. They work alone, at heights and in confined spaces. In short, they work in complex environments, making Road to Zero our most crucial initiative.

We had practical steps to accomplish, like forming a governance team, setting targets, reenergizing local health and safety committees, providing training and developing refined standards. We also needed to do the less tangible work of improving relationships to achieve our safety goals. "Honestly," says Mark, "it was a couple of challenging years as we implemented the needed changes. The employees and management agreed: we needed to address our challenges and get after this."

High Rewards

Results followed quickly. "We began to recognize positive changes in attitudes and behaviors. And great things started to happen."

In 2019, Mercer Celgar was named the second-safest mill in North America; a year later, it was honored for excellence by Canada's Safest Employer Awards in three categories, including Safest Manufacturing Employer. The Road to Zero has prompted a focus on intentionally advancing our safety culture, the prevention programs that drive that culture, with the intention to further reduce our incident rates.

"There's still work to do. For us, it is about continuously improving relationships and communication and focusing on our health and safety commitments," Mark concludes. "But I think we can be proud as an organization of how everyone — not just senior leaders — put their hands up and said, 'We're going to change this.' And then actually put in the hard work."

KPIs:

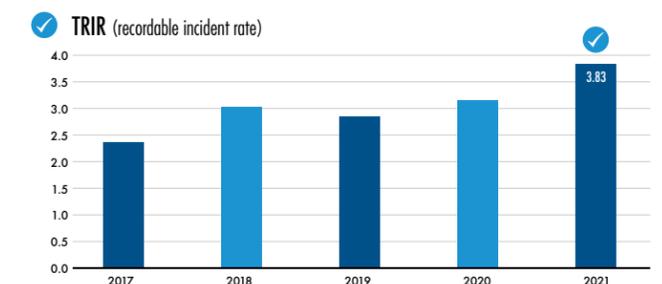
Road To Zero Safety Culture

★ SIGNIFICANCE:

Health and safety directly impacts our employee engagement and business success. Safety performance is strongly related to the quality of our leadership and workplace culture. In addition, contractor safety is critical to successful capital project deployment and execution of annual maintenance shutdowns.

🎯 PROGRESS AND TARGETS:

Our overarching goal is zero accidents. In 2021, we experienced 80 recordable injuries, which translates to a rate of incidents for all team members of 3.83 per 200,000 hours worked; this metric is generally referred to as the Total Recordable Incident Rate (TRIR). This record is not world-class, nor is it zero, and we will continue in our relentless pursuit of an injury-free workplace for both employees and contractors.



🏭 THE MERCER WAY:

Our Road to Zero is embedded in our Mercer culture and work systems. We proactively implement our nine Life-Saving Golden Rules to address high-risk activities and create a safety culture where people act safely in everything they do. We are committed to a zero-incident workplace and to the health and wellness of our people. We support this through training and policies on vital safety-related subjects, including risk assessments, safety compliance, emergency response and preparedness, and industrial hygiene. Robust investigations are conducted after each incident to understand the root cause, communicate the findings and identify ways to prevent future occurrences. We conduct external safety audits to evaluate the effectiveness of our safety programs.



EMPLOYEE ENGAGEMENT

In 2020, we conducted our first global employee engagement survey to better understand our workforce's perceptions. Administered and analyzed by a third party, the confidential employee responses were aggregated and reviewed by our executive officers and board of directors. As a result, in 2021, our leaders worked with their teams to create action plans based on the areas of improvement identified. We believe we can enhance our culture and improve our overall engagement by acting on results at both an aggregate enterprise level and an operational level.

COVID-19

COVID-19 has been particularly challenging for us, given the breadth of our operations in Europe and North America. However, we responded with one ultimate, crucial goal in mind: to keep our employees, contractors and communities safe.

Our senior management team actively evaluated the COVID-19 threat and quickly enacted our crisis management plan. Together, we learned and shared how our operations could best respond, particularly to the constant updating of health and safety practices and protocols. As long as the pandemic persists, we will communicate with our people, providing the latest evidence, the best personal protective equipment and support that is not just physical but emotional and mental.

Remarkably, we adjusted our work and personal lives to forge on without any material interruption to the products that our customers rely on. Because of our role in the critical supply chain linking fiber to packaging, bathroom tissue and hygiene products, the pulp business was deemed an essential service during the pandemic. We take that responsibility with the utmost seriousness.

We owe an enormous debt of gratitude to our employees: it's through their commitment and dedication that this response was possible. Our goal is always to continue to stay safe together.



MERCER LEADERSHIP PROGRAMS

We believe that strong leaders build an even more robust, innovative workforce with mentorship and coaching. Therefore, we have the Mercer Leadership Program (MLP) to support those who aspire to achieve a leadership role.

Mercer utilizes the SGMI Institute of Management St. Gallen. One of the most renowned international business schools in the world, SGMI employs demanding, practice-oriented management-development approaches. It provides personal and reflective approaches to leadership and decision-making that characterize all great leaders. The MLP is about growth and enhancing an individual's leadership skill set.

DIVERSITY, EQUITY AND INCLUSION

Besides focusing on workplace safety, sustainability and innovation, Mercer has defined DE&I as one of our eight core values. In 2021, Mercer launched a company-wide diversity management program. This program aims to respond to each Mercer operation's relevant regional challenges and conditions to further develop diversity within the teams. Our first objective within this program is to improve and provide equal opportunities for women, as gender is a core dimension of diversity.

"It's the right thing to do, first of all," says CEO David Gandossi. "But it's also about being a better company, a more attractive place to work, a more attractive organization in which to invest. The more perspectives and different approaches — to life and work — we can promote and use to guide our work, the better we'll all be."

19%

of new hires were women, as compared to 13% in 2020



KPIs:

Diversity, Equity and Inclusion

★ SIGNIFICANCE:

Workplaces that have teams with diverse backgrounds, experiences and points of view result in improved decision-making and teamwork, increased innovation, more effective stakeholder engagement and a more welcoming culture and workplace. Attracting a high-performance workforce requires strong DE&I values and performance and a workplace free of discrimination.

◎ PROGRESS AND TARGETS:

- Our goal is to foster a more inclusive and equitable culture and increase diversity in our workplace, with a fundamental goal to improve our recruiting of women in our workplace to 30 percent by 2030. Mercer is still early in our journey as a truly diverse workplace, with women making up only 17.5 percent of our employees (as of December 31, 2021).
- While women hold 23 percent of our top 100 management positions, we know we can see more equity in these positions, jump-starting our inclusion journey to move towards other aspects of diversity we want to see in our operations.
- Local DE&I governance committees ensure we continue to develop and implement effective DE&I strategies and targets. In 2021:
 - o 90 percent of our key leadership participated in unconscious bias training.
 - o Recruiting and promotion processes were enhanced to avoid the unconscious bias that can impact underrepresented groups.
 - o 19 percent of new hires were women, as compared to 13 percent in 2020.

Ⓜ THE MERCER WAY:

Mercer operates with high ethical standards and values that apply to all employees, as outlined in our Code of Business Conduct & Ethics and our Human Rights Policy. Building a strong culture of diversity, equity and inclusion free from harassment and discrimination is a critical business initiative at Mercer. Our commitment is backed by a whistleblower hotline employees can contact to confidentially raise concerns. In addition, our DE&I was assessed in the most recent employee engagement survey. This helped us understand our progress and see opportunities for further improvement. Leadership training and strong governance to guide initiatives and track implementation are significant first steps on our pathway to nurturing a diverse workplace that genuinely values equity and an inclusive culture.

