



Fit for Future

MERCER INTERNATIONAL INC.
SUSTAINABILITY REPORT 2022

SECTION 1

Introduction and Messages from Leadership 01

About This Report
Materiality Assessment 2022
From the President and CEO

SECTION 2

Who We Are 07

Strategy and Values
Sustainability Framework
Product and Geographic Mix
History and Product Growth

SECTION 3

Continuously Improve Environmental Performance 17

Extracting Bio-Based Products from Lignin
Natural Solutions for Weed Management

SECTION 4

Mitigate Climate Change 27

Building a Low-Fossil Future from Wood
Responding to Climate Change
Alberta Climate Impact Assessment
Digitalization of the Wood Industry
Vehicle Electrification

SECTION 5

Continuously Improve Resource Efficiency 45

Fiber Efficiency at Torgau
Building a Culture of Continuous Improvement
The Evolution of the Peace River Woodroom
Digitalization and Improving Process Controls
Sustainable Use of Water in Pulp Production
Wood Measurement Digitalization Using Photo Optics

SECTION 6

Embrace Social Responsibility 59

Steps in the Road to Zero Evolution
Employee Engagement and Diversity, Equity and Inclusion
The Mercer Forestry Services Training Program

SECTION 7

Sustainable Forest Management 71

Relationships with Forest Owners
Growing Forests, Growing a Future
Biodiversity-Focused Forest Management
Species Focus
Biodiversity Efforts
Principles for Sustainable Forest Management
Commitment to Certifications

SECTION 8

Enhance Stakeholder and Indigenous Engagement 85

Engagement of Local Communities
Recognizing Local Firefighters
The BE SEEN Program
Customer Engagement
Donating to Ukraine

SECTION 9

Governance and Other 95

Board Committees
Issue Reporting
Cybersecurity
Industry Associations

SECTION 10

Indexes 101

A Report from Independent Accountants
Disclosure Indexes
Notice Regarding Forward-Looking Statements

1

Introduction and Messages from Leadership

ABOUT THIS REPORT

Welcome to our second sustainability report, sharing our progress in 2022. We learned a great deal from producing our first report last year, as well as from the feedback that followed. Thanks to what we learned, we believe this second edition provides better insight into our company-wide commitment to sustainability.

This report is designed to serve several purposes over and above meeting the content requirements of various guidance and regulatory bodies — the Global Reporting Initiative (GRI), the Task Force on Climate-related Financial Disclosures (TCFD) and the Sustainability Accounting Standards Board (SASB). It's also for our customers, the communities in which we operate, our investors and our employees. We want to share with all of them our values and initiatives on sustainability: the things that are important to us, the progress we are making and the direction we're taking.

Last year, we asked our stakeholders to prioritize sustainability topics and identify the impacts our actions have had on them. We recognize how deeply this feedback informs our disclosure and, having reviewed this year's materiality assessment, we've decided to open our report with it as this assessment drives much of the content that follows.

Also at the front of the report is a message from our CEO and President, as well as a summary of our key operations, products, values, history and goals. Along with sharing our climate change targets (validated by the Science Based Targets initiative, or SBTi), we highlight the links between our 2030 aspirational goals and the United Nations' 17 Sustainable Development Goals (SDGs).

Six sections in this report cover areas of our sustainability framework: to continuously improve environmental performance; to mitigate climate change; to continuously improve resource efficiency; to embrace social responsibility; to sustainably manage forests; and to enhance stakeholder and Indigenous engagement. Charts, tables and graphs reveal our progress through our key performance indicators (KPIs) alongside stories that illustrate our actions. These stories document, among other achievements, an exciting investment at Mercer Rosenthal for extracting bio-based products from lignin; our plant in Spokane, Washington, that supplies cross-laminated timber (CLT) to replace carbon-intensive steel and concrete in buildings; and a partnership with local communities in Castlegar.

This report highlights our determination to become an industry leader in ESG performance and disclosure. We are committed to reporting to the TCFD framework. We have also included our early disclosure for the Taskforce on Nature-related Financial Disclosures (TNFD), a new global, market-led initiative that seeks to increase ESG disclosure on how companies' supply chain and operations depend on and impact nature. This framework expands disclosure to include biodiversity risks along with management activities in place to manage these risks.

This report is also about balance and transparency. In some areas, which include our diversity, equity and inclusion (DE&I) progress, we are still working on meeting our objectives, as illustrated by the details and stories in the section Embrace Social Responsibility.

I hope this introduction provides a useful guide to the following pages and a glimpse into the thinking behind them. I hope, too, that with this report we have been able to share a concise overview of the work we've done in 2022 as we've continued down the path of sustainability.

Bill Adams
Vice President, Sustainability and Innovation

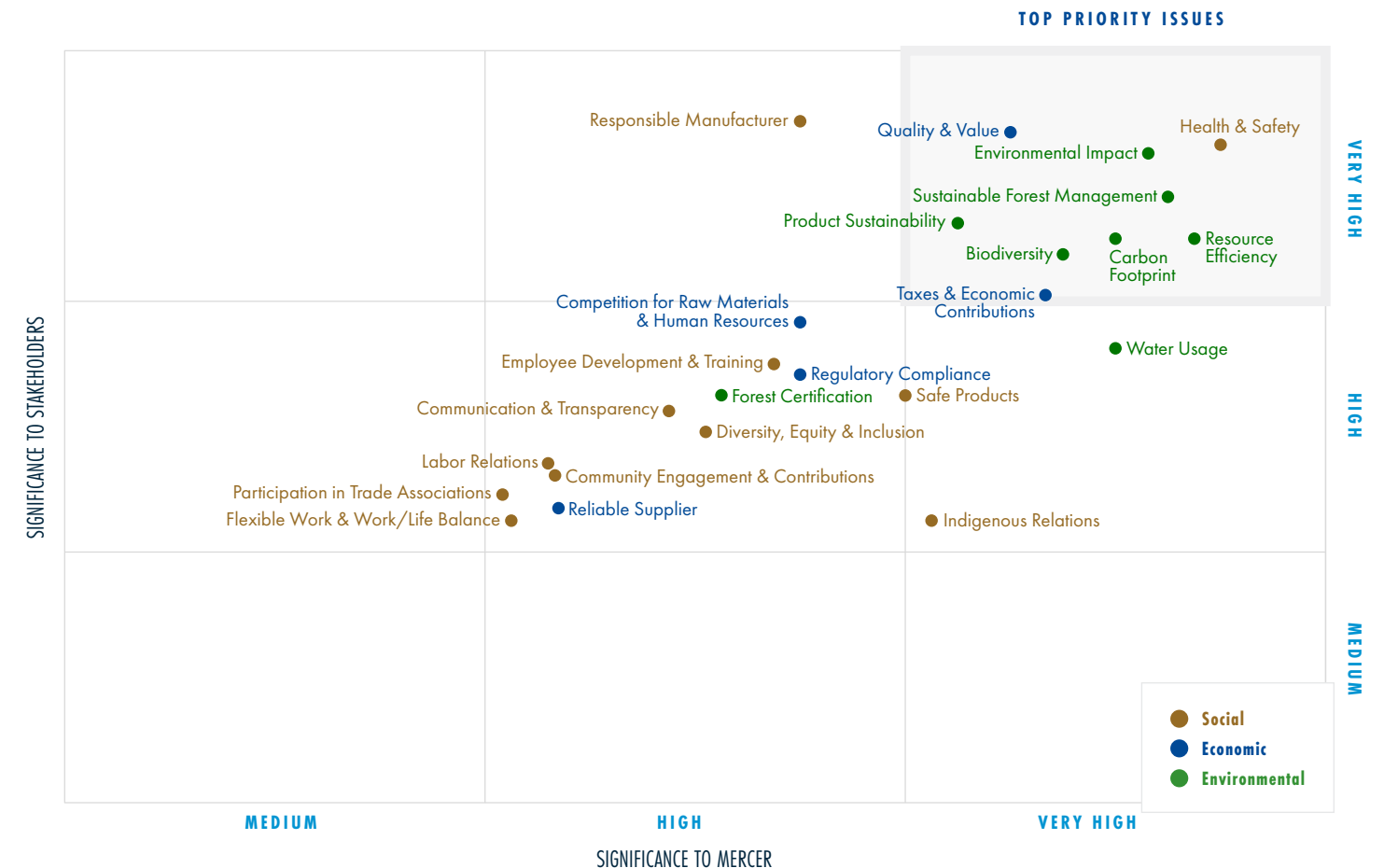
MATERIALITY ASSESSMENT 2022

We at Mercer recognize that in addition to financial outcomes, our business operations have an impact on society and the environment. To better understand this impact and further align our strategic planning with stakeholder perspectives, it is important to identify the ESG (environmental, social and governance) topics that matter to our stakeholders. We aim to conduct a materiality assessment every two years and an assessment review each year. Through this process, we can identify and prioritize significant ESG issues and understand how those issues translate into present and future risks and opportunities.

In 2022, the results from our 2021 materiality assessment were reviewed after collecting feedback from stakeholders through questionnaires, investor discussions, customer interviews, dialogue with governments and regulators, talks with our employees and engagement with local communities. Our stakeholder questionnaires were designed to assess the significance of the ESG topics identified during the 2021 materiality assessment, rank those topics and identify any new ones. In our review process, we applied a lens of double materiality by considering the significance of the identified topics not only for our company, but also for the environment and society as a whole.

Our primary goal is to work towards addressing the most relevant sustainability issues and engaging with stakeholders to develop a holistic, impactful and transparent sustainability strategy.

The content in this sustainability report is guided by the most material economic, environmental and social responsibility topics identified in our materiality assessment, as indicated in the materiality matrix below.



FROM THE PRESIDENT AND CEO

Juan Carlos Bueno



My arrival at Mercer in May 2022 coincided with the completion of our first sustainability report, and what was for me to this company and the ambitious sustainability goals we have set ourselves. I was pleased to see the progress we have made in the areas of the environment, social change and governance, and what's more, to see that across the Mercer team there is a genuine determination to do what's right.

But this journey has just begun. Even as we make progress in various areas, technologies change and standards rise, pulling the goalposts into the distance. We have much ground still to cover, including in our work on sustainable forest management, our relationships with Indigenous communities and the deepening of our DE&I culture. That's fine; we're not afraid of hard work. What's important is that we continue to advance. We seek to raise our performance to the highest level, which this year has

meant committing to the international standards set by the Science Based Targets initiative as well as those set by the UN Global Compact and Sustainable Development Goals. In fact, I'm proud to say we have committed so deeply to performing well in the environmental arena that this year we were able to access an ESG-linked credit facility tying financial and environmental outcomes.

To be clear, we don't reach every goal every year. Last year in particular was complicated by challenging external circumstances, such as the war in Ukraine and the energy crisis it precipitated, which forced some of our European operations to use more carbon-intensive fuels. But we remain consistent in our targets and strategies. As long as we maintain our direction and our determination to continuously improve, we expect to recover this lost ground and make good progress.

When we released last year's sustainability report, I was deeply impressed to see how important the issue of sustainability was for everyone at Mercer. I saw it in the halls and in meetings. And I had the opportunity to hear from several customers how pleased they were with the commitment we expressed. They have high expectations of us, as we do of ourselves. Everybody is pushing in the same direction. It was such a positive start for me, coming in to head up a company that already has its sights so firmly set on a more sustainable future.

I cannot overstate the importance of transparency. We are committed to enhancing our ESG performance and disclosure, and we are excited to update you with this report. So many of our initiatives — whether on forest management, energy efficiency or resource management — contribute to our goal of net-zero carbon emissions. Aligned with that passion is the people side of the equation. We have a social responsibility

to manage our impact on the communities where we work and to build lasting relationships with them. That responsibility extends to our employees as we strive to become more diverse and inclusive in our hiring practices and work culture, providing an environment where every employee can reach their full potential. We have come a considerable distance and made significant strides but, as these pages attest, we're not finished yet.

Juan Carlos Bueno 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, 2022, and filed February 16, 2023, 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.



2 Who We Are

Transforming biomass into bioproducts for a more sustainable world — our vision lies at the heart of everything we do. On this journey, we are guided by the leading global standards and remain committed to doing our part to mitigate climate change.



Strategy and Values

THE MERCER WAY

Our passion, rooted in the forests in which we operate, has built our culture, known as “the Mercer Way.” The Mercer Way is to be respectful and mindful of the social license we have as a bioproducts provider, meaning that it is our responsibility to operate sustainably.

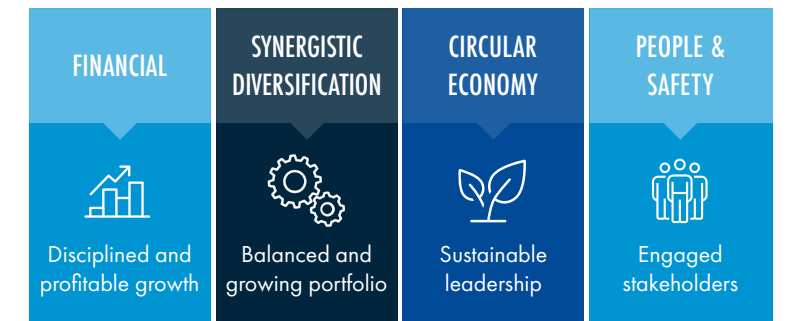
For us to be fit for future, biomass — wood — will always be our starting point. As we embrace the science and innovation brought by our teams to improve our mills, processes and logistics, we recognize our potential to diversify further. This allows us to continue creating products that contribute favorably to the environment.

OUR VISION

Transforming biomass into bioproducts for a more sustainable world

OUR STRATEGIC PILLARS

With a new vision come four new core pillars, each propelled by dynamic growth engines that push us to elevate our present and future product offerings. Collaboration is an integral part of this vision and we recognize that working together is essential to achieving our goals.



OUR VALUES

Our values lay the foundation of the Mercer Way and reflect our commitment to continuous growth and progress.



Sustainability Framework



In 2022, we became a signatory to the United Nations Global Compact, a voluntary initiative that commits businesses to a principles-based approach by incorporating the compact's Ten Principles into strategies, policies and procedures and by supporting a culture of integrity for people and the planet.

As part of the UN Global Compact, we seek to pursue opportunities to contribute to the UN's Sustainable Development Goals. The 17 SDGs provide a roadmap for a better, more sustainable future, seeking to mobilize global efforts around a common set of targets by 2030. Businesses have an important role in advancing this agenda, aligning their

strategies with the SDGs to connect their activities with global priorities. We strive to be part of this global shift through our own opportunities, strategies, goals and activities that match the SDGs. We have identified several SDGs that are most relevant to us, which we seek to advance while achieving our

strategic sustainability objectives in the communities where we operate. We believe Mercer and other leaders in the forest sector are well positioned to help lead the transition to a low-carbon, circular economy and an overall more sustainable future for everyone.

Our Sustainability Framework



Our 2030 Aspirations



The UN's Sustainable Development Goals

MERCER supports the UN's Sustainable Development Goals.

LOCATION IS KEY

Our mills are strategically located close to 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 stable employer in its region, adding back into the local economies through benefits and wages.

