



# TCFD + TNFD DISCLOSURE INDEX



## STATEMENT OF USE

Mercer's report of the Taskforce for Climate-Related Financial Disclosures (TCFD) 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. We have also incorporated considerations of nature-related dependencies, impacts, risks and opportunities as part of our early progress towards reporting against latest beta framework from the Taskforce for Nature-Related Financial Disclosures (TNFD). Mercer recognizes the interconnection between climate and nature-related risks and opportunities and the importance of developing integrated strategies and disclosures that account for the impacts and dependencies related to both climate and nature change. In the following TCFD Disclosure Index below, the specific indicators are listed with references to the locations of these disclosures in Mercer's 2022 Sustainability Report and 10K.

## REFERENCES

[2022 MERCER INTERNATIONAL INC. SUSTAINABILITY REPORT](#)

[2022 MERCER INTERNATIONAL INC. 10K REPORT](#)

[MERCER INTERNATIONAL CORPORATE GOVERNANCE GUIDELINES](#)

# Governance

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## TCFD Recommendations

**Describe the Board's oversight of climate-related risks and opportunities**

## MERCER REFERENCE

### Corporate Governance Guidelines

### Mercer 10K 2022 - Climate Change (Pages 23 - 24)

Our Board's Environmental, Health and Safety Committee provides oversight and accountability of the policies and processes implemented by Management to address climate and nature-related risks and opportunities, and the resulting impact and assessments of all climate and nature-related change activities in the Company.

Our Board's Audit Committee periodically reviews and assesses the Company's major climate and nature-related risks and opportunities, the steps the Company has taken to monitor and manage risks and opportunities, and regularly reports to the Board the outcomes of such reviews and discussions.

In 2022, the Board was particularly focused on climate-related supply and demand shifts, government responses to the volatility and economic disparities of the price and availability of energy, target setting and our decarbonization strategy.

## TCFD Recommendations

**Describe management's role in assessing and managing climate-related risks and opportunities**

## MERCER REFERENCE

### Corporate Governance Guidelines

#### Mercer 10K 2022 - Climate Change (Pages 23 - 24)

Mercer has several levels of management that are responsible for monitoring, implementing and reporting on progress towards our climate mitigation strategy and climate and nature-related risks and opportunities.

The highest level of oversight and accountability for Mercer's successful environmental performance is held by our President and CEO. The Vice President, Sustainability and Innovation and Chief Financial Officer are responsible for developing and executing the Company's sustainability strategy across the business.

The Director, Sustainability reports to the Vice President, Sustainability and Innovation, and is responsible for managing progress towards Mercer's sustainability strategy, including working with various business units and cross-functional teams to collectively monitor and report on climate and nature-related issues and key performance indicators (KPIs).

The Vice President, Sustainability and Innovation and Director, Sustainability work closely with subject matter experts who are responsible for developing and implementing the execution of Mercer's sustainability strategy and provide progress updates to the Board on climate and nature-related risks and opportunities, mitigation initiatives and emerging trends material to the business.

Climate and nature-related risks and opportunities 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 and nature changes.

On the ground, forest operating managers monitor, assess and report on how forest management practices may impact climate and nature-related risks and opportunities, including biodiversity, and how our dependencies on natural assets may be changing over time.

# Strategy

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## TCFD RECOMMENDATIONS

**Describe the climate-related risks and opportunities the organization has identified over the short, medium and long-term.**

## MERCER REFERENCE

**Mercer 10K 2022 - Climate Change ([Pages 23 - 24](#))**

**Sustainability Report - Section 4. Mitigate Climate Change ([Pages 30 - 33](#))**

Mercer recognizes that climate and nature change are significant threats facing the environment, society, and the global economy. Healthy and productive forests are essential in tackling climate change by continually sequestering atmospheric carbon dioxide through photosynthesis and preventing nature loss by supporting dynamic ecosystem services and benefits. The role of forests in meeting the growing need for nature-based climate change solutions translates to unique opportunities for forest products as we increasingly move toward a low-carbon economy.