Mercer Goal 4:

EMBRACE SOCIAL RESPONSIBILITY

	2021	2022	PROGRESS TO DATE / 2030 VISION
HEALTH AND SAFETY	Total Recordable Incident and Injury Rate (TRIR) <2 & severity <60. Improve health & safety performance including on-site contractors. Align with industry best practices through collaboration with the workforce advancing the safety program elements at all operations	TRIR <2 and severity < 60. Near-miss and inspection/ observation defined at mill level. Expand leading KPI measuring	2021: TRIR 3.83 and severity 55. Near-miss reporting and inspection targets exceeded. 2030 goal to achieve world-class safety performance with TRIR <1, severity <15, and interdependent health & safety culture
EMPLOYEE ENGAGEMENT	Roll out results of employee engagement survey to local management teams and initiate local-level action plans to address areas for improvement	Complete 2022 employee engagement survey, with increased participation rate by 10%, and continue to implement local-level action plans to address areas for improvement	Action plans from the 2020 employee engagement survey are being implemented at each operation. 2030 goal to create a highly engaged and committed workforce with >80% of employees understanding and believing Mercer's personal development commitment
DIVERSITY, EQUITY AND INCLUSION (DE&I)	Develop a supportive culture	Develop and implement DE&I action plans for each operation and track progress at the global council. Action plans include specific training and awareness sessions on key DE&I initiatives as well as awareness of DE&I initiatives and an increased understanding for improving inclusion for women and Indigenous awareness training	The DE&I global and local councils have advanced the 2021 action roadmap that includes leadership training in unconscious bias, inclusion training, and target-setting to measure progress. Women as new hires has increased from 13% in 2020 to 19% in 2021. 2030 goal to increase hiring of women to 30% of new hires
LEADERSHIP & TRAINING	Train, develop, and enable employees to reach their full potential, retaining talented and highly qualified employees	Resume Mercer Leadership Program (MLP) when safe to travel with next MLP intake cohort for 2022. Succession plans to mid-level leaders in mills were further developed in 2021 and will continue into 2022	In 2021, the pilot strengths-based performance management program was developed and trialed at Celgar. 2030 goal to have exceptional leadership development and development plans for all employees



7 Sustainable Forest Management

We manage the forests on an ecological basis to ensure all our values are maintained for future generations. These values include soil and water quality, biodiversity, stakeholder values, Indigenous community rights and interests, recreation, aesthetics, forest productivity, global cycles such as carbon and more.

Ecosystem-Based Management

Ecosystem-based management (EBM) is an approach that strives to emulate natural disturbance levels and patterns to maintain the functions of ecosystems with a more natural outcome. The EBM approach emulates natural disturbances by achieving the following goals:

- **Ensure** that some area of each forest stand that we have today is maintained on the landscape.
- **Maintain** variability across the landscape by following natural sizes and shapes to create disturbances like you would see following fires.
- **Leave** variable amounts of mature trees standing in the harvest areas as retention in big and small patches as well as single trees and clumps.
- **Protect** special, unique, high-value features when they are found, such as bear dens, wolverine dens, and birds of prey nesting sites, to name a few.

As part of our EBM method at Mercer Peace River, blocks are planned and harvested in line with existing stand boundaries to provide a wide range of

opening sizes and shapes for a more natural mix of openings on the landscape. In addition, the companies operating on the blocks also leave a portion of live, good-quality trees unharvested. This “retention” is left as an additive measure to reflect what occurs in natural disturbances.

The combination of variable retention together with harvests that follow natural disturbance patterns is believed to have numerous benefits for wildlife, travel corridors, biodiversity and aesthetics, to name just a few. To test these forest practices, Mercer, the government of Alberta and a wide range of other participating companies and research agencies worked together to establish a research program called EMEND.

EMEND — A New Approach

EMEND (Ecosystem Management Emulating Natural Disturbance) is perhaps one of Mercer’s most extensive initiatives. In partnership with the University of Alberta and the government of Alberta, we have joined with other forest companies to research and harvest blocks of boreal forest in

a new way for nearly three decades to show how science and progressive thinking will sustain the resource for generations to come.

We try to emulate natural disturbances in EMEND’s experimental harvest areas when deciding which trees to harvest.



Decades ago, the industry would clear-cut sections, leaving a patchwork of denuded squares alongside the healthy forest. Now, we leave behind varied shapes and sizes of living tree blocks, mirroring how a fire might affect the forest.

Crucially, research shows that water quality, soil integrity and wildlife activity in these carefully harvested stands are far healthier than following the old clear-cut method. We document projects like EMEND and our broader intentions to

harvest the bigger forest management area in formalized 1-, 5-, 10- and 20-year plans. We then share our documentation with a local public advisory council for feedback.

PRINCIPLES FOR SUSTAINABLE FOREST MANAGEMENT

In Canada, Mercer forest management planning aligns with the Canadian Sustainable Forest Management principles. Those principles guide how we manage the forest.

A secure and sustainable supply of wood to Mercers mills requires the development of long-term strategic plans that work together to balance the social, environmental and economic needs of the forest's stakeholders and Indigenous rightsholders.

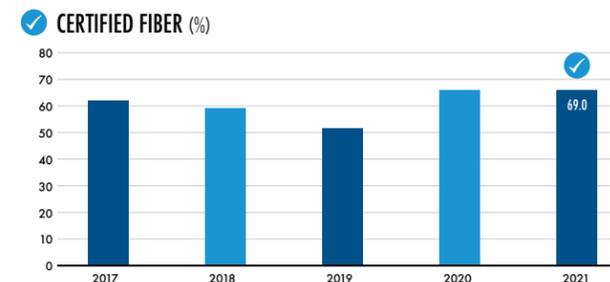


PROTECTION OF BIODIVERSITY

We have 29 indicators related to biodiversity, each with targets that are identified and used in developing our forest management plans. We monitor all of these indicators for performance. They cover biodiversity at four scales: landscape, local/stand, species and genetic. These indicators also align with and are supported by our ecosystem-based management approach.

While the landscape and local scale indicators provide us with a "coarse filter approach" for maintaining biodiversity, we also have species-specific indicators for the protection of habitat features for those species identified as requiring additional strategies and considerations. For example, we have indicators for species like caribou, grizzly bear, moose and the American marten and protections for habitats like uncommon plant communities, raptor nests, grizzly bear dens and so on.

Mercer Peace River has worked with stakeholders for many years to better understand species at risk in the boreal forest. As a result, we invested over \$2 million CAD and have dedicated internal resources to support the completion of a scientifically based framework to evaluate caribou and their habitat. This includes tools for developing management strategies that ensure a healthy, self-sustaining woodland caribou population while also assessing impacts on other species and an array of other indicators.



KPIs:

Sustainable Forest Management and Certification

★ SIGNIFICANCE:

Sustainably managed forests are a critical resource. Forests and wood-based products play a unique role in supporting nature-based climate mitigation. Sustainable working forests support the economic well-being of Indigenous and other local communities in our Canadian operations. Sustainable management also protects biodiversity and ensures that forests can continue maintaining ecosystem services. Further, best practices in forest management protect the water quality of rivers, streams, lakes and wetlands.

Forest certification and its verification process support sustainable supply chains that are valued in the marketplace. Chain of custody certification is a voluntary process that demonstrates that forest resources are procured according to strict adherence to sustainable forest management practices and environmental management. These standards require comprehensive risk assessments regarding the region, origin and species. In addition, in the markets where we operate, we are actively engaged in promoting the benefits of forest certification.

📍 PROGRESS AND TARGETS:

- Mercer has established an aspirational forest certification sourcing goal of 80 percent by 2030 for our global operations.
- We achieved 69 percent in 2021 and are working with our suppliers in Europe, Canada and the U.S. to increase certified fiber.