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

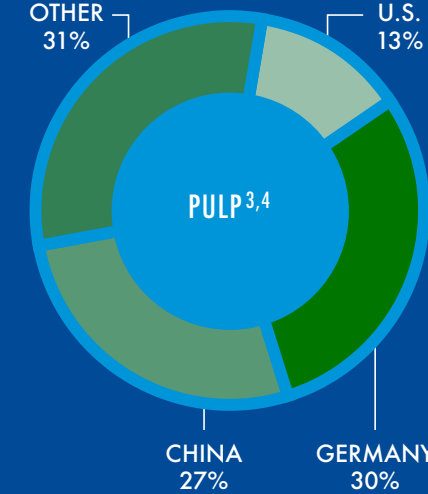
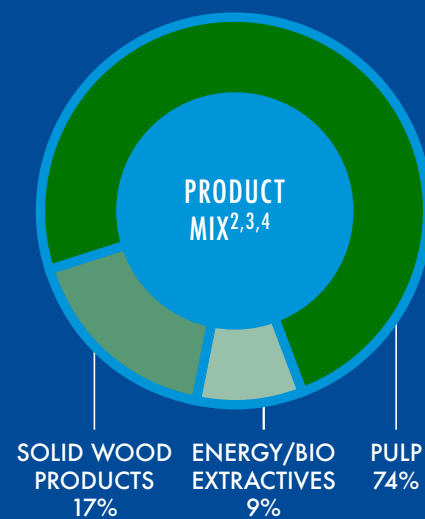


Product and Geographic Mix

No. of Employees ¹	3,320
2022 Sales (US \$ millions) ²	2,281

Annual Production Capacity

Pulp (ADMT)	2.3 million
Lumber (MMfbm)	960
CLT (m ³)	140,000
Pallets (units)	17 million
Biofuels (metric tonnes)	230,000
Energy (MW)	431.5



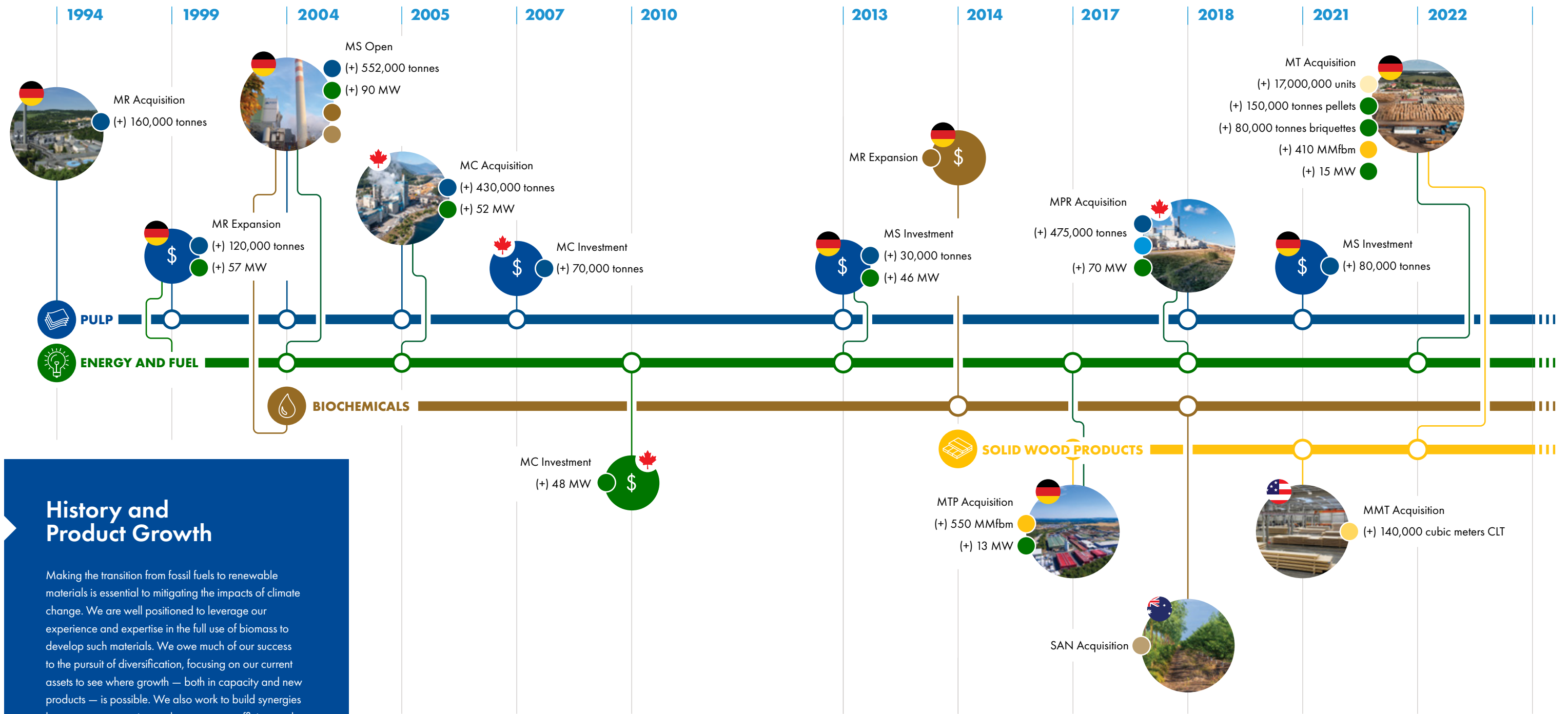
2022 pulp production: 1,878,612 ADMT (includes 50% of Cariboo Pulp & Paper pulp production)
2022 pulp production for four mills owned 100% by Mercer: 1,737,688
2022: 1,737,688 ADMT
2021: 1,716,859 ADMT

¹ Employee numbers are approximate as at December 31, 2022.

² Includes Mercer Torgau results since acquisition on September 30, 2022.

³ Based on 2022 revenue.

⁴ Numbers may not add up due to rounding.



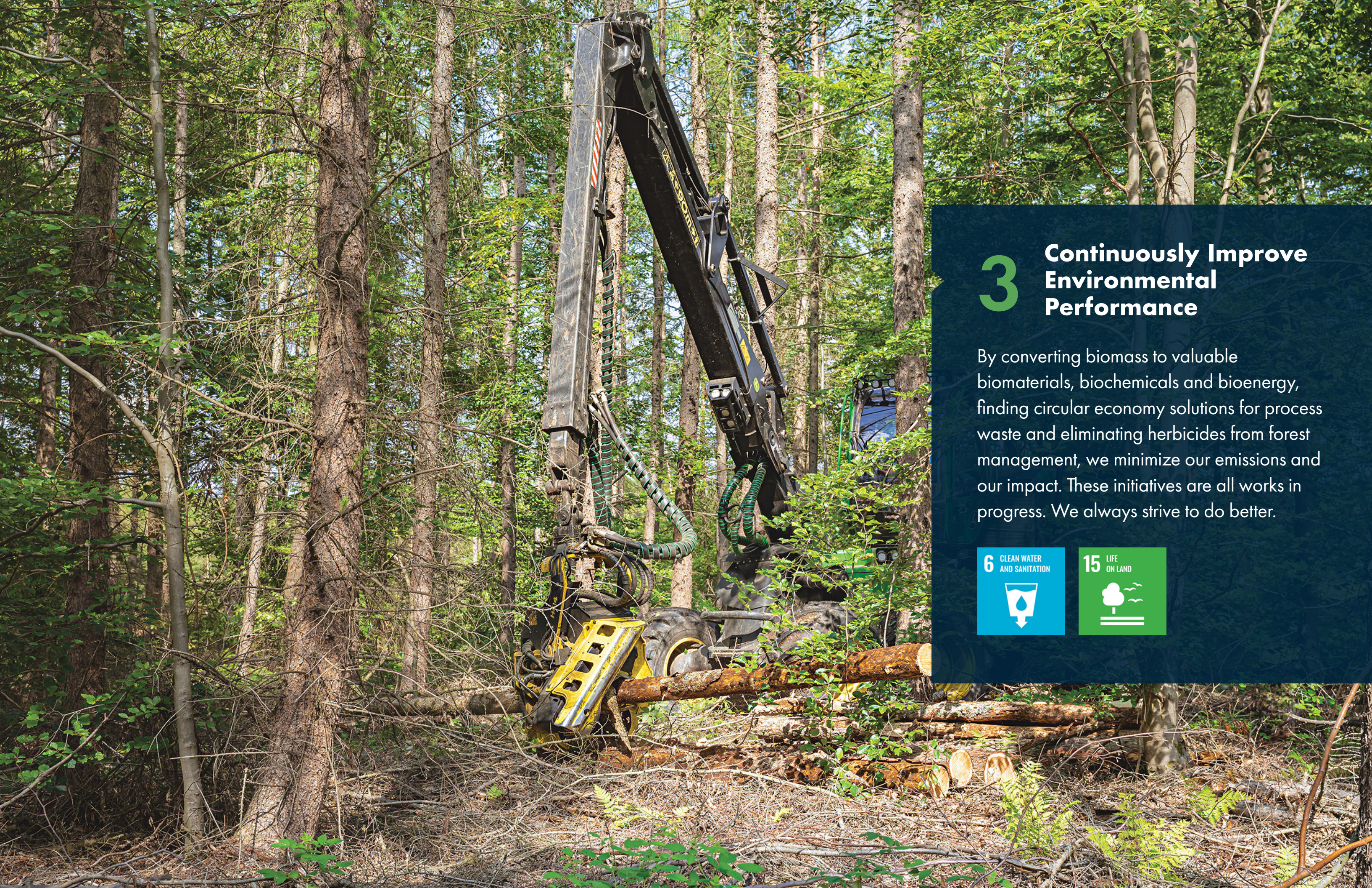
History and Product Growth

Making the transition from fossil fuels to renewable materials is essential to mitigating the impacts of climate change. We are well positioned to leverage our experience and expertise in the full use of biomass to develop such materials. We owe much of our success to the pursuit of diversification, focusing on our current assets to see where growth — both in capacity and new products — is possible. We also work to build synergies between our operations to become more efficient and create value.

Germany	Pulp	Energy and Fuel
Canada	● NBSK ● NBHK	● Green Energy ● Biofuels
Australia	Biochemicals	Solid Wood Products
United States	● Tall Oil ● Turpentine ● Sandalwood Oil	● Lumber ● Manufactured Wood ● Pallets

Operation Acronyms

Mercer Celgar	MC	Mercer Stendal	MS
Mercer Mass Timber	MMT	Mercer Timber Products	MTP
Mercer Peace River	MPR	Mercer Torgau	MT
Mercer Rosenthal	MR	Santanol	SAN



3 Continuously Improve Environmental Performance

By converting biomass to valuable biomaterials, biochemicals and bioenergy, finding circular economy solutions for process waste and eliminating herbicides from forest management, we minimize our emissions and our impact. These initiatives are all works in progress. We always strive to do better.



Extracting Bio-Based Products from Lignin



A new pilot project to extract lignin from black liquor is creating buzz at Mercer Rosenthal. “It’s a new process for us,” says Dr. Stefan Horner, Manager of Technology and New Products at the mill. “It is designed to lead to the production of bio-based materials and chemicals that can replace those used to make products that come from fossil fuels.” A new plant built expressly for this extraction process will begin operating in summer 2023; its construction, as seen on the left, began in 2022.

A renewable by-product of the kraft pulping process, lignin is currently being burned in place of fossil fuels to generate green energy. The new extraction process takes this environmental initiative a step further, replacing fossil-based products such as carbon fibers, graphite in ion batteries, adhesives used in the wood-based materials industry, carbon black

used in tire production and chemicals used to make polyurethane foams. It also removes from the equation the CO₂e biogenic emissions released by burning lignin.

Stefan has been contemplating an extraction plant of this nature since 2008, when he was tasked with exploring new products and processes that might benefit the Rosenthal mill. This led him to a Swedish research institute engaged in advanced studies of lignin. “I recognized that their work might have a big potential for creating new products,” he says. “That was the start of countless projects, studies and pilot trials to find other uses for lignin besides converting it to energy.” A first important milestone will now be reached with the start-up of the lignin extraction pilot plant in Rosenthal. The pilot plant will operate exclusively as a test facility to extract lignin and

develop bioproducts from this renewable resource. Designed to extract 250 tonnes a year — just 0.1 percent of Rosenthal’s lignin output — the new plant represents a small step with enormous potential, especially as we see increasing interest from various customers in the use of lignin as a substitute for fossil-based materials. “I hope we will be ready to run an industrial-scale plant within five years,” says Stefan, adding that he foresees a time when such plants could produce sustainable products from lignin at all our pulp mills.

LIGNIN'S POTENTIAL as a raw material



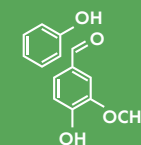
BIO-OIL
ASPHALT EMULSIFIER
DISPERSANT
RESINS AND ADHESIVES



ACTIVATED CARBON OR
“HARD CARBON”
THERMOPLASTICS



CARBON FIBER



PHENOLS AND VANILLINS

NATURAL SOLUTIONS FOR WEED MANAGEMENT

Santanol's Indian sandalwood (*Santalum album*) plantations are located near Kununurra, in the remote Kimberley region of northeast Western Australia — a place where fertile soils, tropical climate and abundant water combine to provide ideal growing conditions.

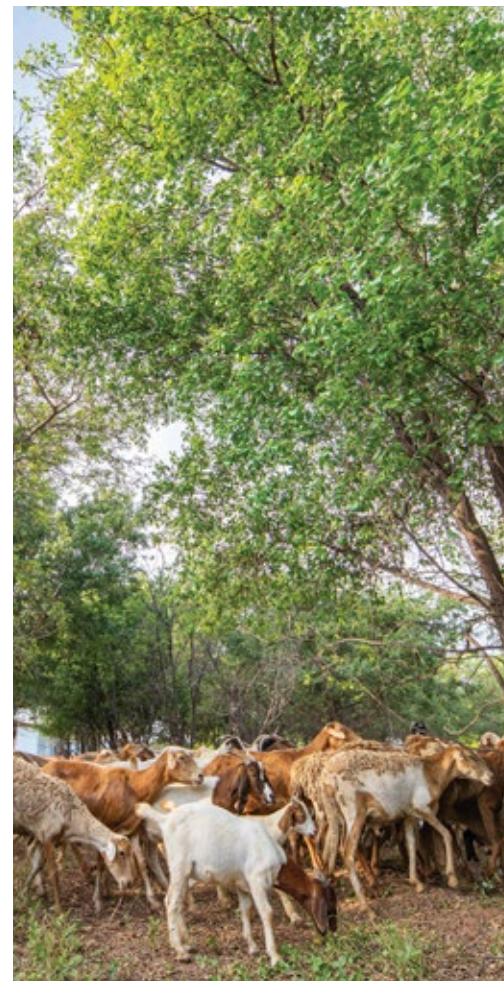
Sandalwood thrives there, but so do many species of weeds. What's more, weed growth is relentless, and uncontrolled weeds often rapidly smother and kill trees. Conventional weed control, using tractors and herbicides, is effective but costly and can negatively impact the environment.

Given Santanol's commitment to producing pure and ethical sandalwood, solutions to reduce the need for herbicides seemed a natural goal. In 2018, we trialed a unique way to solve the weed problem: introducing goats into a section of the plantation to feed on the invasive plants. As with all trials, there were setbacks and what felt like insurmountable challenges. The easy option would have been to return to conventional chemical practices, but the collective aspiration to challenge the status quo remained strong. By the end of 2019, Santanol was able to remove chemical weed control and associated tractor operations from grazing areas.

