
POLICIES & PROCEDURES

Hedging Transactions Policy for Mercer Stock

Values

One of Mercer's key goals is to incent employees to work to increase the value of our stock and to insure that the interests of officers and directors of the Company are aligned with the interests of our shareholders. This policy should reassure investors that Company officers and the board of directors are doing all they can to improve our Company's financial performance and enhance shareholder value.

Policy

Certain types of hedging or monetization transactions, such as zero-cost collars and forward sale contracts, involve the establishment of a short position in the Company's securities and limit or eliminate a person's ability to profit from an increase in the value of the Company's securities. It is inappropriate for executive officers, persons who report directly to executive officers and the board of directors of the Company to engage in short-term or speculative transactions in the Company's securities or in other transactions in the Company's securities that may lead to inadvertent violations of the insider trading laws.

This policy prohibits executive officers, persons who report directly to executive officers and the board of directors from engaging in any hedging or monetization transactions involving Company securities and requires such persons to comply with the additional guidance below.

Hedging Transactions

Particular types of hedging or monetization transactions, such as zero-cost collars, prepaid variable forward sale contracts, equity swaps and exchange funds, allow a person to lock in much of the value of his or her stock holdings, often in exchange for all or part of the potential for upside appreciation in the stock. These transactions allow the person to continue to own the covered securities, but without the full risks and rewards of ownership. When that occurs, the person may no longer have the same objectives as the Company's other shareholders. Therefore, persons covered by this policy may not engage in such transactions.

Exception: If a person covered by this policy wishes to enter into such an arrangement above, he or she must submit a request for approval to the Chief Financial Officer at least seven business days prior to the proposed execution of documents evidencing the proposed transaction and must set



forth a justification for the proposed transactions. Exceptions, if any, may be granted by the Company's Board of Directors.

Additional Guidance Regarding Certain Types of Hedging Transactions

Short Sales: A person covered by this policy may not engage in short sales of the Company's securities (sales of securities that are not then owned), including a "sale against the box" (a sale with delayed delivery).

Publicly Traded Options: A person covered by this policy may not engage in transactions in publicly traded options, such as puts, calls and other derivative securities, on an exchange or in any other organized market.