🏠 THE MERCER WAY:

Mercer is responsible for sustainably operating on 7.6 million hectares of Crown forests in Alberta and is responsible for directly managing 2.7 million hectares. Ensuring sustainable sourcing of fiber and wood at all our global operations is a priority. Mercer's Wood and Fiber Procurement Policy supports third-party forest certification and due diligence processes to ensure our wood comes from sustainably managed forests. Our wood comes from third-party-verified and -certified chain of custody systems to try to achieve 100 percent wood traceability. We conform to Programme for the Endorsement of Forest Certification (PEFC™) Chain of Custody and Forest Stewardship Council (FSC®) Chain of Custody Standards. In addition, Mercer has developed science-based indicators to ensure we can measure biodiversity in our company-managed forests and adopt practical measures to protect ecosystem services.



Mercer Goal 5:

SUSTAINABLE FOREST MANAGEMENT

	2021	2022	PROGRESS TO DATE / 2030 VISION
CERTIFICATION	Enhance sustainable forest management and wood sourcing	Increase percentage of certified wood to 70% & implement a multi-site forest certification for North American operations	69% certified fiber in 2021 — an increase of 3% over 2020. 2030 goal to increase certified sourcing to 80%
EFFICIENCIES	Implement full-forest-use strategy through educating and partnering with regional stakeholders	Complete construction and start-up of new Celgar and Peace River woodrooms	New Celgar and Peace River woodrooms approved with a total capital expenditure of \$84 million CAD
INDIGENOUS PARTNERSHIPS	Expand Indigenous partnerships in Alberta forest management operations	Develop a partnership with Kee Tas Kee Now Tribal Council	Strengthen relationship and fiber sourcing with Indigenous partners in Alberta forest lands



8 Enhance Stakeholder and Indigenous Engagement

To be truly sustainable, we need to be deeply invested in the betterment of our community through supportive relationships built on mutual support. We are proud to be a part of the growth of each community where we operate.

Engagement of Local Communities



There has been a pulp mill in Rosenthal am Rennsteig, set among the rolling, picturesque hills of East-central Germany, since the late 1800s. Operate that long, in a mill as big and complex as our Mercer Rosenthal facility, and you get to know the locals.

So it's no wonder that as much as he focuses on Mercer Rosenthal's bleached kraft pulp production, Leonhard Nossol has happily devoted much of his workday for nearly two decades to engaging with the neighboring community. "Without the support of this community, our mill would not have our social license to operate," says Leonhard, Mercer Rosenthal's Managing Director. "You need to look at the community and ask: What concerns them? What might they lose sleep over? And that directs what you do, in ways big and small."

Good Neighbors

A major step, he says, will come when Mercer Rosenthal replaces the giant metal shed that houses logs bound for the chipper. When massive logs meet that metal cladding, sharp sounds reverberate through the countryside. It's essentially an enormous steel drum.

The fix is expensive, and the monetary return on this capital investment is, to put it graciously, immaterial. But, as Leonhard says, it is the neighborly thing to do. "It sounds so simple, but at Mercer Rosenthal, we decided some years ago that a priority was to reduce dust, noise and smell. If you can do those three things well, with honesty and open communication, you have an opportunity for a good relationship."

Dust mitigation comes from a wetting system for the enormous piles of wood chips upward of 25 meters tall that bloom around the mill. Reducing the smell means continuously improving how we abate odorous gases before they escape into the country air. "We work to address the feedback we get from our neighbors. It makes us a better mill."

The community expresses respect and polite curiosity. Rosenthal's biannual open house has attracted up to 7,000 visitors, and we believe we are seen as a top employer in the region with a

demonstrated commitment to lifelong learning. Though our philanthropy is quiet and not widely recognized, the region's leaders know what we contribute.

"I am most familiar with what we do at Mercer Rosenthal, of course," says Leonhard. "But I know that what our operations all have in common is the desire to engage with our neighbors to try to better the places we call home."

Communities in Times of Crisis

Since the onset of the COVID-19 outbreak in 2020, we have continued our commitment to responding to the community needs of our people — to provide support to schools, medical and relief agencies, and people impacted by this challenging situation. While the pandemic's devastating effects continued, other challenges emerged. For example, in British Columbia over 8,700 square kilometers of fires during the 2021 wildfire season resulted in a declared provincial state of emergency.

Floods in July throughout the regions of Nordrhein-Westfalen and Rheinland-Pfalz in Western Germany caused great concern among Mercer Stendal and Mercer Holz employees. A fundraising campaign was launched with empathy and solidarity between the two companies. In just one month, €10,000 was collected.

Mercer Timber Products and Mercer Holz, in cooperation with the joint venture wood2M GmbH, also contributed to the flood relief by purchasing 14 professional construction dryers worth €15,000. These were made available to affected residents, with the support of various companies, and used to dry the interiors of flooded houses.

Such efforts add to ongoing outreach programs. In Castlegar, for instance, Mercer Celgar's community outreach often focuses on the city's road safety and pedestrian visibility in winter. At Mercer Peace River, we developed a region-wide reading program for children in Northern Alberta, understanding that reading is the foundation for all learning.

Committees and Associations

Our German and Canadian operations hold memberships and foster relationships with a wide variety of associations advocating for the sustainable management of pulp and paper, raw wood, timber and sawmills, forest products, energy and trades. You'll find a list of these associations on pages 86 and 87.

Indigenous Engagement

Acknowledgment

Where Mercer subsidiaries conduct operations within the traditional territories of Indigenous peoples, we commit to establishing and growing positive and respectful working relationships with them.

We recognize their knowledge, perspectives, cultures and traditional practices are vital to our understanding of sustainable management of the environment; therefore, we will continue to collaborate with communities to build a lasting legacy upon our shared values of trust and respect.

We consider it our responsibility to learn, reflect and grow in ways that respect the Truth and Reconciliation Commission's Calls to Action. Please visit our website to see our efforts, and for further information regarding Mercer's Western Canada Indigenous relations.

Consultation and Values

At Mercer, we acknowledge that our ability to produce pulp sustainably requires respectful and meaningful engagement and consultation with Indigenous communities. We are

committed to deeply understanding Indigenous values, interests, concerns and development priorities.

Traditional Land-Use Projects

Mercer Peace River's Traditional Land Use (TLU) project is a highly valued collaborative effort that supports consultation and allows for an even better understanding of the landbase. Mercer Peace River has partnered with a number of Indigenous communities to digitally map landmarks, sites, values and high-use areas in each community.

Two decades ago, Tina Horseman's grandfather would take his family out on the land of Horse Lake First Nation to see cultural landmarks. Today, through the innovative partnership with Mercer Peace River, Tina is recording those same landmarks — and more — for the TLU project, boosting everyone's understanding of the significance the land holds.

The project, with funding support from the Forest Resource Improvement Association of Alberta, provides for a community-led collection of historical and contemporary land-use knowledge



KPIs:

Stakeholder and Indigenous Engagement

★ SIGNIFICANCE:

Stakeholder and Indigenous engagement is essential to maintaining our social license to operate and helping define our success. This engagement improves our understanding of key risks, challenges and opportunities in the forests, communities and markets. Predictable competitive access to natural resources comes through responsible business practices and collaborative relationships with stakeholders and Indigenous rightsholders.

🕒 PROGRESS AND TARGETS:

Our goal is to increase our understanding of stakeholders' expectations of Mercer and our supply chain partners to ensure we incorporate these needs in our decision-making processes.