The success of the trial has benefited the plantation in several ways, resulting in:

- Improved nutrient cycling in the soil
- Increased biodiversity, due to better ground cover and water availability
- Improved water quality and infiltration, due to slowed/reduced water runoff
- Better weed control in the wettest months, when tractor access might not be possible

Santanol has continued to expand the livestock program, which now covers 400 hectares of grazing. Thanks to the program's growth, no herbicide was used at the Santanol facility in 2022 and there was a 45 percent reduction in overall chemical use across the plantation.



KPIs: Air Quality

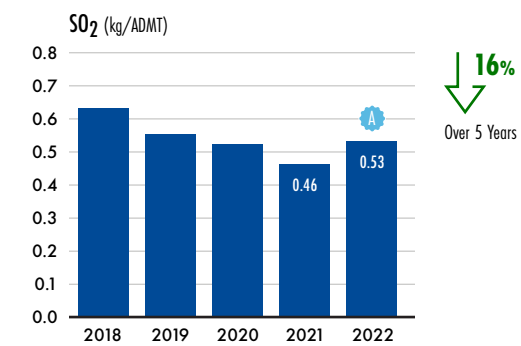
★ SIGNIFICANCE:

Air quality impacts human health and the environment. Investment in the best available technology helps ensure operations can meet regulatory requirements and improve air quality. Our operations measure and monitor SO₂, NO_x and particulate matter.

🎯 PROGRESS AND TARGETS:

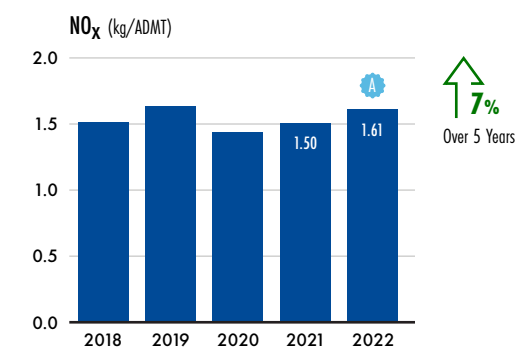
SO₂ (Sulfur Dioxide)

As part of the chemical recovery process, black liquor is burned in the recovery boiler, releasing SO₂ as a by-product of the reaction between sulfur compounds in the black liquor and oxygen in the air. While SO₂ emissions intensity (kgs of SO₂ per tonne of pulp) has declined over the last five years, the increase in 2022 was primarily due to operational upsets at Mercer Celgar, in addition to the installation of a continuous emissions monitor at Mercer Rosenthal, which detects lower levels of emissions.



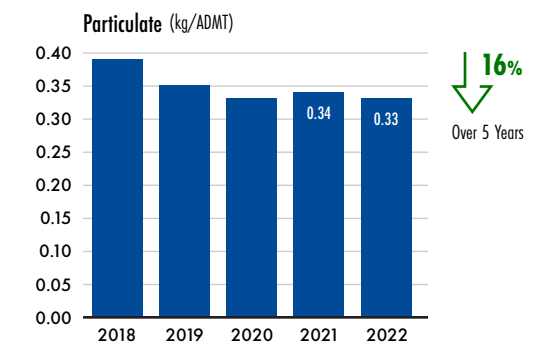
NO_x (Nitrogen Oxide)

NO_x emissions from our pulp mills predominantly originate from burning fuels in our boilers. NO_x emissions intensity (kgs of NO_x per tonne of pulp) also increased in 2022 from 2021 primarily due to operational upsets at Mercer Celgar and the installation of a continuous emissions monitor at Mercer Rosenthal, which detects lower levels of emissions.



Particulates

Particulate matter is a mixture of solid and liquid particles that can be released into the atmosphere during various stages in our kraft pulp mill processes. We continue to implement initiatives at our mills to reduce this air quality parameter through optimizing processes and upgrading to electrostatic precipitators for the biomass boilers and lime kiln operations.



♻️ THE MERCER WAY:

We are 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. We are active with regulators and local communities to discuss improvement opportunities that include eliminating odors that impact our local communities. Our Environmental Policy supports the evaluation of potential risks to ensure these are addressed with a proactive approach.

KPIs:

Effluent and Wastewater

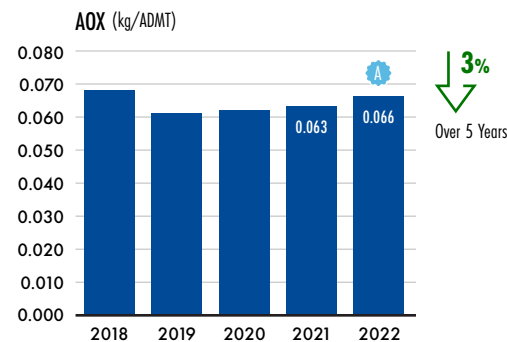
★ SIGNIFICANCE:

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. Effluent emissions are important parameters in monitoring the performance of our wastewater treatment plants. They are indicators of process controls and the efficiency of our mills' mechanical and biological effluent treatment systems. 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:

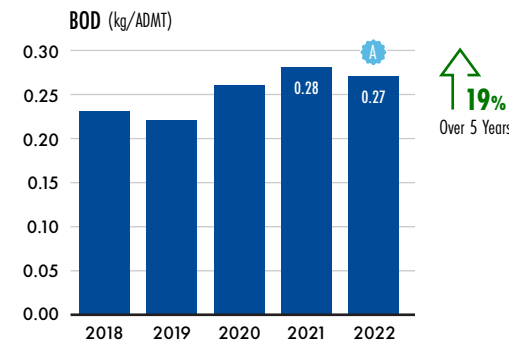
AOX (Absorbable Organic Halogens)

AOX is a measure of halogens bound to the organic compounds present in the effluent discharged from a mill.



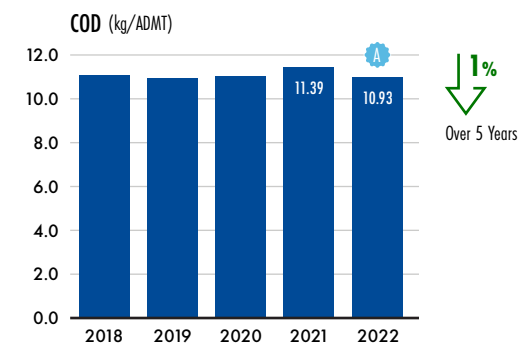
BOD (Biochemical Oxygen Demand)

BOD is a measure of the amount of oxygen required by microorganisms to break down organic matter in water. It is used to assess the amount of organic matter present in the effluent discharged from a mill and the short-term impact on the oxygen levels of the receiving water. Increases in 2021 and 2022, compared to prior years, were largely driven by our Mercer Peace River pulp mill, which experienced extended downtime in 2021, as well as operational upsets in 2021 and 2022 that negatively impacted the performance of the mill's effluent system.



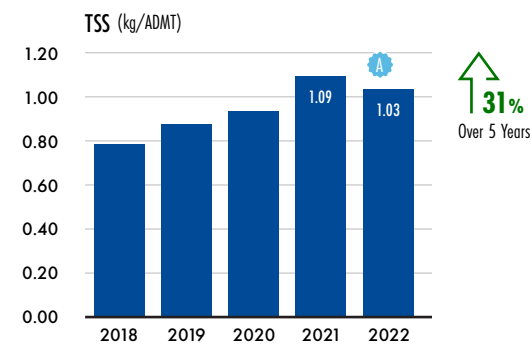
COD (Chemical Oxygen Demand)

COD is a measure of the amount of organic compounds that can be oxidized by a strong oxidizing agent under acidic conditions. It is used to assess the amount of organic matter present in the effluent discharged from a mill.



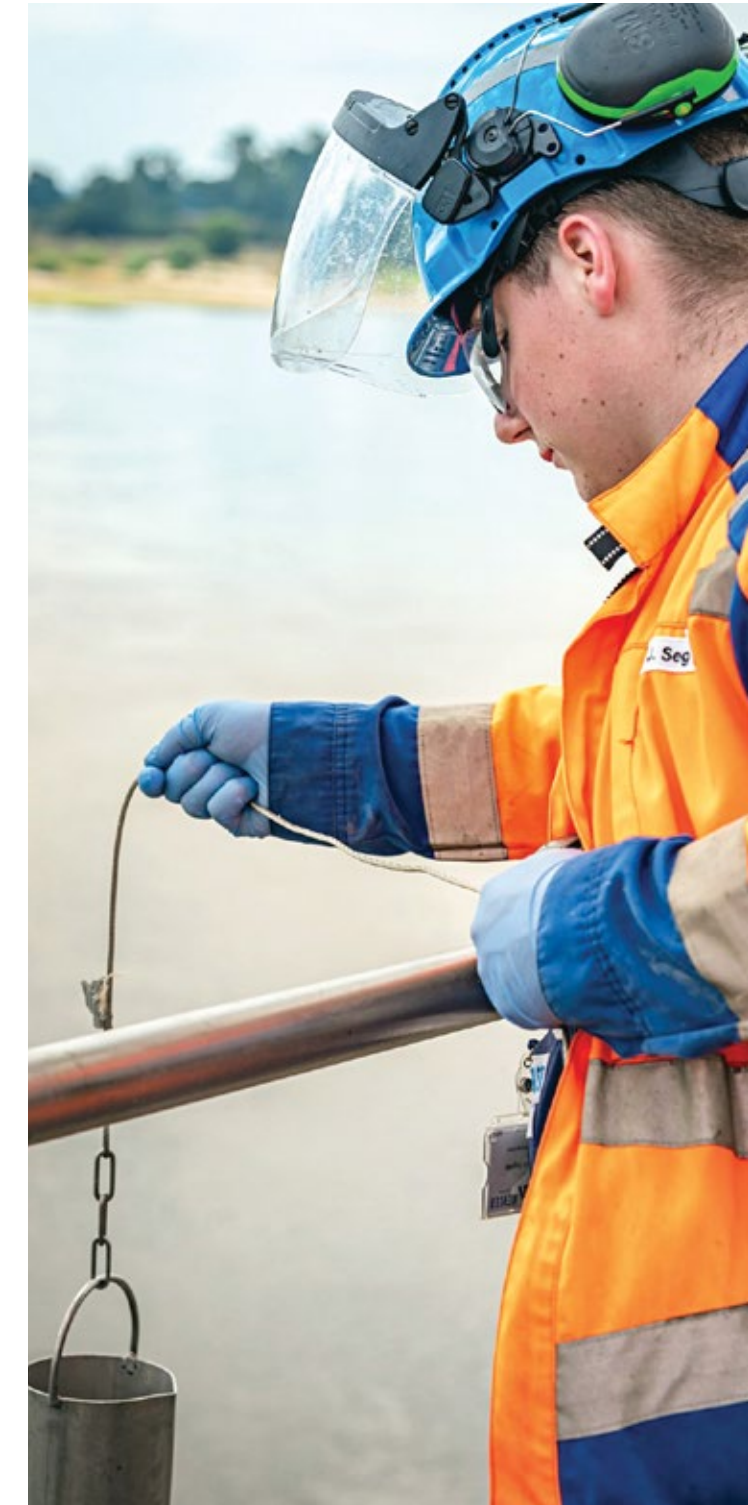
TSS (Total Suspended Solids)

TSS is a measure of the amount of suspended solids in the effluent discharged from a mill. The increase in TSS load per tonne of pulp in 2021 and 2022 was largely driven by our Mercer Peace River pulp mill, which experienced extended downtime in 2021, as well as operational upsets in 2021 and 2022 that negatively impacted the performance of the mill's effluent system.



🏠 THE MERCER WAY:

Our continuous improvement approach to effluent quality is based on employing best practices and investing in the best available technology to ensure our mills operate modern plants that exceed regulatory requirements and minimize environmental impact. 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 Stendal 740, are designed to include effluent quality improvement initiatives to ensure these expansion projects reduce our overall environmental footprint.



**CONTINUOUSLY
IMPROVE
ENVIRONMENTAL
PERFORMANCE**

6 CLEAN WATER
AND SANITATION



15 LIFE
ON LAND



OPERATIONAL GOALS 2030 ASPIRATIONS

2022 PROGRESS

2023 TARGETS

	OPERATIONAL GOALS 2030 ASPIRATIONS	2022 PROGRESS	2023 TARGETS
MERCER CELGAR	Improve effluent health	Year-long trial to move from “conventional aeration” to “extended aeration” ongoing	To reduce effluent BOD (by 5 tonnes) and COD (by 300 tonnes) from 2022 total (5% reduction)
MERCER FORESTRY SERVICES		Second winch and carrier added to better harvest steep slopes with less trail construction and site disturbance	To introduce wheeled harvester/forwarder team to commercial thinning application
MERCER HOLZ	Reduce risk of environmental impact	80% of trucks and harvesting equipment operating on bio-hydraulic oil	To have 100% of trucks and harvesting equipment operating on bio-hydraulic oil
MERCER MASS TIMBER		All forklifts capable of using bio-hydraulic oil converted	To reduce residual material overflow by installing curtains on inbound and outbound truck bins
MERCER PEACE RIVER	Reduce waste disposal	Waste reuse target land applications met or exceeded for bone dried tonnes, wood ash and hot lime	To secure regulatory approval for waste management practices
MERCER ROSENTHAL	Reduce wastewater COD	Up to 15 liters per second of hot water replaced with additionally stripped condensate	To complete a feasibility study on recirculation of wastewater partial stream to replace fresh water
MERCER STENDAL	Reduce waste disposal	Six Sigma CIP to improve green liquor dregs finalized	To reduce lime carryover into dregs
MERCER TIMBER PRODUCTS	Improve air quality	New filter system for waste gas in place; work on waste gas control system ongoing	To complete a project on waste gas control system
MERCER TORGAU		The Torgau facility was purchased in September 2022	To complete installation of the formaldehyde scrubber for block production
SANTANOL	Minimize chemical usage	The Melon plantation fenced to accommodate 900 goats, eliminating herbicide use over 360 hectares	To achieve the Union of Ethical Biotech (UEBT) certification and increase goat herd to 1,000



Elimination of process waste



4 Mitigate Climate Change

Our commitment to producing forest products that provide fossil-free solutions for society drives our ambition in every aspect of our business. These alternative products and processes are keeping carbon locked in the forest products we make and replacing fossil-based products in the market.



Building a Low-Fossil Future from Wood

Nick Milestone smiles when asked about the environmental benefits of the cross-laminated timber (CLT) now rolling out of Mercer Mass Timber's high-tech factory near Spokane, Washington. "We're building large structures using engineered wood from sustainable sources," the Director of Project Execution explains. "Wood is a carbon sink — it sequesters carbon from the environment — and with CLT, we're locking up the captured carbon in wooden buildings." Those buildings previously would have been made mostly of steel and concrete, both of which require large quantities of fossil fuel energy to produce, so the planet benefits twice.

"Mass-engineered timber has been around in Europe since the 1950s, and CLT specifically since the early 2000s," says Nick, adding that it wasn't until 2016 that

CLT caught on in North America. "Over the next 10 to 15 years, we're going to see a huge, exponential change over here. CLT is a real game-changer."

We bought the brand-new 270,000-square-foot facility in 2021. At full capacity, the factory can produce 140,000 cubic meters of CLT a year, worth some \$300 million in a burgeoning North American market. MMT not only manufactures CLT panels in a variety of lengths and thicknesses that are custom-cut to match the building design, it also works as part of the client's construction team from start to final installation.

Used primarily in multifamily residential, commercial and industrial building construction, CLT will never entirely replace steel and concrete. Hybrid buildings, however, are becoming more

common. "For example, we're starting to see a lot more structural steel frames being used with CLT floors," says Nick. Developers benefit from a building that's far lighter and quicker to construct and can be built beyond the current 18-story limit for wood structures.