We conducted our second climate change scenario analysis to evaluate the risks and opportunities of climate change based on a series of climate change scenarios. The scenarios were then analyzed and used to identify and assess the potential impacts of climate change-related risks and opportunities on the Company. The climate-related and nature-related risks and opportunities that Mercer has identified include, but are not limited to:

- The loss of forests in areas in sufficient proximity to our mills to competitively acquire fiber and lower harvest levels decreasing the supply of harvestable timber and, as a consequence, wood residuals;
- The disruption of transportation systems and power supply lines due to more severe storms
- The loss of fresh water transportation for logs and pulp due to lower water levels
- Decreases in the quantity and quality of processed water for our mill operations
- Transition risks due to changes in legislation, regulation, compliance, technology availability, consumer preferences and industry standards
- Reputational risks related to stakeholder perceptions and customer preferences
- Acute and chronic physical risks including increased severity and frequency of extreme weather events such as forest fires, floods, hurricanes, earthquakes and forest diseases and insect infections (cont. next page)

## TCFD RECOMMENDATIONS

**Describe the impacts of climate-related risks and opportunities on the organization's business, strategy and financial planning**

## MERCER REFERENCE

- Market risk through fluctuations in supply and demand of forest products
- The opportunity to meet growing demand for renewable energy
- The ability to meet growing demand for diversified low carbon forest products and biomaterials
- Increased demand, opportunity and partnerships in the circular economy, including value-add uses for forest residuals and byproducts, pursuing innovative bioproducts and biochemicals, and replacing carbon intensive building materials with sustainable forest and wood products.

### **Sustainability Report - Section 4. Mitigate Climate Change (Pages 30 - 33) Mercer 10K - Climate Change (Pages 23 - 24)**

The impact of climate change will prompt substantial structural adjustments to the global economy and inevitably impact Mercer's business, strategy and financial planning. Mercer is committed to proactively managing our business, strategy and financial planning to minimize the impacts of climate-related risks and position ourselves to realize potential opportunities. We recognize that climate change is one of the primary drivers of nature change and that the impacts of climate change are closely linked to the effects that nature change has and may have on Mercer's business, strategy and financial planning.

The impacts of climate and nature-related risks and opportunities on Mercer's business, strategy and financial planning include, but are not limited to:

- Increased competition and prices for wood residuals or fiber from renewable energy producers
- Increased costs for transportation and logistics services
- Substantial changes to forest management and harvesting practices as a result of transition risks
- Increased demand, costs and operational challenges related to limited availability of freshwater and process-water
- Supply chain disruptions leading to production down-time, damaged assets, and reputational damages (cont. next page)

## TCFD RECOMMENDATIONS

**Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2oC or lower scenario.**

## MERCER REFERENCE

- Changing market conditions leading to shifts in strategic planning including diversification of product offerings and operations. For example, increased demand for low carbon wood based products to serve as alternative building solutions such as cross laminated timber (CLT)
- Increased costs associated with adapting to climate-related risks and opportunities such as reducing greenhouse gas emissions
- Cost-savings through investments into resource and operational efficiencies, innovative bio-products, and sustainable practices
- Changes in the availability and demand for capital investments to fund the low carbon economy transition and finance climate resilience
- Increased transparency and quality of environmental, social and governance disclosures
- Opportunity to strengthen competitive advantage and strategic positioning through investments in renewable energy generation and sale

### **Mercer 10K 2022 (Pages 27 - 28)**

#### **Sustainability Report - Section 4. Mitigating Climate Change (Pages 30 - 33)**

Mercer's decarbonization plan to tackle direct and indirect Scope 1, 2 and 3 emissions uses several different levers that enhance the resilience of our strategy to different climate and nature-related scenarios, including:

- Diversification of our product lines including investments in low carbon building materials like Cross Laminated Timber (CLT)
- Alignment with third party science based target setting bodies like the Science Based Target Initiative (SBTi) to validate our emission reduction goals
- Advancing research to understand the net impacts of different forest management practices across three key areas: forest carbon balance, scope 1, 2 and 3 GHG emissions, and forest product substitution
- Digitization and optimization of communication, production, and transportation processes and operations
- Electrification of our transportation fleet to minimize transport related emissions (cont. next page).

*Strategy cont.*

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## **TCFD RECOMMENDATIONS**

## **MERCER REFERENCE**

In 2022, Mercer conducted its second climate change scenario analysis in partnership with the global non-profit Business for Social Responsibility (BSR). BSR used three climate scenarios developed by the Network for Greening the Financial System with 2050 as the horizon year: Net Zero 2050, Delayed Transition and Current Policies. Using these climate scenarios, the resilience of Mercer's business strategy was evaluated against different future possibilities and climate-related physical and transition risks. Three hotspots were identified as key focus areas to improving and strengthening Mercer's resilience to climate change. Mercer continues to explore and invest in additional approaches that help us measure and manage climate and nature-related impacts and risks.