Ⓜ THE MERCER WAY:

Understanding the needs and expectations of our stakeholders and rightsholders plays a crucial role in defining the success of our company. Mercer conducts regular materiality assessments that require an active dialogue with our stakeholders. Openness and proactive engagement ensure that stakeholder input informs our strategy development. Each operation is responsible for coordinating regular dialogue with the local communities. In addition, our businesses engage in continuous dialogue with our customers and business partners to ensure we understand their requirements.

We have always worked with the land to provide for our families and to ensure that there is more than enough for the future. WCFN keeps those values and has adapted; we use our environment in a new way to provide what we need, create positive change and build for future generations. I am proud of the future my Nation is building.

— Chief Isaac Laboucan-Avirom, Woodland Cree First Nation



that is loaded into the spatial viewer. This secure, web-based platform is offered free of charge to each Indigenous community, along with ongoing training and support. The spatial viewer allows Mercer to share plans, operations history, imagery, and other important landscape information with the communities. This approach provides more time and knowledge to develop mutually favorable strategies and mitigations.

Communities like Tina's use the new online spatial mapping resources to complement their consultation discussions, community engagements and traditional storytelling about the land. Tina herself has entered more than 1,000 landmarks into the online map. She senses her grandfather's presence in every new point of data. "I feel like he's there, helping us all along the way," she says. "When he passed, he left this for us to keep going. And it's still going today."

CCAB and PAR Certification

We participate in the Progressive Aboriginal Relations (PAR) program of the Canadian Council for Aboriginal Business (CCAB). The program provides

certification that validates companies that are reliable business partners, provide employment opportunities and are committed to the prosperity of Indigenous communities. The certification is based on an independent review of the company's reports and is granted by a jury of Indigenous business professionals.

Peace River Logging — Indigenous Partnership

In 2004, the Woodland Cree First Nation (WCFN) joined Mercer Peace River to provide safe, efficient, low-maintenance harvesting and chipping operations through a fifty-fifty joint-venture partnership named Peace River Logging Limited Partnership. This successful partnership includes harvesting, chipping, loading, hauling, road maintenance and construction, and pulp mill landfill and yard maintenance operations throughout Northwestern Alberta, employing approximately 60 local people.





FOCUSING ON CUSTOMER NEEDS

Pulp is often referred to as a commodity, but at Mercer, we believe there is more to it than that. We're proud of our pulp's consistent, high-quality properties, but we need to strive for innovation and value-added service to ensure we're a supplier of choice for our customers.

We want to be the preferred supplier worldwide. We aim to create long-lasting and trusted partnerships with our customers for our mutual benefit. We engage in value-based conversations to develop, advance, grow, diversify, manage and strengthen our business with high ethical standards. Our stakeholder relationships have contributed to Mercer's successful operations of our large-scale, modern mills with integrated strategies, modern technology and proficient use of our resources along the entire value chain. Our industry-leading performance is about long-term success: we aim to be a preferred provider of renewable bio-based products produced sustainably by our global teams in a safe, efficient environment. We remain committed to supporting a healthy and sustainable environment as one of the world's largest producers of market pulp and a growing leader in the solid wood and bioproducts space. For that purpose, we have created a technical service with two main objectives:

- **Consult** our customers on how to use our product best to understand the product's value fully.
- **Develop** tailor-made pulp qualities to improve our customers' performance.

The Mercer Fiber Centre

Every paper machine is different, and every customer uses a different pulp furnish. Therefore, refining plays a key role in papermaking and is an essential link between pulp and paper – and between Mercer and our customers.

The Mercer Fiber Centre in Germany is dedicated to studying the refining process and conducting fiber property studies. It is equipped for pulp and paper testing and other analytical capabilities. We support our customers in fully realizing the potential of fibers so they can optimize the usage of this raw material. In addition, we develop solutions to reduce energy consumption in papermaking and assess the suitability of alternative fiber sources. A key focus of the Fiber Centre is strategic collaborations with customers, external partners, research institutes and universities, as well as developing talent.



Mercer Goal 6:

ENHANCE RIGHTSHOLDER AND STAKEHOLDER ENGAGEMENT

	2021	2022	PROGRESS TO DATE / 2030 VISION
STAKEHOLDER ENGAGEMENT	Improve local stakeholder engagement	Support initiatives that matter to local communities: education, health and safety, arts and culture, and more.	Many supportive initiatives put on hold to respect COVID-19 mandates ensuring health and safety, but efforts continue to extend support as appropriate
ENVIRONMENTAL, SOCIAL, AND GOVERNANCE	Make ESG information more available to investors & increase understanding of stakeholder priorities	Publish Sustainability Report 2021 and enhance material information on mercerint.com . Share updated materiality assessment	Enhanced Mercer website and financial disclosure to improve alignment with GRI, SASB, and TCFD frameworks. 2030 goal to ensure Mercer meets stakeholders' needs for increased ESG transparency and disclosure
SUPPLY CHAIN	Strengthen sustainability of supply chain	Share Wood & Fiber Procurement Policy and Sustainable Procurement Policy with key suppliers & conduct supply chain audits to ensure compliance. Train procurement team on supply chain auditing process	Developed supplier audit process in 2021. 2030 goal to ensure supply chain's sustainability & partner with customers and suppliers to minimize environmental footprint and support UN development goals
INDIGENOUS PARTNERSHIPS	Increase Indigenous partnerships for Alberta forest management operations	Complete phase 2 of Progressive Aboriginal Relations (PAR) report. All Mercer Peace River staff to receive Indigenous awareness training virtually. Consulted on Detailed Forest Management Plan with all communities. Traditional Land Use program ongoing to support consultation objectives; Phase 2 proposal in development	Phase 1 of PAR report approved by Canadian Council for Aboriginal Business verifier. Mercer leadership received Indigenous awareness training. Mercer supported the first Canadian Federal National Indigenous People's Reconciliation Day by providing a day off for all Canadian teams to recognize and support Canada's First Peoples



9 Governance and More

Strong leadership and a culture of accountability to our values are foundational at Mercer. In collaboration with Mercer's board of directors, our senior management team competently and ethically manages Mercer's operations for the long-term benefit of our shareholders and stakeholders.



David Gandossi



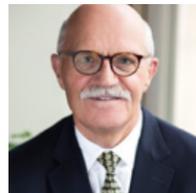
Alice Laberge



Jimmy Lee



William McCartney



Keith Purchase



Rainer Rettig



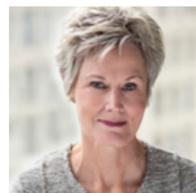
Alan Wallace



Janine North



James Sheperd



Linda Welty

Board of Directors

Board Management

Board members are elected annually. The board's fundamental responsibility is to promote the best interests of the company and shareholders by overseeing the management of the company's business and affairs.

Risk Management

As part of its oversight of the management of the company's business and affairs, the board oversees risk management. 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.

Our board has four standing committees to assist it in carrying out duties and responsibilities:

- **Audit Committee** oversees the accounting and financial reporting processes of Mercer and the external audit processes.
- **Compensation and Human Resources Committee** oversees appropriate compensation practices, develops and implements management-development plans and succession-planning practices, and

fosters sufficient management depth to support continued growth and the talent needed to execute long-term strategies.

- **Environmental, Health and Safety Committee** reviews policies and processes implemented by management and the resulting impact and assessments of all activities related to the company's health and safety, and the environment and climate change.
- **Governance and Nominating Committee** provides leadership concerning corporate governance, advising and making recommendations to the board regarding candidates for election as directors of the company, and any other matters required by applicable securities laws.

Board Composition

The 2021 board of directors consists of 10 members and welcomed two new directors: Janine North and Alice Laberge.