There are other benefits too, Nick explains. Mass timber makes for tighter buildings with less air leakage, which means they stay warmer in winter and cooler in summer. Over the building's operational life, this represents a significant reduction in energy costs. "Wood buildings reduce carbon emissions not just in construction, but also in operation — a twofold reduction."



Responding to Climate Change




A common view holds that the best thing we can do to mitigate climate change is to stop harvesting forests and allow them to sequester carbon. However, sustainable, well-managed working forests can actually do a better job of maintaining — even increasing — carbon stocks while locking carbon in harvested wood products and other materials that replace carbon-intensive materials like concrete, steel and single-use plastic. “I’m excited to work for a company that’s part of the climate change solution,” says Bill Adams, Vice President, Sustainability and Innovation. “The better we manage our forests and replace carbon-intensive materials with sustainably managed harvested wood products, the greater the mitigation benefit to society.”

ASKING “WHAT IF...?”

As a committed supporter of the Task Force on Climate-related Financial Disclosures (TCFD), we conducted our 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: Net Zero 2050, Delayed Transition and Current Policies. These climate scenarios provide the base narratives for our climate scenario analysis. We worked with BSR to extend each narrative by exploring how a range of business-relevant topics might play out in each of these scenarios. “We wanted to know what sort of impacts these changes would have on our business, and what strategies and initiatives we would need to be successful in a future world that could be radically different,” says Bill.

The three scenarios have a 2050 horizon year and are differentiated by three key design choices relating to long-term policy, short-term policy and technology availability.

	 CURRENT POLICIES	 NET ZERO 2050	 DELAYED TRANSITION
SCENARIO	<p>2020 policies are followed with little government or business action. Global attention turns to adaptation. Despite this, investment in low-carbon energy remains slow, with limited investments in energy efficiency and ongoing coal and oil additions.</p> <p>Severe climate impacts and ecosystem collapse — with large-scale and increasingly persistent physical changes like sea-level rise and desertification — lead to global tensions and competition for resources.</p>	<p>2020 policies are drastic but successfully coordinate global climate justice, reskilling programs and climate reparations. The cost of this action in the 2020s is high, with many industries shuttered and the location and types of jobs changed.</p> <p>Industries and job markets shift to more green technology, backing policy action and changing consumer preferences. High use of carbon capture and storage, with high levels of transparency and ambitious action from global regulatory institutions, takes place.</p>	<p>2030 policies are hasty and reactionary to rapidly halt GHG emissions and make up for time lost to previous inaction. The disorderly approach comes at high social and economic costs.</p> <p>Businesses face significant transition risks, including mandates to rapidly reduce emissions. This too comes at high social and economic costs, with impacts lessening mid-century.</p>
TEMPERATURE ASSUMPTION ¹	Aligned to 2°C of warming by 2050 and at least 3.3°C by 2100	Aligned to +1.6°C by 2050 and leveled trajectory	Aligned to +1.8°C by 2050 and leveled trajectory
IMPACT OF PHYSICAL RISKS	High	Low to medium	Low to medium
IMPACT OF TRANSITION RISKS	Low	Low to medium	Medium to high
POLICY REACTION	None	Immediate and smooth	Delayed
RATE OF TECHNOLOGY CHANGE	Slow	Fast	Slow to fast
USE OF CO ₂ REMOVAL	Low	Medium	Low
VARIATION IN REGIONAL POLICY REACTION	Low	Medium	High

¹ Above pre-industrial levels by 2100.

Following interviews with more than a dozen participants from across our company, the analysis brought together a cross-functional group of internal stakeholders. This group validated the risk and opportunity assessments, testing strategy against different future possibilities and generating ideas to enhance our resilience.

The strategy was refined around six areas that we believe may incur climate-related risks as well as opportunities across all scenarios: our operations, risk management, finance and business strategy, forest management, sustainability, and sales and logistics.

By analyzing these functions, we have highlighted three hotspots for further exploration:

HOTSPOTS

1 OPERATIONS & LOGISTICS

- Risks related to extreme weather events (floods, wildfires, droughts) can impact access to raw materials, operations and transportation (causing physical impacts to infrastructure, increasing fuel energy costs and logistical challenges).
- Impacts to our mills and operations, including possible production disruptions, may result in higher maintenance and insurance costs.
- Physical impacts to transportation and infrastructure may challenge our ability to transport key supplies and get products to markets.
- Low-carbon transportation and energy options will be needed for the transition to net zero.

2 WOOD SUPPLY MANAGEMENT

- Access to quality fiber in areas that are in sufficient proximity to our mills must be competitively acquired. Significant risks are involved as forests respond to physical climate impacts, including increasing wildfires, disease and insect damage.
- Wood supply is scarce due to competition, set regulations and climate impacts. Strong and secure procurement programs for sustainable timber are required to ensure continued supply.
- Investment in strategic planning for sustainable supply will include working with landowners to ensure sustainable forest management that is resilient to climate-related risks.

3 PRODUCT INNOVATION & BUSINESS MODEL TRANSFORMATION

- Innovation is needed to manage challenges related to the potential changes in end-use segments for pulp-based products.
- Investment in research and development and alternative biochemical materials like lignin will help us ensure demand through the transition.
- “First mover” opportunities in innovation exist when it comes to securing customers, remaining competitive in the market and staying ahead of potential regulations.
- Challenges may arise from moving quickly, given the large capital costs required for innovation.

Bill cites a recent example of our response to climate change directly related to the first hotspot (operations and logistics), when an “atmospheric river” in British Columbia produced extreme storms that cut off routes

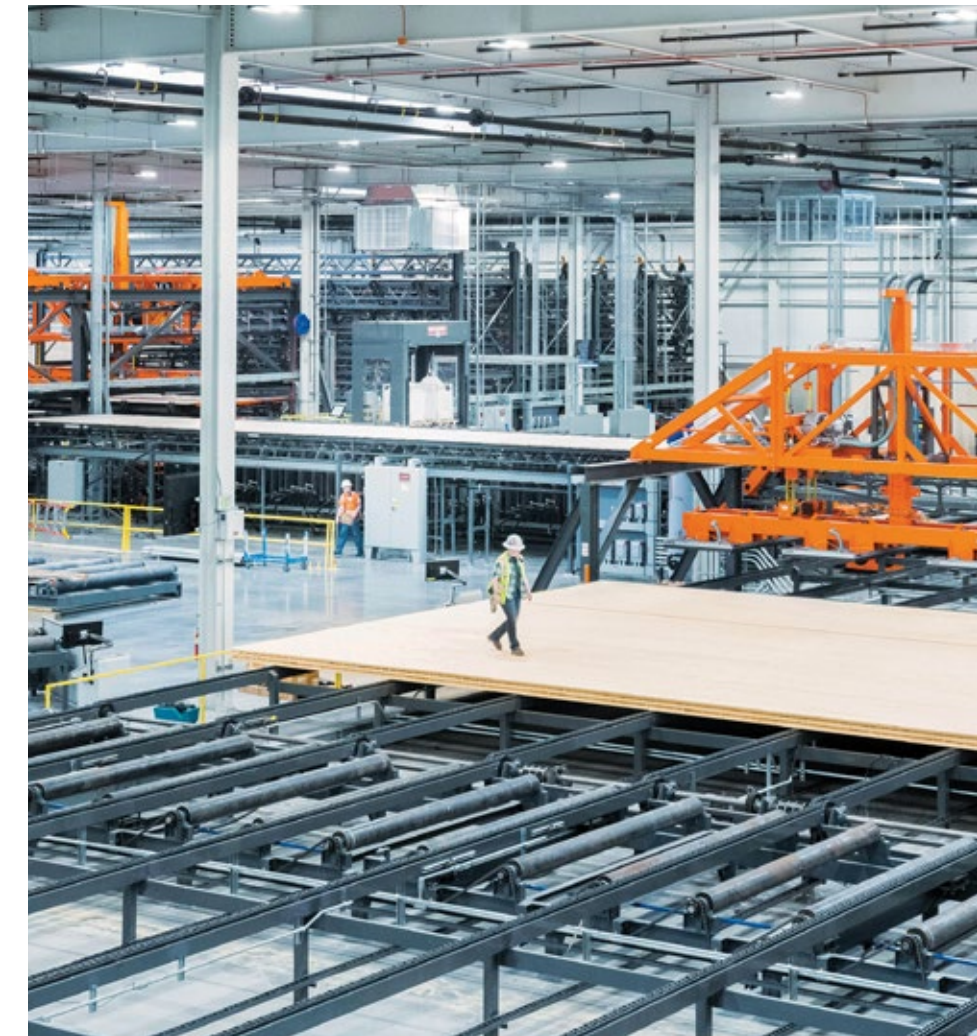
we routinely use to transport our products. “We relied on an alternate corridor through Washington State, which we will be sure to maintain in case of future logistical issues.”

SETTING CLIMATE CHANGE TARGETS

We strive to be an industry leader in mitigating climate change. As one of the first North American forest products companies to have our climate change targets validated by the Science Based Targets initiative, we aspire to a 35 percent reduction in both direct and indirect greenhouse gas (GHG) emissions by 2030. The year 2022 was a particularly challenging one due to the energy crisis in Europe, caused by the war in Ukraine, which forced a switch to more carbon-intensive fuel in our German operations. “Emissions actually increased in 2022,” says Bill. “But our validated targets by SBTi reinforce our commitment to a net-zero pathway.”

TANGIBLE REWARDS

“Our commitment to our climate change mitigation goals is also demonstrated by our recent ESG-linked credit facility,” Bill adds. In 2022, we secured a new €300 million revolving credit facility with a syndicate of banks for our German subsidiaries. The new credit facility has a five-year term and is “sustainability linked.” The sustainability-linked feature is consistent with our long-term ESG objectives, as validated by the Science Based Targets initiative.



DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

We have responded to SBTi’s urgent call for corporate climate action by committing to align with 1.5°C and net zero through the Business Ambition for 1.5°C campaign.

Alberta Climate Impact Assessment



We are conducting a detailed scientific study, nearing completion at the time of writing, to develop a framework to account for the carbon footprint of the forest sector in our Peace River area of influence in northwestern Alberta. The study uses a holistic approach, explains Gord Whitmore, Land Management Superintendent at Mercer Peace River. “Think of three buckets,” he says, an approach initiated by our Vice President of Sustainability and Innovation, Bill Adams. The first bucket seeks to understand the carbon balance in the forests that supply our wood fiber. Given their growth and decline over time, plus natural disturbances and harvesting, did the forests gain or lose carbon? To answer that question, we’re using an internationally recognized carbon budget model developed by the Canadian Forest Service — the Generic Carbon Budget model. A spatial version of the CBM-CFS3, it accounts for the flow of carbon between the various carbon pools in a forest, including aboveground vegetation, forest-floor litter and soils.

“Research shows that a younger, faster-growing forest is going to sequester more carbon than an older forest that’s suffering from fires, blowdown, insects and disease,” says Gord. “And if it’s properly managed, a sustainable, working forest can have a better carbon budget than one left to nature.” It reduces the risk of fire and, thus, carbon loss. Plus, through harvesting, it locks carbon in the wood products generated.

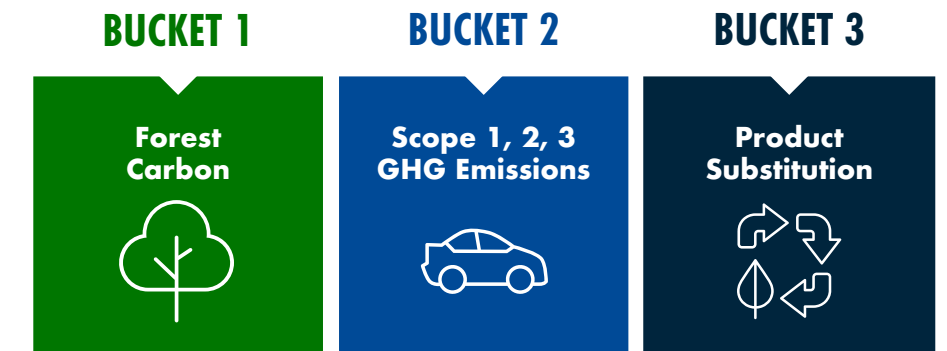
The second bucket includes GHG emissions within our supply chain, including harvesting, transportation and processing of products. “Our carbon footprint extends beyond the forests we directly manage. It includes the GHG emissions of companies that use wood fiber from forests under our care to produce products at their facilities, as well as supply fiber to our mill from forests under their care,” explains Gord. “We have to look at their carbon impacts too.”

Bucket three accounts for the benefits of product substitution and how forest products can take the place of more carbon-intensive alternatives such as steel, concrete or plastic, further reducing greenhouse emissions while also storing carbon in forest products. The numbers generated in each bucket combine for an overall carbon impact.

“I expect that it will be a step forward in our ongoing development of a framework to account for the contribution of the

forest sector to the global carbon budget,” says Gord of the study, which was conducted by independent consultants Gary Bull, former Director of Forestry at the University of British Columbia, and Dr. Jeremy Williams of ArborVitae Environmental Services. The project was guided by an independent scientific advisory board of experts in carbon flux assessment, carbon accounting, peatland carbon, life cycle analysis of forest products and the wood supply chain.

THREE CARBON BUCKETS

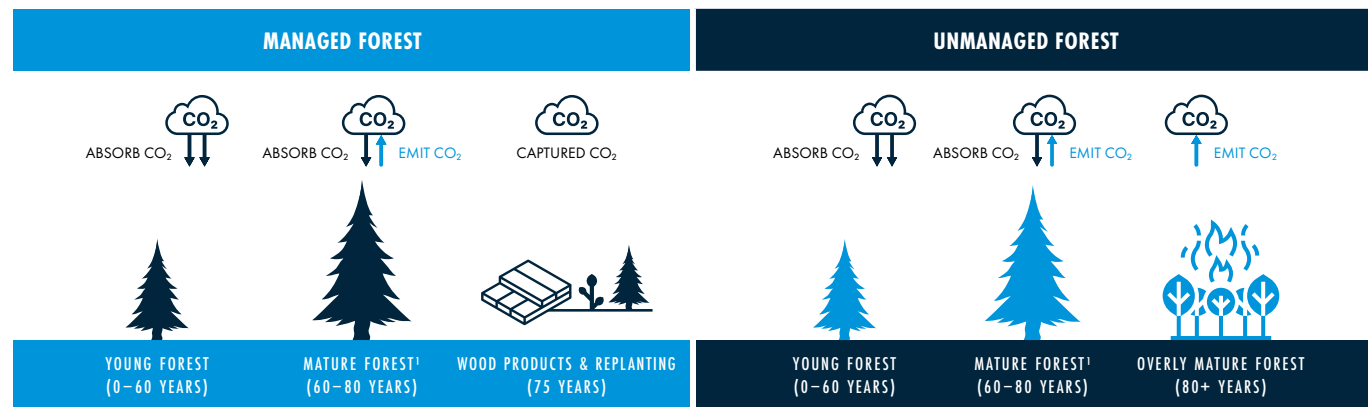


FIBER CARBON SEQUESTRATION

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



PRODUCTS FROM A TREE							
WOOD % ALLOCATION	50% WOOD	25% GREEN ENERGY/ BIOCHEMICALS		25% RESIDUALS			
CO ₂ CAPTURING/ DISPLACING PRODUCTS	Lumber & CLT	Lignin extractives	Electricity	Paper packaging	Graphic paper	Specialty paper	Tissue
PRODUCT YEARS OF CO ₂ HELD	50–100 years	1–100 years	0–0.5 years	2–15 years	5–10 years	2–5 years	0–1 year
	Displaces steel and concrete construction materials	Displaces fossil-fuel-based chemicals	Displaces fossil fuel energy	Displaces plastic packaging and results in fewer fossil fuels	Recycled into packaging that displaces plastic packaging	Displaces fossil-fuel-based synthetic fibers and plastics	



¹ The age range for a mature forest depends on species-specific growth characteristics and site conditions.