# Risk Management

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## TCFD RECOMMENDATIONS

**Describe the organization's processes for identifying and assessing climate-related risks.**

**Describe the organization's processes for managing climate-related risks**

**Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organization's overall risk management.**

## MERCER REFERENCE

### **Mercer 10K 2022 (Pages 23 - 24, 27 - 28)**

Mercer maintains an Enterprise Risk Management committee consisting of senior leaders, led by senior executives, and overseen by our Audit Committee. The Vice President, Sustainability and Innovation and Director, Sustainability spearhead Mercer's processes for identifying, assessing and managing climate-related risks.

ESG-related risks, including those associated with climate and nature 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 2022, Mercer further integrated TCFD recommendations into the strategy and enterprise risk management processes, and committed to integrating the emerging TNFD framework in 2023.

We also identify, assess, and manage climate and nature-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.

# Metrics and Targets

## TCFD RECOMMENDATIONS

**Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risks management processes.**

**Disclose Scope 1, Scope 2 and Scope 3 greenhouse gas (GHG) emissions, and the related risks.**

## MERCER REFERENCE

### **Sustainability Report (Pages [10 - 11](#), [30 - 33](#), [38 - 39](#))**

Mercer uses several key metrics and key performance indicators to assess progress against our sustainability strategy and performance.

We have established greenhouse gas targets to reduce Scope 1 GHG emissions intensity (tCO<sub>2</sub>e/ADMT of pulp) and Scope 2 and 3 absolute emissions (tCO<sub>2</sub>e) from operations by 35% by 2030 from the 2019 base-year and create a pathway to net-zero by 2050. These targets have been validated by the SBTi to align with 1.5°C of warming and well below 2°C, as set forth by the 2015 Paris Agreement.

As part of Mercer's sustainability framework and strategy to assess climate and nature-related risks and opportunities, we measure and disclose performance metrics related to air quality, effluent emissions and wastewater, greenhouse gas emissions, energy, certified fiber, and waste across our operations.

To help achieve our company-wide ESG goals, our executive compensation plan incorporates carbon emission metrics through the annual incentive bonus component.

### **Sustainability Report (Pages [10 - 11](#), [30 - 33](#), [38 - 39](#))**

Our estimated GHG emissions are as follows:

Scope 1: for 2022: 258.9 kg CO<sub>2</sub>e/ADMT

Scope 2: for 2022: 15,228 tonnes CO<sub>2</sub>e

Scope 3: for 2022: 629,401 tonnes CO<sub>2</sub>e

### TCFD RECOMMENDATIONS

**Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.**

### MERCER REFERENCE

#### **Sustainability Report (Pages [10 - 11](#), [30 - 33](#), [38 - 39](#))**

Mercer's SBTi validated Scope 1, 2 and 3 GHG emissions targets drive continuous improvement and accountability in Mercer's operations, while reducing our transition risk for carbon tax costs. Our data collection process for Scope 3 GHG emissions to support our Science Based Target initiative provides new opportunities to collaborate with our suppliers, customers and transportation providers.

Our goal to eliminate process waste by 2030 drives aims to reduce the climate-related risks associated with harmful effluent emissions, waste disposal requirements, diminishing air quality, limited water availability and wastewater restrictions.

Our goal to reduce water consumption by 10% by 2030 seeks to increase the resilience of our operations during periods of water scarcity.

Our goal to improve resource efficiency by 5% by 2030 is expected to result in cost savings through investments in more efficient sustainable processes and operations, increased revenue through the sale of renewable energy from wood residuals, lower greenhouse gas emissions released into the atmosphere, diversified product offerings that serve as circular economy solutions minimizing wasted materials and reduced exposure to regulatory pressures on the use of natural resources.

Our goal of 80% fiber sourced from certified forests supports the management of climate-related risks and opportunities by promoting sustainable forest management practices which encourage the use of low-carbon forest products to help to reduce greenhouse gas emissions, support local communities and their social and economic needs, and increase supply chain transparency and traceability of sourced forest products.



# Contact Information

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