ISSUE REPORTING

We believe that Mercer's viability and integrity depend on the protection of our critical assets, including our people, physical assets and our information. We also believe that our communication, internal controls and processes must adapt to the changing needs and objectives of the company, as well as to the changing marketplace. We appreciate your support and cooperation in keeping Mercer an ethical company from top to bottom.

Ethicspoint is a comprehensive and anonymous Internet- and telephone-based reporting tool that assists management and employees to work together to address fraud, abuse, misconduct and other violations in the workplace while helping to cultivate a positive work environment. Ethicspoint supports our Comprehensive Mercer Whistleblower Policy.

Employees and other stakeholders are encouraged to report suspected cases of misconduct or unethical behavior. All potential noncompliance cases involving a Mercer employee or a contracted third party are investigated by an independent internal team. Cases are reported to the board of directors' Audit Committee. Proven cases of noncompliance may lead to disciplinary or legal action. Reporting is done via any of the Mercer grievance channels, by personal contact, e-mail, letter, phone or anonymously via the Ethicspoint tool.

CYBERSECURITY

Throughout 2021, Mercer's continuous improvement program was evolving its cybersecurity program in response to the threat landscape, reviewing and improving processes related to IT operations and optimizing operational performance.

As authorized by the IT Oversight Committee through Mercer's Chief Financial Officer, Mercer's Director of IT Infrastructure and Cybersecurity provides suitable information security controls for information technology and operating technology. Actions include, but are not limited to, maintaining confidentiality, integrity and availability, and meeting contractual, regulatory and statutory obligations to ensure the limitation of loss or damage to Mercer as a result of unplanned or unanticipated negative impact on its information assets and to ensure that the information systems of Mercer are protected from internal and external threats.

For information and a discussion of, among other things, our approach to governance, our board of directors, their role and responsibilities, the names, backgrounds and experience of our directors, board renewal and director nomination, our approach to risk assessment and management, our board committees and their responsibilities, and our approach to executive compensation, see our annual proxy statement on Schedule 14A dated April 12, 2022. For our annual shareholders' meeting scheduled on May 31, 2022, a copy is available on our corporate website at www.mercerint.com and on the United States Securities and Exchange Commission's Electronic Data Gathering, Analysis and Retrieval system at www.sec.gov/edgar/browse/?CIK=0001333274.

Industry Associations

We at Mercer know that no single company can solve the global challenges facing us today. To create and implement strategic and sustainable, forest-based climate solutions, all of us — employees, customers, investors, suppliers, local and Indigenous communities, governments and non-governmental organizations, media, regulators and more — must speak with one unified, global voice. Through its memberships, Mercer is grateful to join the efforts of industry associations, sustainability associations and forest management certifiers around the world.

Germany

 **DIE PAPIERINDUSTRIE GERMAN PAPER ASSOCIATION**
DIE PAPIERINDUSTRIE e.V. is the central association of the German pulp and paper industry, with 105 enterprises representing 90 percent of the sector's production and turnover.

ZELLCHEMING
ZELLCHEMING This independent, technical platform for the pulp and paper industry covers the entire value chain, connecting research, science and industry.

 **EUROPEAN PULP INDUSTRY SECTOR**
EPIS is a non-profit association of market pulp producers, promoting awareness of renewable and sustainable cellulose products. Member companies represent 90 percent of the European market pulp volume and more than 50 percent of the global market pulp capacity.

ASSOCIATION OF THE INDUSTRIAL ENERGY AND POWER INDUSTRY
With about 300 member companies from trade and industry, Verband der Industriellen Energie- & Kraftwirtschaft accounts for about 80 percent of industrial energy consumption and about 90 percent of industrial production in Germany.

 **MAIN ASSOCIATION OF THE GERMAN WOOD AND PLASTICS PROCESSING INDUSTRIES AND RELATED INDUSTRIES AND BUSINESSES**
The Hauptverband der Deutschen Holzindustrie und Kunststoffe verarbeitenden Industrie und verwandter Industrie- und Wirtschaftszweige e.V. represents 9 regional and 12 trade associations in the German wood and plastics processing industry.

 **GERMAN SAWMILL AND WOOD INDUSTRY ASSOCIATION**
The Deutsche Säge- und Holzindustrie Bundesverband e.V. represents the interests of the German sawmill and wood industry nationally, regionally, and internationally. The federation represents 370 member enterprises in economic and industry-policy affairs.

 **CONSORTIUM RAW WOOD**
Arbeitsgemeinschaft Rohholz e.V. is an association of raw fiber companies and associations in Germany and adjacent countries, representing the interests of the woodworking and processing industries.

GERMAN TIMBER INDUSTRY COUNCIL
The Deutscher Holzwirtschaftsrat represents the interests of more than 70,000 companies that generate a turnover of around €120 billion with approximately 650,000 employees. It covers the entire wood value chain.

PLATFORM FORESTRY & WOOD
Plattform Forst und Holz promotes sustainable and multifunctional forestry and the increased use of wood in Germany in order to enhance the competitiveness of forestry and timber companies.

Europe & Australia

CONFEDERATION OF EUROPEAN PAPER INDUSTRIES
CEPI, based in Brussels, promotes the paper and pulp industry in the European Union. CEPI's activities cover forest-related issues, energy and environmental regulation, and general issues relating to competitiveness.

 **EUROPEAN FEDERATION OF ESSENTIAL OILS**
The EFEO represents the interests of companies that produce and trade essential oils in the European Union.

 **INTERNATIONAL FEDERATION OF ESSENTIAL OILS AND AROMA TRADES**
IFEAT was established to advance, promote, watch over and protect the rights and interests of the essential oils and aroma trades industry. It represents the interests of companies involved in the production, processing, trading and manufacturing of the many thousands of ingredients used in flavors, fragrances and aromatherapy. Santanol is a proud member of IFEAT.

 **ESSENTIAL OIL PRODUCERS ASSOCIATION OF AUSTRALIA**
EOPAA brings together all parties involved in producing, trading and researching essential oils in Australia.

Canada

 **FOREST PRODUCTS ASSOCIATION OF CANADA**
FPAC promotes the forest industry's competitiveness both in Canada and abroad. FPAC's activities include international trade, environmental regulation, forest-related issues and general issues relating to competitiveness.

 **B.C. COUNCIL OF FOREST INDUSTRIES**
COFI is the voice of the B.C. forest industry. Its members produce lumber, pulp and paper, panels and engineered wood products at facilities across the province.

 **ALBERTA FOREST PRODUCTS ASSOCIATION**
This non-profit represents companies manufacturing lumber, panelboard, pulp and paper, and secondary wood products in Alberta. It works with the industry to foster a greater understanding of Alberta forests' economic, environmental, and social values.

Sustainability Associations

 **CANADIAN COUNCIL FOR ABORIGINAL BUSINESS**
CCAB builds bridges between Aboriginal and non-Aboriginal peoples, businesses and communities through diverse programming, providing tools, training, network building, major business awards and national events.

 **BUSINESS FOR SOCIAL RESPONSIBILITY**
BSR works with more than 250 member companies and other partners to build a just and sustainable world. From its offices in Asia, Europe, and North America, it develops sustainable business strategies and solutions.

Forest Certifications

 **SUSTAINABLE FORESTRY INITIATIVE**
SFI works with the forest sector, brand owners, conservation groups, landowners, local communities, Indigenous peoples, governments and universities. Over 145 million hectares of forestland are certified to the SFI Forest Management standard.