SCOPE 3 GREENHOUSE GAS EMISSIONS 2022¹

We are committed to collaborating with our customers, suppliers and supply chain partners and aspire to achieve a 35 percent reduction in direct and indirect 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 and European forests



Chemicals for kraft pulping

CATEGORY

- 1 Purchased Goods and Services**
249,823 (tonnes CO₂e)
Chemicals and wood fiber are the two main purchased goods
- 2 Capital Goods**
118,538 (tonnes CO₂e)
Capital investment at the Mercer mills
- 3 Fuel- and Energy-Related Activities**
86,287 (tonnes CO₂e)
Natural gas and diesel purchases, including emissions from the extraction, production and transportation of fossil fuels used at sites
- 4 Upstream Transportation**
104,461 (tonnes CO₂e)
Emissions from the transportation of chemicals and wood fiber from forests and sawmills



SCOPE 1 & 2 EMISSIONS

Mercer Manufacturing

Scope 1 Emissions
449,876 (tonnes CO₂e)
Direct fossil-based emissions at Mercer operations

Scope 2 Emissions
15,228 (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 & End-of-Life Treatment



CATEGORY

- 9 Downstream Transportation and Distribution**
188,830 (tonnes CO₂e)
Emissions from transporting our products to our global customers
 - 10 Processing of Sold Products**
729,599 (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**
178,015 (tonnes CO₂e)
Emissions related to the end-of-life treatment of sold products, including recycling, incineration and landfill
- Global Customers**

DIGITALIZATION OF THE WOOD INDUSTRY

Every day, our German forestry operations team loads and unloads 500 trucks and up to 15 freight trains carrying wood chips and logs on behalf of our German production sites. To ensure communication between production, logistics and purchasing is transparent, the LoOp (logistical optimization) project launched in 2020. Its aim is to make the processes between the departments and operations more efficient, increasing the number of possible deliveries.

To support LoOp, we applied the time-management system RampMan and adapted it to Mercer Holz's requirements, then integrated it into our IT systems. Using RampMan, Mercer

Holz and drivers from other forwarding companies can book time slots at their destination to load and unload, preventing long waits from simultaneous arrivals. In the case of traffic delays, the system reschedules the delivery appointment. In addition, RampMan provides drivers with all necessary information about the delivery. This systematic structuring and event-based adaptation will add many more time windows, aligning with the defined goal of the LoOp project.

The project got underway in February 2022, with important interfaces and functions now implemented, including the first QR code

scanner installed at the entrance of Mercer Rosenthal's wood chip yard, allowing drivers to transmit all relevant data via the RampMan app. The app is taking shape and is available with essential interfaces. A pilot phase is underway; by the third quarter of 2023, all process participants should be able to work with RampMan and the associated apps.

Optimizing transportation logistics provides both competitive benefits and improvements in our Scope 3 emissions.



¹ Does not include Mercer Torgau as we acquired the facility in 2022. Historical Scope 3 emissions recalculated against the most recent methodology in order to ensure comparability. Scope 1 emissions include only the four pulp mills.



VEHICLE ELECTRIFICATION

Mercer Stendal has embraced electric vehicles as a mode of transportation. Not only are they climate friendly, they are virtually silent, have no exhaust smell and provide a unique driving experience. And thanks to the mill's charging station, which fuels vehicles with 100 percent bioelectricity from renewable sources, they can be truly emission-free, making a significant positive contribution to the climate and the environment.

The mill's charging station is an intelligent 22 kW DC type II, compared to the 11 kW DC stations now in use for 98 percent of electric vehicles on the market. That means Stendal's one charging station can provide the same energy output as 14 traditional stations. The Stendal station also contains a calibrated electric meter, which is part of an intelligent load-management system. As we look to expand the system, the goal is for electricity to be divided so we can prioritize vehicles with the lowest charge.

Team members who drive electric vehicles can ask for their access card to be configured to activate the charging station. Guests visiting the mill can also charge their vehicles with green electricity by taking advantage of all the common payment systems on the market.

The mill continues to gather data on the experience of the first charging station, focusing on topics like fluctuation, billing and increasing e-mobility. To further expand, Stendal plans to install additional stations to create more charging areas once a stronger supply line is in place.

KPIs: Mitigating Climate Change

★ SIGNIFICANCE:

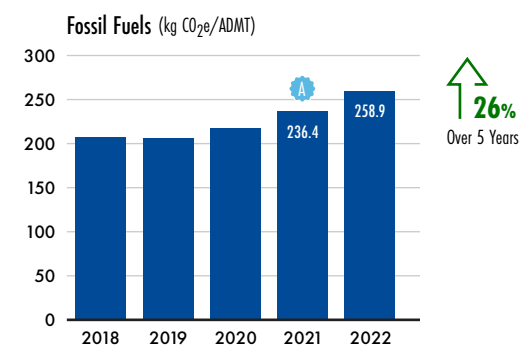
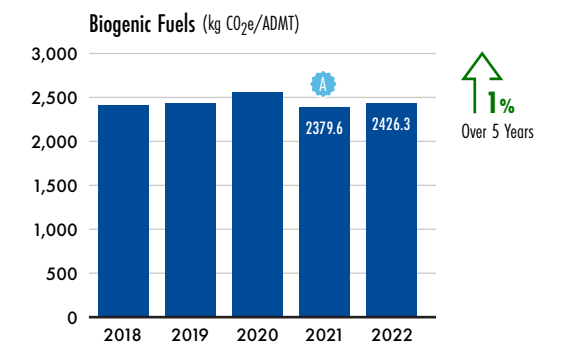
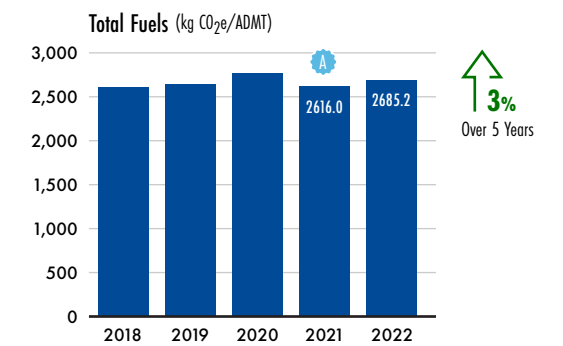
We believe climate change is one of the greatest threats facing the environment, society and the global economy. Rising temperatures impact biodiversity, threaten our communities and bring increased risk to our business and the global economy. The UN's Intergovernmental Panel on Climate Change warns 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 (carbon regulation, new technology and taxation) and opportunities through the unique role of wood-based products in mitigating climate change.

▶ GOALS:

We have committed to achieving a 35 percent 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.

◎ PROGRESS AND TARGETS:

Natural gas is the primary fossil fuel consumed in our operations, used to fuel lime kilns and supplement biomass fuel in our boilers during operational upsets. During 2022, the reduction in natural gas supply in Germany, resulting from the Ukraine war, forced our German operations to rely more heavily on light fuel oil, which has a higher emission factor than natural gas. Our pulp mill operations set goals in 2022 to reduce GHG emissions intensity by 5 percent from the 2019 baseline and to further develop our decarbonization strategy to replace natural gas in our kilns with biofuels.



Ⓜ THE MERCER WAY:

We are committed to eliminating the use of fossil fuels at our operations by 2050 and are a signatory to the Science Based Targets initiative to ensure we are transparent in our net-zero carbon journey. Our products provide nature-based solutions that replace fossil-based alternatives. In addition, we complete an annual comprehensive Scope 3 GHG emissions evaluation to quantify the climate change impact of our supply chain and identify opportunities to reduce GHG emissions through collaboration with our customers and supply chain partners.

**MITIGATE
CLIMATE
CHANGE**

7 AFFORDABLE AND
CLEAN ENERGY




13 CLIMATE
ACTION



OPERATIONAL GOALS 2030 ASPIRATIONS

2022 PROGRESS

2023 TARGETS

	OPERATIONAL GOALS 2030 ASPIRATIONS	2022 PROGRESS	2023 TARGETS	
MERCER CORPORATE	Continue to develop decarbonization strategy		To submit 2022 GHG emissions results to SBTi	
MERCER CELGAR	 <p>Reduce CO₂e emissions by 35%</p>	Project to reduce variability at the digester, directly reducing the proposed use of natural gas, ongoing	To reduce emissions to 268 kg CO ₂ e per ADMT; to achieve renewable energy generation of 422,509 MWh	
MERCER FORESTRY SERVICES		16% of heavy equipment fleet upgraded to Tier 4 emissions standards	To upgrade an additional 8% of heavy equipment fleet and 12% of trucking fleet to Tier 4 emission standards	
MERCER HOLZ		E-trucks researched to calculate CO ₂ e emissions per solid cubic meter per kilometer	First e-trucks to run between Mercer Rosenthal and Mercer Timber Products	
MERCER MASS TIMBER		Battery-operated vehicles implemented; energy-efficient factory truck purchased for maintenance	To analyze past and current HVAC reliance/use for the factory; to identify areas of overuse	
MERCER PEACE RIVER		Climate change assessment and analysis completed; adaptation strategies identified	To reduce emissions to 340 kg CO ₂ e/ADMT; to achieve renewable energy generation of 360,396 MWh	
MERCER ROSENTHAL		Lignin extraction demonstration plant installed	To start the lignin plant in Q3 2023; to reduce emissions to 135 kg CO ₂ e/ADMT; to achieve renewable energy generation of 388,232 MWh	
MERCER STENDAL		Project plan for decarbonization of lime kiln completed	To reduce emissions to 111 kg CO ₂ e/ADMT; to achieve renewable energy generation of 919,948 MWh	
MERCER TIMBER PRODUCTS		Increase electric efficiency of power generation	Additional EV charging stations installed	To achieve renewable energy generation of 81,763 MWh
MERCER TORGAU		Reduce plastic packaging for biofuels by 30%	The Torgau facility was purchased in September 2022	To test new, thinner packaging foil in production and roll it out with the supplier
SANTANOL		Reduce GHG emissions	High-mileage vehicles replaced with efficient diesel utility vehicles, reducing fuel consumption per vehicle by ~50%	To reduce diesel usage per hectare by 5% (excluding harvest)



5 Continuously Improve Resource Efficiency

The forests and trees we utilize are prized natural 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 optimize our operations and our use of fiber.



Fiber Efficiency at Torgau



In September 2022, the Torgau sawmill in northwestern Saxony, Germany, became the newest addition to the Mercer family. As well as being the largest pallet manufacturer in Europe, the mill produces high-quality biofuels from sawdust (such as briquettes and pellets), plus bioenergy from hog fuel for heat and electricity.

One reason for the acquisition is its location. “The Torgau operation is almost at an equal distance from our pulp mills at Stendal and Rosenthal,” says Brian Merwin, Vice President, Corporate Development. “That allows us to optimize the forest resources we use, ensuring the most appropriate fiber goes to the best location. We can get the highest-value use from all parts of the tree: lumber, pulp and, now with Torgau, pallets and biofuels from materials that aren’t necessarily good for pulp production.” That’s value not just in dollars and cents, but in carbon savings.

Securing our fiber access is another major benefit. The opportunity to produce a wider assortment of products,

not just pulp and energy, is a third. “We can use the sales channel we have already developed for the Friesau sawmill for products from Torgau, but in a much higher volume,” explains Dr. Carsten Merforth, Chief Operating Officer, Wood Products. “It’s beneficial in terms of fiber efficiency, but also yield of fiber and optimization of value flow.”

Carsten is enthusiastic about the newest addition to the portfolio of mills he oversees. “It’s an interesting challenge to take a business that was under private-equity management for several years and integrate it into the existing structure of a company like Mercer. After just a few months, we’ve already made good progress. It helps to have a really good team in place. And I think the Torgau people are happy to have finally found an investor with a proven track record in developing sawmills and a strong culture of sustainability.”



BUILDING A CULTURE OF CONTINUOUS IMPROVEMENT

At Mercer, the idea of continuous improvement covers multiple areas — from resource efficiency to environmental performance, health and safety to product quality and business costs. “We operate in a very competitive landscape where quality expectations, environmental performance expectations and costs are always growing,” says Bill Adams, Vice President, Sustainability and Innovation. “If you don’t have a successful continuous improvement process, you can fall behind.”

In 2021, we began the Continuous Improvement Project (CIP) to embed this way of thinking into our culture, explains CIP Lead Björn Pecker. “The ‘P’ in CIP stands for not just a project or a process. It’s a philosophy. We are developing a common language of continuous improvement between all of our operations,” he says.

This thinking has led to tangible improvements in many areas. At our Celgar mill, careful inspection of one of the pulp machines identified a steam profiler that was nearing

the end of its life. The profiler is used to raise the temperature of pulp while it is pressed to remove water, and since the machine was replaced in 2022, steam consumption is expected to drop by three to five tonnes per hour — a savings of \$250,000 a year. As a second benefit, the mill will be able to produce more electrical power for the national grid, offsetting potential CO₂e emissions from the use of natural gas. “It’s a great example of our ambition to improve energy efficiency at the Celgar mill,” says Bill.

Another example comes from our Stendal mill, where a continuous effort to improve operations led to a significant reduction in the consumption of sodium hydroxide during white liquor oxidation production. Not only does this reduction save a million euros a year, it also provides considerable environmental benefits: fewer chemicals mined and processed mean savings in GHG emissions in our supply chain and less chemical waste in landfills and waterways.

One of Björn’s challenges is to develop an effective process for mills to share improvement ideas and initiatives — even those that were tried and didn’t work. “At Mercer, we have people with the skills and capability to continuously improve all our operations,” he says. “We have to use this resource effectively.” To achieve this, we have set up process-coordinator groups that meet regularly, although Björn admits that more work is needed to improve our approach. “There are different areas of expertise in each mill when it comes to continuous improvement. It only works if people are constantly thinking about how we can improve things.” Promoting CIP across Mercer is the first step.



THE EVOLUTION OF THE PEACE RIVER WOODROOM

In the early 2000s, Mercer Peace River began trialing portable chipping as part of its efforts to increase fiber use while decreasing associated costs, especially transportation. Very quickly, production results were so positive that the woodroom was decommissioned in 2004.

Eighteen years later, not only has transportation become more efficient but so has debarking and chipping technology, allowing for a higher yield of fiber from the aspen in our forest management area. "With improvements to the woodroom model that are thanks to new technology, we expect better chip quality, as well as an increase in hog fuel due to higher-quality bark, or hog, coming off the logs," says Roger Ashfield, MPR's Managing Director.

"In the previous process, there was an energy density loss," explains Roger. "Collecting hog from the portable chipping process also meant collecting debris from the forest floor, or hog that would begin to decompose, therefore affecting the quality. With the new process, hog will never touch the ground, meaning it's cleaner and, therefore, more effective when it reaches the power boiler."

This reduces the amount of natural gas needed for the power boiler, due to the higher energy density produced in-house, adds Roger. "In fact, the woodroom will be powered entirely with this increased energy output."

