



CLAWBACK POLICY

Introduction

The Board of Directors (the "**Board**") of Mercer International Inc. (the "**Company**") believes that it is in the best interests of the Company and its shareholders to create and maintain a culture that emphasizes integrity and accountability and that reinforces the Company's pay-for-performance compensation philosophy. The Board has therefore adopted this Clawback Policy (the "**Policy**") which provides for the recoupment of certain executive compensation in the event of an accounting restatement resulting from material noncompliance with financial reporting requirements under the federal securities laws of the United States. This Policy is designed to comply with Section 10D of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**").

Administration

This Policy shall be administered by the Board or, if so designated by the Board, the Human Resources Committee (the "**Committee**"), in which case references herein to the Board shall be deemed references to the Committee. Any determinations made by the Board shall be final and binding on all affected individuals.

Covered Executives

This Policy applies to the Company's current and former executive officers, as determined by the Board in accordance with Section 10D of the Exchange Act and the listing standards of any national securities exchange on which the Company's securities are listed, and such other senior executives/employees who may from time to time be deemed by the Board and/or the Committee to be subject to the Policy (the "**Covered Executives**").

Accounting Restatement

In the event the Company is required to prepare an accounting restatement of its financial statements due to the Company's material noncompliance with any then-current financial reporting requirement under applicable securities laws, the Board will review the facts and circumstances of such restatement and take all actions it deems necessary and appropriate. In all appropriate circumstances and in instances of misconduct (including acts of fraud, dishonesty or recklessness) of any person who was a Covered Executive at the time of such misconduct, the Board will require reimbursement or forfeiture of any excess Incentive Compensation (as defined herein) received by any Covered Executive during the three most recently completed fiscal years immediately preceding the date on which the Company is required to prepare an accounting restatement and, if applicable, any transition period

resulting from a change in fiscal year within or immediately following the three completed fiscal years.

The amount to be recovered will be the excess of the Incentive Compensation paid to the Covered Executive based on the erroneous data over the Incentive Compensation that would have been paid to the Covered Executive had it been based on the restated results, as determined by the Board.

If the Board cannot determine the amount of excess Incentive Compensation received by the Covered Executive directly from the information in the accounting restatement, then it will make its determination based on a reasonable estimate of the effect of the accounting restatement.

Legal and Compliance Violations

The Board shall, in all appropriate circumstances, require reimbursement of any Incentive Compensation from a Covered Executive who has engaged in any material legal or compliance violation including a violation of the Company's Code of Business Conduct and Ethics and its other corporate governance policies, fraud, bribery, other illegal acts, or knowingly failing to report such acts of an employee over whom such Covered Executive had direct supervisory responsibility. In addition, the Board or Committee may also direct the Company to investigate the foregoing, conclude that any unpaid or unvested Incentive Compensation has not been earned and must be forfeited, and/or require any disciplinary action permitted for a violation of the Company's corporate governance policies. The Company may seek any of the above remedies regardless of whether a violation resulted in an award of Incentive Compensation greater than that which would have been awarded had no violation occurred.

Where appropriate, the Board or Committee may also direct the Company to disclose the circumstances surrounding any recoupment made under this policy where not otherwise required by applicable regulation.

Incentive Compensation

For the purposes of this Policy, Incentive Compensation means any of the following, provided that such compensation is granted, earned or vested based wholly or in part on the attainment of a reporting measure:

- Annual bonuses and other short- and long-term cash incentives;
- Stock options;
- Stock appreciation rights;
- Restricted stock;
- Restricted stock units;
- Performance shares;
- Performance stock units; and/or
- Other "equity" or "securities" grants and/or compensation provided by the Company.



Reporting measures include both financial and/or operating measures adopted by the Committee and/or the Board from time to time including, but not limited to:

- Company stock price;
- Operating EBITDA or EBITDA (as defined by the Company from time to time);
- Absolute and Relative Total shareholder return;
- Net income;
- Revenues;
- Funds from operations;
- Liquidity measures such as working capital or operating cash flow;
- Return measures such as return on invested capital, return on assets, return on investments and/or similar type measures;
- Earning measures such as earnings per share;
- Operating measures, including those related to production, unit cost, environmental, health and safety measures; and
- Other financial reporting measures provided for in and used by the Committee pursuant of the Company's Stock Incentive Plan (or similar plan) and/or other short term incentive plans in effect from time to time.

Method of Recoupment

The Board will determine, in its sole discretion, the method for recouping Incentive Compensation hereunder which may include, without limitation:

- (a) requiring reimbursement of cash Incentive Compensation previously paid;
- (b) seeking recovery of any gain realized on the vesting, exercise, settlement, sale, transfer or other disposition of any equity-based awards;
- (c) offsetting the recouped amount from any compensation otherwise owed by the Company to the Covered Executive;
- (d) cancelling outstanding vested or unvested equity awards; and/or
- (e) taking any other remedial and recovery action permitted by law, as determined by the Board.

No Indemnification

The Company shall not indemnify any Covered Executives against the loss of any incorrectly awarded Incentive Compensation.

Interpretation

The Board is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate or advisable for the administration of this Policy. It is intended that this Policy be interpreted in a manner that is consistent with the requirements of Section 10D of the Exchange Act and any applicable rules or standards adopted by the Securities and Exchange Commission (the "SEC"), and any national securities exchange on which the Company's securities are listed.



Effective Date

This Policy shall be effective as of the date it is adopted by the Board (the "Effective Date") and shall apply to Incentive Compensation that is approved, awarded or granted to Covered Executives on or after the Effective Date.

Amendment; Termination

The Board may amend this Policy from time to time in its discretion and shall amend this Policy as it deems necessary to reflect final regulations adopted by the SEC under Section 10D of the Exchange Act and to comply with any rules or standards adopted by any national securities exchange on which the Company's securities are listed. The Board may terminate this Policy at any time.

Other Recoupment Rights

The Board intends that this Policy will be applied to the fullest extent of the law. The Board may require that any employment agreement, equity award agreement or similar agreement entered into on or after the Effective Date shall, as a condition to the grant of any benefit thereunder, require a Covered Executive to agree to abide by the terms of this Policy. Any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies or rights of recoupment that may be available to the Company pursuant to the terms of any similar policy in any employment agreement, equity award agreement, or similar agreement and any other legal remedies available to the Company.

This Policy does not preclude any other arrangements as agreed to between the Company and a Covered Executive, including an agreement to offset recoupment against future income.

Impracticability

The Board shall recover any excess Incentive Compensation in accordance with this Policy unless such recovery would be a violation of any applicable law or impracticable, as determined by the Board in accordance with Rule 10D-1 of the Exchange Act and the listing standards of any national securities exchange on which the Company's securities are listed.

Successors

This Policy shall be binding and enforceable against all Covered Executives and their respective beneficiaries, heirs, executors, administrators or other legal representatives.