 **FOREST STEWARDSHIP COUNCIL®**
FSC® is an open, independent, membership-led non-profit that sets standards under which forests and companies are certified. License codes: MPR: FSC®-C016399 | MC: FSC®-C020264 | Mercer Germany: FSC®-C019862

PROGRAMME FOR THE ENDORSEMENT OF FOREST CERTIFICATION™
PEFC™ is the world's leading international forest certification system. About 10 percent of the world's forests are certified, of which two-thirds (about 245 million hectares) are PEFC™-certified in dozens of countries. License codes: MPR: PEFC™/29-31-274 | MC: PEFC™/26-31-139 | Mercer Germany: PEFC™/04-31-0411

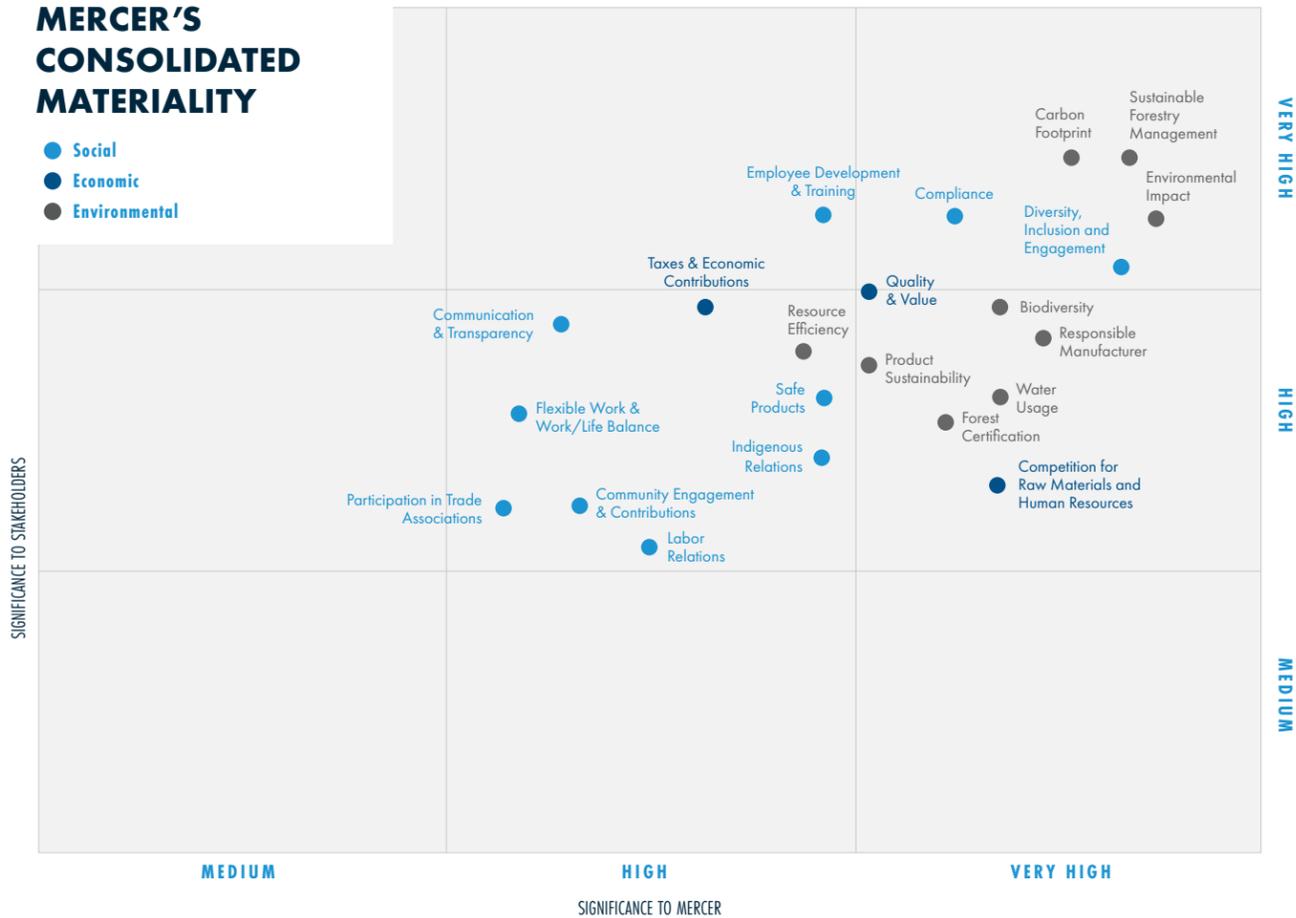
MERCER'S MATERIALITY ASSESSMENT 2021

A cross-functional team from Mercer's leadership conducted an extensive materiality review to identify the key stakeholders and to identify and prioritize sustainability topics in 2021. The analysis is carried out annually. Information sources representing stakeholder views were analyzed to assess the materiality of these sustainability topics. These sources included investor discussions, employee engagement surveys, customer interviews,

government and regulators dialogue, and local community engagement. The different information sources were analyzed for their content and to identify which sustainability topics are most significant in terms of materiality or stated importance. The analyses of these material economic, environmental and social responsibility topics identified in Mercer's analysis are presented in the graph below.

MERCER'S CONSOLIDATED MATERIALITY

- Social
- Economic
- Environmental



10
Indexes



GRI Disclosure Index

Mercer follows the Global Reporting Initiative (GRI) Sustainability Reporting Standards in its corporate sustainability reporting. The reporting has been prepared in alignment with the GRI Standards. Our GRI index document provides the location of the disclosures of material topics and general disclosures that are addressed in the Sustainability Report, our financial reports and on Mercer's website. This document is available on the Mercer webpage mercerint.com/investors. Specific material Key Performance Indicators in the Sustainability Report have been assured by an independent third party, Ernst & Young LLP (EY) (see the Independent Accountants' Assurance Report) on page 95 of this report.

SASB Disclosure Index

Mercer's report against the SASB's Sustainability Accounting Standards includes the full standards for Pulp and Paper Products. In this Mercer SASB Disclosure Index, the specific standard indicators are listed with references to the locations of these disclosures.

SASB STANDARD		CONTENT INDICATOR	MERCER 2021 RESPONSE
Pulp and Paper Products			
Topic	Code	SASB Metric	Mercer Sustainability Report 2021 Reference
Greenhouse Gas Emissions	RR-PP-110a.1	Gross global Scope 1 emissions, percentage covered under emissions-limiting regulations	Section 4 . Mitigate Climate Change for both gross and intensity based GHG emission performance. In 2021, 100% of our Scope 1 emissions in both Germany and Canada are covered by the European Union Emissions Trading Scheme (EU ETS) or the Environment and Climate Change Canada Greenhouse Gas Reporting Program
	RR-PP-110a.2	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets and an analysis of performance against those targets	Section 4 . Mitigate Climate Change (New ambitious science-based target)
Air Quality	RR-PP-120a.1	NO _x (excluding N ₂ O)	Section 3 . Continuous Improvement in Environmental Performance
		SO ₂ (SO _x)	Section 3 . Continuous Improvement in Environmental Performance
		Volatile organic compounds (VOCs)	Not material
		Particulate matter (PM)	Section 3 . Continuous Improvement in Environmental Performance