Benefits have been seen not only in energy but in a reduction of the use of chemicals and an improvement of the final pulp product. "With the installation of new, best available technology, chips will be more uniform and controlled," says Roger. "This is better for operations, as it's easier to manage during the process and saves on the use of chemicals."

DID YOU KNOW?
Peace River Transport (PRT) is a fleet of 10-axle Mercer trucks that was established for the new woodroom. In transporting logs from the forest management area and chips from third-party suppliers to the mill — as well as delivering some of our pulp to customers — PRT has moved 795,000 metric tonnes of product since its launch in the spring of 2022.

DIGITALIZATION AND IMPROVING PROCESS CONTROLS

Although we are a global company, many of our operations have tended to follow separate processes and strategies, despite their goals being the same. But as we've grown, we've come to understand that in order to be fit for future, we must align these processes and strategies to drive greater operational efficiency, which in turn has a significant effect on our resource efficiency and environmental impact.

A key part of this alignment comes by embracing digitalization. That's why we've signed a long-term agreement with a leading global developer and provider of technology, automation and services to accelerate our global digital transformation program. This program aims to build a common distributed control system (DCS) for all sites, including connectivity solutions and a centralized control room.

A centralized control room provides greater efficiency, reliability and scalability. As a result, we'll benefit from better diagnostics and troubleshooting while reducing redundancies

and downtime. Using one platform to automate our processes makes us stronger and more competitive. By being allowed to use cloud storage more efficiently and connect our industrial Internet more securely, we maximize the usefulness of our data.

Kicking off the program is the replacement of the DCS at Mercer Peace River and Mercer Celgar with a modern, web-based user interface with centralized control, delivering real-time performance and analysis of advanced process controls around machines, safety, quality and more.

SUSTAINABLE USE OF WATER IN PULP PRODUCTION

The latest measures to reduce process water consumption at Mercer Stendal include the optimization of feedwater pumps and support bearings of the lime kiln to return cooling water to its circuit; the use of cooled blowdown water to precipitate exhaust steam and discharge ash; and a more advanced control system in the causticizing area. These changes annually save Stendal 1.9 million cubic meters of water.

Ongoing water-savings projects include:

Sealing water: We integrated a line to recirculate sealing water from the pumps into the fiberline and the evaporation plant, which reduces additional discharge into wastewater.

Cooling water: We optimized a heat exchanger in the lime kiln area to reduce cooling water consumption. Now the cooling water is also fit to be used in the circuit of turbine 2, saving us from using backwash water, previously run through additional filters.

Treated water: We modified the gas scrubber of the lime slaker so that condensate produced in the evaporation plant can be used in place of freshly treated process water.

Condensates: At the recovery boiler, we are modifying the soot-blowing system to feed condensates back into the system for reuse, reducing condensates discharged in wastewater. Stendal's goal is to treat all condensates this way.





WOOD MEASUREMENT DIGITALIZATION USING PHOTO OPTICS

Since 2016, one of our digitalization projects has been to obtain an automated and calibrated system for more efficient measurement of wood chips and roundwood, in both truck and rail transport.

After evaluating our current processes and meeting with suppliers, we selected DRALLE (a Danish manufacturer of advanced photo-optical stereo camera technology) and its prototype tScale system. Using photo optics, two sets of cameras (three for chips and seven for roundwood) determine the method of transport and its contents to calculate overall volume.

The test phase of the project has been in development since 2019. Currently, we have three prototype tScale arches: one at Mercer Rosenthal measures chips in trucks; two have been installed at Mercer Stendal, with the first gate measuring roundwood in trucks, and the second measuring both chips and roundwood in rail wagons. These measurement systems will undergo an approval procedure in 2023 and 2024 by the Physikalisch-Technische Bundesanstalt (PTB, or the National Metrology Institute of Germany).

The DRALLE tScale system offers a number of advantages. Measuring remains seamless whether delivery is by train or truck. During the measurement, the need for a uniform travel speed for the trucks and rail transport is lower than with methods that use rotating lasers. Incoming inspections are hastened, and the waiting time for vehicles is shortened. And finally, the fixed camera mounts mean less maintenance required for the system.

The PTB, comparable to the Canadian agency Measurement Canada, is the second important project partner and trusted with scientific and technical service tasks. The main focus in 2023 is completing the legal metrology approval procedure for measurements of the sub-process chips in trucks with the PTB, planned for the end of September.

The next phase in 2024 will include the further development of the roundwood process and the railcar process, plus the start of the legal metrology approval procedure for measurements of these two sub-processes.

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.

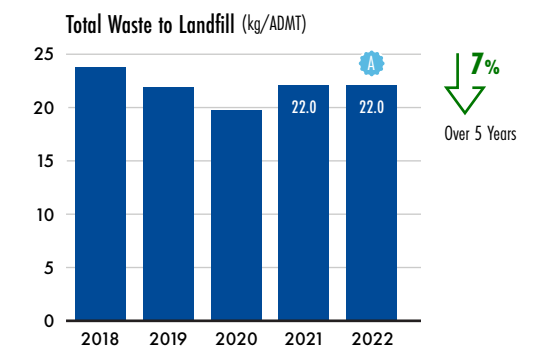
▶ GOALS:

Our 2030 aspirational goal is to eliminate solid waste from our landfills through capital investments, operational efficiency improvements and circular economy solutions to redirect our waste to create value-added opportunities such as soil enhancement.



◎ PROGRESS AND TARGETS:

Solid waste includes wood ash, recausticized dregs and lime waste deposited in our operations' landfills. Along with developing more robust measuring protocols, we have conducted a review of our waste streams and waste management to identify opportunities for waste reduction, including enhancing recycling and circular reuse options.



Ⓜ THE MERCER WAY:

We are 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 use the waste material as a feedstock in other manufacturing processes.

KPIs:

Responsible Water Usage

★ SIGNIFICANCE:

Water is an essential resource in pulp manufacturing. Our 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 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.

▶ GOALS:

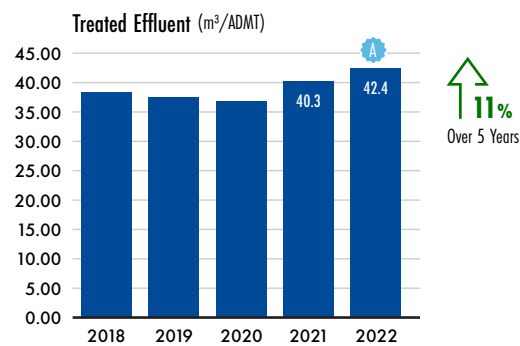
Reduce water consumption by 10 percent by 2030 from our 2019 baseline year. Each mill has continuous improvement activities designed to achieve this goal.



🎯 PROGRESS AND TARGETS:

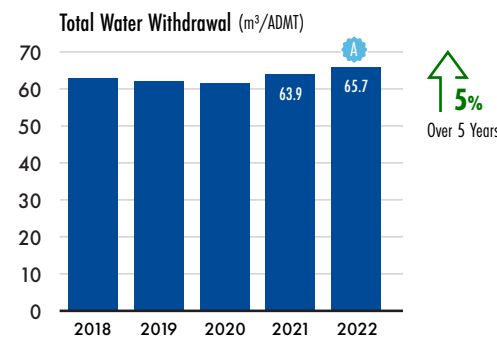
Treated Effluent

Treated effluent intensity has been stable since 2018, with marginal increases in 2021 and 2022 driven primarily by extended downtimes and corresponding reduced pulp production at our Mercer Peace River and Mercer Stendal mills in 2021 and 2022 respectively.



Total Water Withdrawal

Our process water volumes per tonne of pulp have been relatively stable over the past five years. 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. On average, we recycle water so efficiently that we return 90 percent of the total water withdrawn back to our rivers. Source water contaminated by sediment and chemicals (such as phosphorus) from agricultural runoff is thus replaced with clean water.



🏭 THE MERCER WAY:

Our mills are located in regions with sufficient water resources. We have 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.

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 CO₂e emissions from fossil-based energy production.

▶ GOALS:

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.



🎯 PROGRESS AND TARGETS:

- The power generated at our pulp mills is integrated into our kraft mill process for combined heat and power, representing the majority of our total energy consumption.
- In 2022, our pulp mills' electrical energy demand was 0.77 MWh per tonne, representing a 5 percent increase compared to our 2019 baseline year.
- Total electricity generation rose by 11 percent compared to 2021 and the percentage of electricity purchased from the grid decreased to normal levels in 2022 following extended outages at Mercer Peace River and Mercer Rosenthal in 2021.



🏭 THE MERCER WAY:

Continuously improving the energy efficiency of our manufacturing process and increasing the share of renewable energy is core to our energy management strategy. We use a mix of energy sources and strive to manage our energy resources responsibly. Our mills are focused on implementing operational process improvements to optimize the cogeneration plants that generate surplus renewable energy for the regional grids across Canada and Germany.

PULP MILLS

Energy Type & Amount	2019	2020	2021	2022
Total Energy (GJ/tonne)	36.4	36.6	37.3	37.1
From Renewable Sources (GJ/tonne)	32.6	32.4	32.4	31.8
From Non-Renewable Sources (GJ/tonne)	3.8	4.1	4.9	5.3
% Renewable	89.6	88.5	86.8	85.8
% Non-Renewable	10.4	11.3	13.2	14.2
Total Electrical Energy Demand (GWh)	1,371	1,371	1,285	1,330
Electrical Energy Demand or Intensity (MWh/tonne)	0.73	0.72	0.75	0.77
% Electricity from Grid	3.8	2.0	12.6	4.0
Electricity Generation (GWh)	2,141	2,239	1,826	2,028


**CONTINUOUSLY
IMPROVE
RESOURCE
EFFICIENCY**



OPERATIONAL GOALS 2030 ASPIRATIONS

2022 PROGRESS

2023 TARGETS

	OPERATIONAL GOALS 2030 ASPIRATIONS	2022 PROGRESS	2023 TARGETS	
MERCER CELGAR	Reduce waste material Increase wood recovery	 5% improvement in resource efficiency  10% reduction in water consumption	11 options for improvement in sludge dewatering circuit identified; implementation in 2025	To increase fiber efficiencies for yield improvement (reducing approximately 70,000 m ³)
MERCER FORESTRY SERVICES	Improve fleet management		Three trucks monitored with telematics added to the chip-hauling fleet	To switch to a more user-friendly telematics system with better tools for improving driver performance
MERCER HOLZ	Improve access to competitive wood supply		Construction and further planning of additional train terminals underway	To organize new processes to feed terminals and optimize rail logistics
MERCER MASS TIMBER	Increase wood recovery		Sander dust previously sent to landfill now captured with chips and savings, which are sent to a particle board plant	To engage a manufacturer to improve sortline scanning and grading; to decrease lumber loss/rejection
MERCER PEACE RIVER			Modern, efficient chipping plant constructed	To commission and complete a \$56 million modern woodroom
MERCER ROSENTHAL	Reduce energy consumption		Debarking supervisory controls started up in Q4, reducing wood loss	To improve yield from 5.19 m ³ /ADMT to below 5.1 m ³ /ADMT
MERCER STENDAL			Compressed air consumption minimized, reducing electrical energy for air compression by 30%	To implement 100 steam traps with a new design, reducing heat losses in the system
MERCER TIMBER PRODUCTS	Increase heat efficiency of belt dryer by 35%		Forklift traffic reduced by 33% and electrical and thermal energy reduced by 1.3% by converting sawn timber packages from 1.5 to 2 meters	To reduce total electric energy consumption in the mill by 3%
MERCER TORGAU			The Torgau facility was purchased in September 2022	To complete all six phases for a full revamp of the belt dryer
SANTANOL	Increase sandalwood oil yield		Natural pest control strategy (improved insect mix and reduced aerial chemical use) continued within green rows	To complete sandalwood desapping research with Italian machining manufacturer



6 Embrace Social Responsibility

Our business is built on people. In service of our employees, customers, suppliers, rightsholders and Indigenous community partners, we strive every day to deliver on our highest ideals of transparency, communication and fairness.



Steps in the Road to Zero Evolution



Learning from Near Misses

An active-haul road located in the forest north of our Peace River pulp mill was busy with night-shift traffic when a big skidder belonging to a third-party contractor rumbled into the mix. The bare-bones rig was a hasty replacement for another that had broken down, and with no radio onboard, it was in danger of colliding with a logging truck but didn't know it. Luckily, a Mercer employee flagged it down and radioed in its position before escorting the heavy machine to safety.

"Nothing bad happened," says Mark Goebel, our Vice President, Health and Safety, "so it might not have even been reported previously." These days, however, it's enough to alert Mercer worldwide.

The collision risk qualified as a Serious Injury or Fatality Potential (SIFp) event, resulting in a full investigation with the goal of identifying the root causes and

factors of the incident; consequently, we could make changes to our system that would prevent something more serious happening in the future. It was also an important learning moment for the whole company, as all SIFp events are now communicated systematically across the organization. Imagine the conversations that took place in all the work groups across Mercer when they collectively reviewed the incident and asked, "How could this apply to us and the work we do?"

"It's a fundamental paradigm shift for our company," says Mark. "While we're still concerned with behavioral safety and counting recordable injuries, the focus has shifted to incidents that have the potential to cause serious injury or fatality. By understanding SIFp precursors, we can be intentional about applying the right time and resources in our daily safety work to manage those risks accordingly."

Process Safety Management

A second shift in focus for us this year is to look more closely at process safety management (PSM), which is governed by strict international standards that require employers to identify, evaluate and control the hazards associated with high-consequence processes and chemicals. PSM applies to our pulp mills, but we're broadening the scope to also include all operations. "We're trying to get those operations to take as much care and concern about the condition of their facility and their equipment as they do for the safety behavior of their people," says Mark.

Of course, such changes don't happen overnight. Mark adds, "People in our operations are starting to expand the programs around process safety management. The SIFp concept is slowly being understood and applied. By late 2023, I believe we're going to start seeing the value of both of these changes."

A Challenging Year

In 2022, we incurred a major fire at Stendal that required the rebuilding of the entire chip conveyor system. Says Mark: "We have taken every effort to investigate this event and apply the learnings to improve our prevention programs and our ability to respond to emergencies and crises." A small measure of comfort in difficult moments.

DID YOU KNOW?

We believe all injuries are preventable, and Road to Zero charts our continuous journey to zero injuries. A global safety program for learning, prevention and education, it is available to all our team members so that they can gain skills and receive support in order to eliminate workplace injuries.



EMPLOYEE ENGAGEMENT AND DIVERSITY, EQUITY AND INCLUSION

Progressing the “People Agenda”

Guy Arguin joined Mercer as Chief Human Resources Officer in January 2022, following 16 years of leading HR teams for major international companies around the world. “It was a new position that didn’t exist before,” he says, “which just illustrates how Mercer wanted to progress its ‘people agenda.’” What he found was a company that had already made great strides towards that goal. “It was a fantastic foundation to build on.”

Advancing Diversity, Equity and Inclusion

We have been employing strategies to advance diversity, equity and inclusion since 2019. Local DE&I councils at each operation work closely with trade unions, works councils, employees and the local community, and a global council meets to ensure consistency across the company. Guy was impressed with the creative initiatives already developed at various operations, including posting employment opportunities on the backs of our trucks, hosting career fairs and sending specialists into high schools to help students understand our industry and discover career possibilities. But, he adds, “What was missing was a way to share these

stories and best practices between mills.” Beginning in 2022, we began taking steps to address that oversight.

“We’re currently reviewing our DE&I strategy. On diversity, we’re making good progress, but I think there’s work to be done around inclusion. An external provider is helping our thinking on that.” An initiative in 2022 was to join a Canada-wide group of senior executives, HR professionals, forestry industry association members, Indigenous community representatives and government leaders to progress the DE&I agenda and improve our access to a broader talent pool. It is important for us to play a key role in this initiative with all key stakeholders in our industry.

Engaging Employees

Following the encouraging groundwork laid by our first global and anonymous employee engagement survey, in 2020, we will conduct a second survey in 2023. Originally planned for last year, we had to delay it to comply with the new data protection legislation in Germany. “We wanted to launch the survey at the same time globally,” says Guy. “I think we’re better equipped this time in terms of engagement with our managers, trade unions and works councils.

We’re making sure all stakeholders feel more comfortable with the approach, understand the principles behind the survey and feel equipped to answer some of the questions that employees might have.”

Survey results will be presented across Mercer, from the board all the way to employees at each location. Focus groups will follow, leading to time-specific action plans. “People appreciate that we’re doing the survey to improve how we work, how we engage and how we’re making an impact on our employees across all parts of the company.” It is a fantastic opportunity for our employees to anonymously voice their opinion on a number of topics.

A Stronger, More Diverse Workforce

In keeping with our global 2030 aspirational goal that 30 percent of new hires be women, our DE&I committees have set their sights on current recruitment and retention practices. As part of this journey, Mercer Celgar set a goal to increase the number of women in the workforce by 10 percent by the end of 2022. Halfway through the year, that goal was exceeded, and by year’s end, Celgar’s workforce of women had increased by 14 percent. How? By going back to basics.

A close look at the language and imagery of our recruitment materials uncovered an opportunity to better embody the importance we place on diversity and inclusion. “Women are more likely to apply to a role if they can ‘see’ themselves in the job,” explains Rose Stewart, Communications Advisor. “So, we increased the visibility of female profiles in recruitment materials so that potential recruits could picture themselves joining a forest products manufacturing company that is committed to diverse talent.”

It worked. The mill saw the number of women applicants rise by more than 40 percent. To ensure inclusivity throughout the process, team members were invited to take 15dots training — a non-biased methodology for hiring — as preparation to sit on interview panels. “It uses a more objective scoring system,” says Rose, who received the training before joining panels for the mill’s Entry-Level Operator positions. “Rather than following one person’s first impression, it removes the bias that could have unconsciously come up during an interview.”

We look forward to seeing further progress from Mercer Celgar as it continues to recruit and grow, and we’ll be sure to continue sharing progress in DE&I from all the operations.



THE MERCER FORESTRY SERVICES TRAINING PROGRAM

Mentorship to Address Shortages

Skilled, safety-conscious drivers are an essential part of the Mercer Forestry Services (MFS) workforce. Yet for many years, a shortage of qualified drivers has been affecting industries throughout North America. To help fill the gap, MFS has partnered with Okanagan College and the British Columbia Forest Safety Council to provide mentorship for their joint Professional Industry Driver Training program. Here, students obtain their Class 1 license after completing courses on safety guidelines and related topics (such as fatigue management) in addition to participating in a four-week hands-on mentorship.

The mentorship program has allowed our drivers to share techniques and knowledge gained over many years. In one recent example, a mentee went on to join our team after completing the program. That success has cemented our partnership, and we look forward to bringing on more trainees.

Training a Future-Forward Workforce

Of course, the talent that we want to attract to Mercer extends beyond drivers. As is true for companies in multiple industries, an estimated 20 percent of our workforce will retire within the next five years. That's why it's so important that we expose people of post-secondary age (and younger) to the various opportunities in our industry — and at Mercer, in particular.

In a similar spirit, Mercer Celgar has been partnering for a number of years with Selkirk College's forestry program. Charlene Strelaef, Fiber Forester, consistently takes on students from the program to shadow her work; she also goes to local schools each year to present on careers in forestry (with a special focus on what women can do in the field). Also in Canada, Mercer Peace River is once again hosting mill tours for local high schoolers; the tours are customized depending on whether the student group is entering university or trade programs.

Mercer Stendal has been collaborating for many years with a number of universities that offer pulp and paper programs. An example is the University of Applied Science in Munich (the Hochschule München, or HM), where we regularly offer interesting topics for bachelor's and master's theses. The Mercer Fiber Centre — managed by Imanuel Kriesten, a former HM graduate himself — plays an important role in this academic endeavor. Additionally, Frank Meltzer, Technical Director of Sales and Marketing, gives several lectures through HM's Paper Technology master's program, allowing him to interact directly with students.

Through all of these continuing partnerships, we're helping ensure our future workforce has the tools to build careers on a solid foundation.

KPIs:
Road
to Zero

★ SIGNIFICANCE:

Health and safety directly impact 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 the execution of annual maintenance shutdowns.

▶ GOALS:

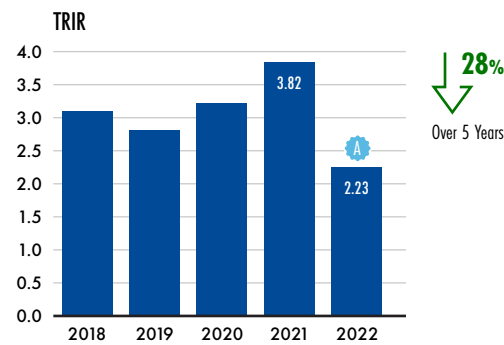
- <1 Total Recordable Injury Rate
- <15 injury severity
- An interdependent health and safety culture



◎ PROGRESS AND TARGETS:

In 2022, our recordable injuries decreased by 42 percent from 2021. We experienced 49 recordable injuries, which translates to a rate of incidents for all Mercer team members of 2.23 per 200,000 hours worked; this metric is generally referred to as the Total Recordable Injury Rate (TRIR). While contractor hours are not included in TRIR, we believe that all injuries are preventable and that everyone who visits our sites deserves to return home safely at the end of the day. Our overarching goal is to have zero incidents, and we are continuing in our relentless pursuit of an injury-free workplace for both employees and contractors.

Tragically, in June 2022, we had a fatal workplace accident involving a contractor at Mercer Peace River. The impact of this loss was significant for the families, team members and emergency responders directly involved. Our emergency procedures were immediately activated, and every effort was made to investigate the events so that all parties could understand what had happened. The investigation has led to improvements in our prevention programs as well as our ability to respond to emergencies and crises. We are deeply saddened by this loss and are doing everything in our power to ensure something like this never occurs on our sites again.



Ⓜ 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 also conduct external safety audits to evaluate the effectiveness of our safety programs.

KPIs:
Diversity, Equity
and Inclusion

★ SIGNIFICANCE:

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

▶ GOALS:

Our goal is to foster a more inclusive and equitable culture and increase diversity in our workplace, with a fundamental goal to increase the recruitment of women in our workplace to 30 percent by 2030.



◎ PROGRESS AND TARGETS:

We are still early in our journey as a truly diverse workplace, with women making up only 18 percent of our employees (as of December 31, 2022). While women hold 25 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 2022:

- 20 percent of new hires were women, as compared to 19 percent in 2021; at Mercer Celgar alone, we increased the female workforce by 14 percent.
- We welcomed our first ever Chief Human Resources Officer to support progress towards our DE&I initiatives.
- We worked towards embedding DE&I into our recruitment and retention practices.
- We advanced our DE&I agenda and expanded our access to a broader talent pool by joining forces with our Canada-wide stakeholders.
- We strengthened our plans to create greater engagement with employees and foster a more inclusive work environment through voluntary engagement surveys.



18%

PERCENTAGE OF WOMEN EMPLOYEES

20%

PERCENTAGE OF WOMEN HIRED

25%

PERCENTAGE OF WOMEN IN MANAGEMENT

Ⓜ THE MERCER WAY:

We are committed to building a strong culture of diversity, equity and inclusion, in which all employees feel safe, respected and valued. Through our most recent employee engagement survey, we aimed to better understand our team’s attitudes towards DE&I and identify opportunities for action and progress. We operate 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. In addition, our whistleblower hotline provides employees with a way to confidentially raise concerns. Underpinning our commitment to DE&I are our strong governance and ongoing leadership training that serves to guide initiatives and track implementation towards a workforce where everyone has what they need to succeed and feel like they belong.

**EMBRACE
SOCIAL
RESPONSIBILITY**








MERCER-WIDE GOALS

2030 ASPIRATIONS

2022 PROGRESS

2023 TARGETS

<p>Improve health and safety performance, including for contractors working under our direction</p>	<p> <1 TRIR, <15 injury severity, an interdependent health and safety culture</p>	<p>TRIR = 2.23, severity = <44.98</p> <p>“Near misses” and “inspections”/“observations” now defined at the operations center level; “property damage” has been separated from near miss reporting as we expand leading KPI measuring</p> <p>All incidents now evaluated for serious injury or fatality potential through our internal Hendriks safety system; SIF and SIFp incidents are shared Mercer-wide through one-page FLASH reporting and fully investigated</p> <p>Advances made in North America regarding reduction in claims cost, with a still-evolving rudimentary return-to-work program in Europe with HR support</p> <p>Initial assessment completed, with a leadership workshop held and improvement plan made at Peace River Logging in order to advance along the Bradley curve</p>	<p>TRIR = <2, severity = <50</p> <p>To include SIF and SIFp tracking alongside severity; to continue to expand leading KPI measuring</p> <p>SIF and SIFp concepts to be applied to, and embedded in, prevention activities</p> <p>To introduce advance process safety management programs in the pulp mills</p> <p>MMT to hold initial assessment and leadership workshop as well as plan development to further understand baselines for a reduction in claims cost and to advance along the Bradley curve</p>
<p>Increase employee engagement</p>	<p> 75th percentile employee engagement and survey response rate</p>	<p>Second employee engagement survey deferred in order to address General Data Protection Regulation requirements to maintain the integrity of the survey and the robustness of the reporting</p> <p>All operations have activities (both planned and executed) to help drive understanding of local-level results and increase engagement</p>	<p>To complete employee engagement survey by Q3 with a participation rate of 60%</p> <p>To communicate results to management teams and team leaders, facilitating results review and action planning sessions at the team level</p>
<p>Build a more inclusive culture</p>	<p> 80% of employees understand and believe in our DE&I commitment</p>	<p>DE&I governance structure updated to create a leaner, more senior global council; steps taken to establish regional or country councils to promote best-practice sharing between local work groups</p> <p>Unconscious-bias training continued in order to help ensure all global council, local work group and senior leadership members completed the training; 64 people trained in 2022</p>	<p>To complete DE&I strategy/mandate update by Q3; to complete a maturity and inclusion assessment by Q4</p> <p>To establish regional (country) councils by Q4</p>
<p>Accelerate leadership development</p>	<p> Deliver superior customer value proposition</p> <p> Balanced EBITDA</p>	<p>Strengths-based performance management pilot deferred</p> <p>The need for an integrative leadership competency model based on critical business drivers identified through a high-level review of leadership development efforts</p> <p>Mercer leadership program resumed after a pause during the peak pandemic years; module 2 for the most recent cohort of 21 participants completed in Vancouver in September</p> <p>Succession plans updated and replacement planning for mid-level (intermediate) leaders included; individual review sessions conducted at the operations center level before consolidating results for corporate-level review</p>	<p>To complete integrative leadership competency framework in Q2, with integration beginning in Q3</p> <p>To establish a new Mercer leadership program high-potential cohort in Q1 and complete two modules of the program for each high-potential cohort</p>



7 Sustainable Forest Management

We manage forests on an ecological basis to ensure they are maintained for future generations. This approach aims to mitigate climate change and supports values such as biodiversity, careful land management, forest productivity, enhanced soil and water quality, and more.



Relationships with Forest Owners

In Germany, forest ownership presents us with vastly different challenges and opportunities than in Canada, where almost all forest land is publicly owned. Roughly half of Germany's 11 million hectares of forest is in the hands of about 2 million private owners, divided among small lots averaging 2.4 hectares each.

Our German operations purchase their logs from a variety of sources, including one quarter directly from private forest owners and another big portion from traders, who, in turn, buy primarily from private holders. "Many forest companies don't like to buy wood from these small owners because it's very administratively intensive," says Wolfgang Beck, Senior Vice President, Global Wood Sourcing. "It takes almost exactly the same administrative work to

buy 50 solid cubic meters from them as buying 10,000 solid cubic meters from a bigger supplier."

We, Wolfgang explains, are different. "We want to buy wood from all forest owners. Much of the forest land near our mills is owned by small private owners. It makes sense to buy locally, both in terms of lower transportation costs and lower resulting CO₂e emissions. We like to develop long-term relationships with these owners. It's a matter of mutual trust built up over many years."

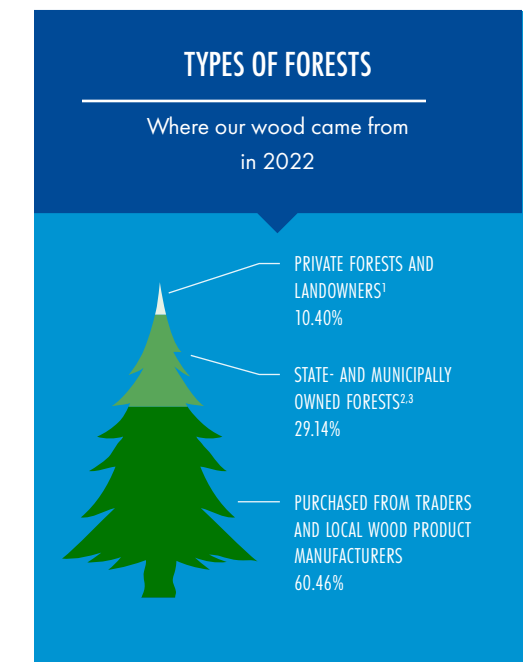
It takes a virtual army of wood purchasers to maintain relationships with so many small holders; therefore, "We need partners with good local knowledge," he says.

Forestris AG is one such partner. This small forestry services company buys wood from private forests in Saxony and Thuringia to feed our mills in Friesau and Rosenthal. Since 1997, Forestris has developed long-term partnerships with forest owners in the region. "It requires a lot of trust to give the property of a forest rich in reserves, which has been cherished for generations, into different hands for utilization and marketing," says Michael Sachse, a director on Forestris's management board. "Sustainability is at the heart of the forest products business, both at Mercer and in our forests." And maintaining close partnerships with private forest owners plays a key part of continually fulfilling that objective.



GROWING FORESTS, GROWING A FUTURE

In 2022, we initiated the planning stages of our Growing Forests, Growing a Future campaign. Carried out by our Mercer Holz team, the campaign aims to gift seedlings to forest owners, who then use them to reforest areas in Germany affected by climate-related calamity. In doing so, we are actively working to increase the biodiversity of forests, which, in turn, will promote healthy growth and soil retention. We look forward to sharing our progress.



¹ Private forests include those of German forest owners, whose relationships with us have been long-standing. Private forests also include those on and near the traditional and unceded territories of many diverse Indigenous Peoples. Our operations are committed to engaging and working closely with Indigenous communities through open and ongoing dialogue. We recognize Indigenous knowledge, perspectives, cultures and traditional practices as vital to our understanding of sustainable forest management.

² State- and municipally owned forests include the Crown land where most of Mercer Peace River's forest tenures lie.

³ Mercer Peace River and Mercer Celgar access Crown forests that have provincial or territorial oversight on tenures managed by corporate, community or Indigenous entities.