SASB STANDARD		CONTENT INDICATOR	MERCER 2021 RESPONSE
Pulp and Paper Products			
Topic	Code	SASB Metric	Mercer Sustainability Report 2021 Reference
Energy Management	RR-PP-130a.1	Total energy	Section 5 . Continuous Improvement in Resource Efficiency
		Percentage grid electricity	Section 5 . Continuous Improvement in Resource Efficiency. Mercer's grid electricity increased significantly due to extended outage on the mill's steam turbine generator at Rosenthal
		Percentage from biomass	Mercer's percentage of energy from biomass is 86%
		Percentage from other renewable energy	Mercer produces biochemicals (turpentine, tall oil and methanol) that are sold or used internally as a renewable energy source.
Water Management	RR-PP-140a.1	Total water withdrawn	Section 5 . Continuous Improvement in Resource Efficiency and includes water withdrawal and effluent discharge intensity
		Total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	Section 5 . Continuous Improvement in Resource Efficiency. Water is not sourced from regions with High or Extremely High Baseline Water Stress
	RR-PP-140a.2	Description of water management risks and discussion of strategies and practices to mitigate those risks	Section 5 . Continuous Improvement in Resource Efficiency
Supply Chain Management	RR-PP-430a.1	Percentage of wood fiber sourced from (1) third-party certified forestlands and percentage to each standard and (2) meeting other fiber sourcing standards and percentage to each standard	69% of fiber is sourced from certified forests (SFI, PEFC and FSC)
	RR-PP-430a.2	Amount of recycled and recovered fiber procured	Not applicable as Mercer produces only virgin pulp
SASB Activity Metric			
Pulp Production	RR-PP-000.A	Annual pulp production in Air Dried Metric Tonnes (ADMT)	2020 — 2,051,000 ADMT, of which 149,539 ADMT is from the 50% share of Cariboo Pulp 2021 — 1,863,893 ADMT, of which 147,034 ADMT is from the 50% share of Cariboo Pulp
Total Wood Fiber Sourced	RR-PP-000.C	Annual wood fiber sourced in tonnes	Mercer sourced 8,525,831 tonnes of wood for the four pulp mills of which 657,456 m ³ was hardwood for our Mercer Peace River operation In addition, Mercer sourced 1.2 million tonnes of wood for our Friesau sawmill

TCFD Disclosure Index

Mercer's report against the Taskforce for Climate-Related Financial Disclosure incorporates the Task Force's recommendations on climate-related financial disclosures and is structured around four thematic areas that represent core elements of how Mercer manages climate change through governance, strategy, risk management, and metrics and targets. The 11 indicators are listed with references to the location of these disclosures.

Topic	TCFD Recommendations	Mercer's 2021 Response	Reference
Governance	a. Describe the Board's oversight of climate-related risks and opportunities.	Our Board's Environmental, Health and Safety Committee reviews on behalf of the Board the policies and processes implemented by management, and the resulting impact and assessments of all climate-related change activities of the Company. Our Board's Audit Committee periodically reviews and discusses with management the Company's major risk exposures including climate-related change, the steps the Company has taken to assess and manage, and regularly report to the Board the substance of such reviews and discussions. In 2021, the full Board devoted significant attention to climate-related change matters, target setting and our decarbonization strategy.	Corporate Governance Guidelines (Mercer website)
	b. Describe management's role in assessing and managing climate-related risks and opportunities.	Mercer has an internal Decarbonization Pathway working group comprising subject matter experts who are responsible for developing, implementing and reporting to the Board on climate-change mitigation initiatives including risks and opportunities. Climate-related risks are also discussed and reviewed as part of our quarterly Enterprise Risk Management assessment that is overseen by our Audit Committee. This process assesses the potential size, scope, likelihood and impacts of climate change.	
Strategy	a. Describe the climate-related risks and opportunities the organization has identified over the short, medium and long-term.	Climate change is the greatest threat facing the environment, society, and the global economy. Rising temperatures impact biodiversity, threaten our communities, and bring increased risk to our business and the global economy. The world is transitioning away from a dependence on fossil-fuel-based products towards the incorporation of the infinite possibilities offered by bio-based products that Mercer produces. Mercer believes that long-term, sustainable wood resources will have an important role to play in this evolution.	Page 23–25 Mercer's 2021 10-K report Sustainability Report Section 4
	b. Describe the impacts of climate-related risks and opportunities on the organization's business, strategy and financial planning.	One of the most significant risks posed by climate-related change is that the focus on renewable energy has created greater demand and competition for wood residuals or fiber from renewable energy producers like the pellet industry in Germany. In 2021, increasing energy prices and a stronger economy increased the demand for wood chips resulting from initiatives by European governments to promote the use of wood as a carbon neutral energy. Such additional demand for wood residuals may increase the competition and prices for wood residuals used by our mills over time.	

Topic	TCFD Recommendations	Mercer's 2021 Response	Reference
Strategy		<p>In response to climate change risks, there have been governmental initiatives and legislation. Such governmental action or legislation can have an important effect on the demand and prices for fiber. As governments pursue green energy initiatives, they risk creating incentives and demand for wood residuals from renewable energy producers that adversely affects traditional users, such as lumber and pulp and paper producers. We are continually engaged in dialogue with governments to educate and try to ensure potential initiatives recognize the traditional and continuing role of our mills in the overall usage of forestry resources and the economies of local communities.</p> <p>We are constantly exploring initiatives to enhance our generation and sales of surplus green energy and chemical by-products. Other potential opportunities that may result from climate change include:</p> <ul style="list-style-type: none"> • the expansion of softwood forests and increased growth rates for such forests; • more intensive forestry practices and timber salvaging versus harvesting standing timber; • greater demand for sustainable energy and biofuels; • additional governmental incentives or requirements to enhance biomass energy production; and • additional social or investor focus on demand for biomass or green energy or sustainability initiatives. <p>There has been a significant push and focus on climate change and carbon reduction by private institutions including, among others, institutional investors, ratings agencies, shareholders, communities, other stakeholders and the public generally. This has resulted in, among other things, a significant amount of capital being provided for "green" or carbon neutral initiatives, on favorable terms.</p> <p>Sustainable working forests have a key role to play in combatting climate change by continually sequestering atmospheric carbon dioxide through photosynthesis, thereby providing a nature-based climate change solution. Growing trees in sustainably managed forests absorb carbon dioxide (CO₂) from the atmosphere and, together with wood-based products, act as carbon storage. As such, current climate change dynamics could translate to unique opportunities for forest products as we increasingly move towards a low-carbon economy. Our products help customers and society reduce CO₂ emissions by providing low-carbon alternatives to solutions based on fossil fuels and other non-renewable materials.</p>	Sustainability Report Section 4

TCFD DISCLOSURE INDEX CONT'D

Topic	TCFD Recommendations	Mercer's 2021 Response	Reference
Strategy	c. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2° C or lower scenario.	In September 2020, we collaborated with Business for Social Responsibility (BSR) to develop a series of climate change scenarios for 2050, integrating key trends such as global climate politics, the impact on wood supply, and the social license to operate. With this multidimensional perspective, Mercer conducted scenario analysis for three scenarios (1.5°C, 3°C, and 4°C) to evaluate the physical and transition risks of climate change and to test the resilience of our business strategy.	Pages 28–29 Mercer's 2021 10-K report Sustainability Report Section 4
Risk Management	a. Describe the organization's processes for identifying and assessing climate-related risks.	Mercer maintains an Enterprise Risk Management committee consisting of senior leaders, led by senior executives, and overseen by our Audit Committee. ESG-related risks, including those associated with climate change, are identified and assessed as part of our Enterprise Risk Management process. Risks are mapped into a matrix, which details the nature and severity, significant changes, controls, and other mitigating factors associated with each risk. During 2021, Mercer further integrated TCFD recommendations into the strategy and enterprise risk management processes.	Page 32 Mercer's 2021 10-K report
	b. Describe the organization's processes for managing climate-related risks.	We also identify, assess and manage climate-related risks through the work of our corporate development team, input from our Decarbonization Pathway Group members and collaboration with industry organizations and academic institutions.	
	c. Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organization's overall risk management.		
Metrics and Targets	a. Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risks management processes.	Our updated target is to reduce Scope 1 GHG emissions intensity (kg CO ₂ e/ADMT of pulp) and our Scope 2 and 3 absolute emissions (kg CO ₂ e) from operations by 35% by 2030 from the 2019 baseline year. The targets have been validated by the Science Based Targets initiative to align with a well below 2° as described by the 2015 Paris Agreement.	Sustainability Report Section 4
	b. Disclose Scope 1, Scope 2 and Scope 3 greenhouse gas (GHG) emissions, and the related risks.	Our GHG emissions are as follows: Scope 1: for 2021—231 kg CO ₂ e/ADMT Scope 2: for 2021—0.03 kg CO ₂ e/ADMT Scope 3: for 2021—1,626,166 kg CO ₂ e	
	c. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	The continuous improvement of Scope 1 GHG emissions in our operations will reduce our transition risk for carbon tax costs. Our data collection process for Scope 3 GHG emissions to support our Science Based Targets initiative provides opportunities to collaborate with our suppliers, customer and transportation providers. Our ambitious goal to reduce our water consumption by 10% by 2030 will increase resilience of our operations in low water level years.	

Independent Accountants' Review Report

To the Board of Mercer International Inc.

We have reviewed Mercer International Inc.'s ("Mercer") accompanying schedule of select sustainability indicators included in the Appendix (the "Subject Matter") for the reporting periods indicated and based on the criteria, also set forth in the Appendix (the "Criteria"). Mercer's management is responsible for the Subject Matter, based on the Criteria. Our responsibility is to express a conclusion on the Subject Matter based on our review.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA) AT-C section 105, *Concepts Common to All Attestation Engagements*, and AT-C section 210, *Review Engagements*. Those standards require that we plan and perform our review to obtain limited assurance about whether any material modifications should be made to the Subject Matter in order for it to be based on the Criteria. The procedures performed in a review vary in nature and timing from and are substantially less in extent than, an examination, the objective of which is to obtain reasonable assurance about whether the Subject Matter is based on the Criteria, in all material respects, in order to express an opinion. Accordingly, we do not express such an opinion. Because of the limited nature of the engagement, the level of assurance obtained in a review is substantially lower than the assurance that would have been obtained had an examination been performed. As such, a review does not provide assurance that we became aware of all significant matters that would be disclosed in an examination. We believe that the review evidence obtained is sufficient and appropriate to provide a reasonable basis for our conclusion.

We are required to be independent of Mercer and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review engagement. Additionally, we have complied with the other ethical requirements set forth in the Code of Professional Conduct and applied the Statements on Quality Control Standards established by the AICPA.

The procedures we performed were based on our professional judgment. Our review consisted principally of applying analytical procedures, making inquiries of persons responsible for the subject matter, obtaining an understanding of the data management systems and processes used to generate, aggregate and report the Subject Matter and performing such other procedures as we considered necessary in the circumstances.

Non-financial information, such as the Subject Matter, is subject to more inherent limitations than financial information, given the more qualitative characteristics of the Subject Matter and the methods used for determining such information. The absence of a significant body of established practice on which to draw allows for the selection of different but acceptable evaluation techniques which can result in materially different evaluation and can impact comparability between entities and over time.

The information included in Mercer's Sustainability Report 2021, other than the Subject Matter, has not been subjected to the procedures applied in our review and, accordingly, we express no conclusion on it.

Based on our review, we are not aware of any material modifications that should be made to the Subject Matter, for the reporting periods as indicated in the Appendix, in order for it to be based on the Criteria.

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants
Toronto, ON
June 30, 2022

APPENDIX

Key Performance Indicator (KPI)	Value	Units	Criteria*	Reporting Period	Scope
Water Withdrawal	62.0	m ³ /ADMT	GRI (2018) 303-3: Water Withdrawal	January 1, 2021 - December 31, 2021	Celgar, Peace River, Stendal, Rosenthal
Treated Effluent	37.8	m ³ /ADMT	GRI (2018) 303-4: Water Discharge	January 1, 2021 - December 31, 2021	
Effluent Emissions: AOX BOD COD TSS	0.06 0.28 11.39 1.09	kg/ADMT	GRI (2018) 303-4: Water Discharge	January 1, 2021 - December 31, 2021	
Air Emissions: SO ₂ NO _x Particulates	1.51 0.45 0.34	kg/ADMT	GRI (2016) 305-7: Nitrogen Oxides, Sulfur Oxides and Other Significant Air Emissions	January 1, 2021 - December 31, 2021	
Greenhouse Gas Emissions Scope 1	412,156	tonnes CO ₂ e	GRI (2016) 305-1a: Direct (Scope 1) GHG Emissions	January 1, 2020 - December 31, 2020	
Greenhouse Gas Emissions Scope 1 Intensity	217	kg CO ₂ e/ADMT	Disclosure 305-4: GHG Emissions Intensity	January 1, 2020 - December 31, 2020	
Greenhouse Gas Emissions Scope 2	48,276	tonnes CO ₂ e	GRI (2016) 305-2: Energy Indirect (Scope 2) GHG Emissions	January 1, 2021 - December 31, 2021	
Solid Waste (Wood Ash, Recast Waste, Lime Waste)	25.6	kg/ADMT	GRI (2020) 306-5: Waste Directed to Disposal	January 1, 2021 - December 31, 2021	
Total Recordable Injury Rate (TRIR)	3.83	# of recordable injuries per 200,000 work hours	GRI (2018) 403-9: Work-Related Injuries	January 1, 2021 - December 31, 2021	Company wide
Percentage of Women in the Workplace	17.5	%	GRI (2016) 405-1: Diversity of Governance Bodies and Employees	January 1, 2021 - December 31, 2021	
Percentage of Certified Sourced Wood Fiber	69	% certified wood	SASB - RR-PP-430a.1	January 1, 2021 - December 31, 2021	Stendal, Rosenthal, Friesau, Celgar, Peace River†
Total Pulp Production	1,901,461	ADMT	SASB - RR-PP-000.A	January 1, 2020 - December 31, 2020	Celgar, Peace River, Stendal, Rosenthal
	1,716,859			January 1, 2021 - December 31, 2021	

* Mercer has measured and reported each KPI with reference to the Global Reporting Initiative (GRI) Sustainability Reporting Standards as detailed in the GRI content index referred to within Mercer's Sustainability Report 2021. GRI referenced may include disclosure requirements for other KPIs that are not within the scope of this review engagement.

† Certification of wood for Peace River is from May 2020 to April 2021 as per Government of Alberta requirements.

 This symbol denotes limited assurance of KPI by EY.

Notice Regarding Forward-Looking Statements

This Sustainability Report includes forward-looking statements intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. All statements contained in this Sustainability Report other than statements of historical fact, including statements relating to trends in or expectations relating to the expected effects of our initiatives, strategies and plans, as well as trends in or expectations regarding our financial results and long-term growth model and drivers, and regarding our business strategy and plans and our objectives for future operations, including the purpose, ambitions, commitments, targets, plans and objectives, and results of our environmental initiatives and sustainability strategies and related goals, are forward-looking statements. The words can, believe, may, will, continue, anticipate, intend, expect, seek and similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and trends. All such forward-looking statements are subject to certain risks and uncertainties, including those set forth in the "Risk Factors" section of our Annual Report on Form 10-K and our other periodic reports filed with the Securities and Exchange Commission, including our quarterly reports on Form 10-Q. In light of these risks, uncertainties and assumptions, the future events and trends discussed in this Sustainability Report may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements. You should not rely upon forward-looking statements as predictions of future events. The forward-looking statements included in this Sustainability Report are made only as of the date of this Sustainability Report and we undertake no obligation to update the forward-looking statements to reflect subsequent events or circumstances, except as may be required by applicable law.

All photos courtesy of Mercer unless otherwise stated.

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