Biodiversity-Focused Forest Management



Maintaining and conserving the biological diversity of forests is a core principle of sustainable forest management. The forests we rely on support an abundance of genetic and species biodiversity that contribute to valuable ecosystem services, beneficial for people and the planet.

Ensuring that biodiversity is protected in the forests we manage is critical, given the reciprocity between healthy, biodiverse forests and a secure, sustainable wood supply. Our approach to biodiversity conservation requires careful consideration of how we impact nature and how nature impacts us as a business. Identifying and managing the risks and opportunities of these interactions begins with board oversight through our Environmental, Health and Safety Committee, followed by integration into our business strategy and everyday decision-making.

In 2020, we conducted our first climate change scenario analysis as part of our adoption of the Task Force on Climate-related Financial Disclosures framework; this strengthened our understanding of the risks and opportunities related to climate change. As ecological diversity is believed to be strongly affected by climate change, this framework guides us in effectively managing our impacts on nature.

We have 29 indicators related to biodiversity, each with identified targets used to develop our forest management plans. They cover biodiversity at four scales — landscape, local/stand, species and genetic — and all are regularly monitored for performance.

Ecosystem-Based Management

As part of our sustainable forestry approach, we practice ecosystem-based management (EBM), which strives to emulate natural disturbances and

patterns to maintain ecosystem features that would naturally occur in the landscape.

On the ground, Mercer Peace River and Mercer Forestry Services apply EBM. At the landscape level, we work with provincial governments and local communities to assess existing natural disturbances (like fire, insects and disease) and identify the diverse forest values and interests of the land. Our risk and impact management strategies ensure that the companies operating on the forest blocks are trained to use a coarse landscape filter to identify and protect areas with significant conservation value, including wetlands, wildlife habitat, old-growth forests and unique geological landforms. A species-specific filter enables operators to routinely identify and maintain these special habitat features by establishing buffer zones that mark them as off-limits to harvesting and renewal.

The EMEND Program

As environmental conditions continue to shift and become less predictable due to climate change, advancements in innovative forest research are critical if we are to effectively manage forests for generations to come. In partnership with the Government of Alberta, the University of Alberta and a wide range of other participating companies and research agencies, we have established the research program EMEND (Ecosystem Management Emulating Natural Disturbance). This study, spanning nearly three decades, has advanced science-based and progressive research on how harvesting practices can be improved to maintain critical ecological processes and features such as water quality, soil integrity and wildlife habitat. By supporting this research and using its findings to guide our own forest management practices, we drive continuous improvement towards biodiversity conservation in and across the forestry industry.

SPECIES FOCUS

Species-Specific Filters in Planning and Practice

To maintain and enhance biodiversity, we provide training to our operators and managers on various techniques to conserve local and site-specific elements critical to various wildlife and plant species, including many species at risk. These techniques are reviewed with Indigenous communities and governments to evaluate the needs of the forest values together, with objectives and targets set into the forest management plan. Two important species that we support through our forest management practices are the woodland caribou and the trumpeter swan.

The Woodland Caribou Equation

In 2012, the Government of Canada announced that provinces must develop caribou range plans, identifying strategies to achieve self-sustaining populations of woodland caribou. To ensure the proper consideration of caribou habitat requirements in our forest management areas, Mercer Peace River initiated a study of the Chinchaga Caribou Range in 2015 to better understand caribou habitat and historical use patterns.

Following considerable evaluation, and looking at alternative strategies in collaboration with the Government of Alberta, caribou experts and Indigenous communities, we selected a caribou habitat management strategy that aligned with Alberta's Draft Provincial Woodland Caribou Range Plan (2017) and integrated it into our forest management plan. Mercer Peace River also developed a multi-species modeling framework to assess the potential impacts of the caribou habitat strategy on other species in the range and on socio-economic factors.

As well as working towards self-sustaining populations of caribou in the range, the selected strategy limits adverse socio-economic impacts in the region as much as possible.

Trumpeter Swan Recovery

The trumpeter swan is North America's largest native waterfowl species. When society looked to feathers as a sign of high fashion in the 17th, 18th and 19th centuries, trumpeter swans were heavily hunted. The combination of hunting pressure, loss of habitat and disturbances during their key nesting period led to their near extinction by the early 1900s. Through

a conservation campaign in Alberta and throughout North America, their population has rebounded from under 100 birds to over 63,000 today.

Due to their successful recovery through one of the most successful conservation efforts in history, trumpeter swans have been recently recategorized from a threatened species to one of special concern in Alberta. We continue to uphold conservation efforts by maintaining a detailed inventory of all recorded sightings and waterbodies used for nesting, restricting the timing and type of activities that occur within 800 meters of those waterbodies and excluding all activities within 200 meters of the lakeshore.



BIODIVERSITY EFFORTS

Conservation of the Elbe

The Elbe is one of the last naturally flowing rivers in Europe and has been declared a UNESCO biosphere reserve — a large nature conservation area.

To help support conservation projects designed to preserve this national treasure, Mercer Stendal (which is located along the Elbe) donated €25,000. Managing Director André Listemann presented the donation in August 2022 to Leif Miller, Federal Executive Director of the Nature and Biodiversity Conservation Union (NABU), Germany. "Our intent is to use this sum to help preserve, as well as further develop, a natural paradise in which we live and work for ourselves and, above all, for future generations," André explained.

The meeting between André and Leif took place in Havelberg, north of Mercer Stendal. With the motto "A protective umbrella for the Elbe," NABU is planning to expand the protected area located in the Elbe floodplain between Havelberg and Werben by more than 24 hectares (60 acres). The aim is to establish an area where nature can flourish undisturbed. In recent years, the NABU foundation has been able to acquire almost 100 hectares (nearly 250 acres) of valuable conservation land in the floodplain for natural development. Here, riparian forests, bushes and small bodies of water are found among the wet meadows and dry grasslands. Thanks to this newly secured land, we can better support biodiversity by protecting the unique and endangered species that call the Elbe home.

PRINCIPLES FOR SUSTAINABLE FOREST MANAGEMENT

Sustainable forest management practices have an integral role in ensuring that our forests remain healthy and resilient, both now and in the future. Six sustainable forest management principles guide our forestry operations around the world.

This sustainable approach to forestry aims to balance the short- and long-term social, environmental and economic values of our forests for a wide range of stakeholders and Indigenous rightsholders. Governed by these principles, our forestry operations support a secure and growing supply of wood for today and for future generations.



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.

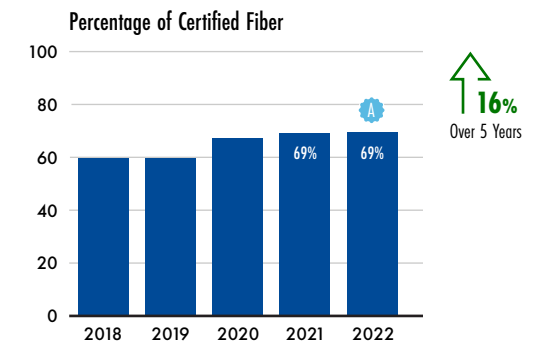
▶ GOALS:

We have established an aspirational forest certification sourcing goal of 80 percent by 2030 for our global operations.



◎ PROGRESS AND TARGETS:

Despite limited fiber availability in British Columbia, which not only affected Mercer Celgar but all forestry operations throughout the province, our certified fiber percentage of 69% remained consistent in 2022. Through our recent multi-site certification in PEFC and FSC® Chains of Custody for our North American operations and our ongoing collaboration with suppliers in Europe and the U.S, we continue to make progress towards our 2030 goal.



Ⓜ THE MERCER WAY:

We are responsible for sustainably operating on 7.6 million hectares of Crown forests in Alberta as well as for directly managing 2.7 million hectares. Ensuring sustainable sourcing of fiber and wood at all our global operations is a priority. Our 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 the Programme for the Endorsement of Forest Certification (PEFC) Chain of Custody and the Forest Stewardship Council (FSC®) Chain of Custody Standards. In addition, we have developed science-based indicators to ensure we can measure biodiversity in our company-managed forests and adopt practical measures to protect ecosystem health.

COMMITMENT TO CERTIFICATIONS

Third-party forest certification plays an important role in confirming for our stakeholders that forest management and operations are being carried out in a sustainable manner, with consideration of key conservation objectives and values.

In 2022, we successfully achieved multi-site certification, in both the PEFC and FSC® Chains of Custody (CoC), for our North American operations. With our German operations already under a multi-site certification (for both PEFC and FSC® CoC), this North American achievement further aligns us globally as a sustainable bioproducer, creating an efficiency and a synergy that bring us closer to our 2030 aspirational goal: sourcing 80 percent of utilized fiber from certified forests.

We had another achievement in 2022 with Mercer Peace River's Sustainable Forestry Initiative (SFI®) certification audit. "We are very proud of achieving a 100 percent clean and positive audit after a very rigorous SFI certification audit in 2022," says Lee Rueb, Forest Certification Coordinator for Mercer International. "This was really impressive to me, as these comprehensive audits look not just at MPR systems and operations, but also at the external companies, included in MPR's scope statement, where the mill purchases residual wood."

DID YOU KNOW?

Currently, the SFI® Forest Management certification is held only by our Peace River pulp mill. While forest certification is a voluntary process, MPR has chosen to pursue the SFI® Forest Management certification for its Crown tenures as authorized under the Alberta provincial forest tenure system. The majority of our operations purchase wood or residual fiber from private landowners, state- and provincial-owned forests or private local wood-product manufacturers.

Third-party forest management certification complements the comprehensive and rigorous forest management laws and regulations that govern our forest practices both in Canada and Germany. Together, these underpin our due diligence process to ensure the wood we source comes from certified forests. By aligning and complying with this rigorous, science-based regulatory framework, we add a layer of nature risk management and accountability, driving the assurance that conservation objectives remain central to forest management activities.



**SUSTAINABLE
FOREST
MANAGEMENT**



MERCER-WIDE GOALS	2030 ASPIRATIONS	2022 PROGRESS	2023 TARGETS
Support sustainability in forest management and wood sourcing	 80% of fiber sourced from certified forests	Sourced 69% of fiber	To achieve Mercer-wide certification of 71%
Improve transparency on biodiversity in sustainable forest management		Continued the EMEND program in Northern Alberta to evaluate biodiversity enhancement opportunities	To use the requirements of the Taskforce on Nature-related Financial Disclosures to guide the Sustainability Report 2022
Apply climate-smart forest management		The Alberta Climate Impact Assessment project started with a scientific advisory board of six leading experts, who have guided the methodology for measuring forest carbon stock and annual carbon flux in managed boreal forests	To complete the Alberta Climate Impact Assessment and share results with stakeholders



8

Enhance Stakeholder and Indigenous Engagement

To be sustainable, we need to be invested in the betterment of our community through cooperative relationships built on mutual trust. In the past year, we both gave and received this support. We are grateful for our community ties.

8 DECENT WORK AND ECONOMIC GROWTH



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



Engagement of Local Communities

When Bill MacPherson returned to Canada in 2018 — to join Mercer Celgar as Managing Director after nearly 30 years in the U.S. forest industry — he saw a compelling need to reach out to local communities for the purpose of uniting their voices and stories. “The Kootenays lacked a real regional presence,” he recalls. “It felt like we had communities that were approaching some issues in different ways.”

He also detected a lack of awareness around Mercer and its operations. “The pulp mill has been in Castlegar since 1961, and it’s had a long history of challenges. People had no notion of the forward-thinking innovation that’s going on in the forest products industry and how we’re working hard to meet the desire for society to have sustainable products that come from sustainably harvested materials. It’s an amazing story that needed to be told.”

In early 2019, Bill met with the mayors of Castlegar, Trail and Nelson, and showed them a presentation about Mercer Celgar and its relationship to growth and innovation in the Kootenays. It was all news to them — as was the meeting itself. “I asked the mayors, ‘How often do the three of you get together to focus on collaboration with the forest industry in the Kootenays?’ They said, ‘Never. This is the first time.’” Bill recognized this as an opportunity for us to foster community engagement.

He set about pulling together a stakeholder group that includes regional district leaders, town councilors, chambers of commerce members and the president of the local community college. The group was meeting every three or four months until COVID-19 hit; thereafter, virtual platforms allowed everyone to continue communicating quarterly.

The response to bringing this group of Kootenay stakeholders together has been highly positive. “It wasn’t just about Mercer; it was about the region and how we could help work with the communities around housing, jobs and trades, education and economic development,” says Bill. “We’ve seen high levels of attendance, lots of interest and lots of questions. People appreciate receiving the information we share and acknowledge the respect we’re showing towards them as community leaders. Often they ask, ‘What can we do to help?’”

As well as holding information sessions, Mercer Celgar partners with several local business groups and societies to support development initiatives, such as the construction of a new Tourism and Economic Development building in Castlegar and public programs like the BE SEEN campaign, which promotes pedestrian safety during the dark winter months. Bill adds, “We are a major local employer, but we must do more. It is our responsibility to be a good community partner too.”



RECOGNIZING LOCAL FIREFIGHTERS

At Mercer Stendal, roughly 100 employees are members of the mill's fire brigade. Although those who decide to join the fire department often have ties to volunteer fire departments in their own hometowns, it's not a requirement. We offer training to all who are interested. Training is also coordinated with the fire departments in the surrounding communities, with knowledge shared about the mill's layout and special features should an incident occur.

On July 1, 2022, we saw firsthand how crucial fast, competent volunteer fire departments are when the mill experienced a fire in the wood yard and part of the chip conveyor system. Nearly 800 emergency personnel, most of them members of volunteer departments — including Mercer Stendal's fire brigade — spent six days extinguishing the fire. Working night and day, the teams ensured the worst was prevented; no one was injured and damage was confined to the yard.

Their swift action was thanks to the regular training and practice that volunteer departments take on in their personal time. As we learned, it's reassuring to know that these volunteers will be there if, despite all precautions, something does happen. We're proud to have the Mercer Stendal Fire Brigade and thankful to the communities who came when we needed them.



THE BE SEEN PROGRAM

At Mercer, we place great importance on health and safety — not just within our own operations, but in our communities too. That's why, for example, Mercer Peace River has donated steel-toed boots to local schools for their woodworking and shop programs, and Mercer Timber Products has donated safety vests to local kindergartens. After all, it's never too early to start developing an appreciation for personal safety.

With the easing of COVID-19 restrictions in 2022, Mercer Celgar was able to resume its visits to Castlegar elementary schools to promote BE SEEN, an annual campaign held in October to stress the importance of pedestrian safety at Halloween. Team members took time to visit classrooms in person and hand out light-up armbands for each student to wear with their costume, helping keep them safe while they're out trick-or-treating. The BE SEEN campaign has been a great success since it began in 2017.



CUSTOMER ENGAGEMENT

From the onset of the Mercer Stendal fire that began on July 1, our team immediately started asking questions. Is everyone safe? How severe is the damage? How will this affect our people and processes? How can we reduce the subsequent impact on our customers?

Our sales team worked hard through the morning to contact customers as quickly as possible, explaining the situation and ensuring that more information would be imparted once the fire was under control. "The first question after sharing the news was, 'Is anyone at Mercer hurt?'" recalls Nils Hegerding, Vice President, Pulp Sales and Marketing for Europe. "Once our customers heard there were no injuries, the conversation shifted to 'Please focus on the efforts at the mill,' noting that we could talk when the situation was more under control."

Gestures of camaraderie from our customers and suppliers came quickly. Once the fire was extinguished and damage assessment was underway, both groups offered their spare-parts inventory to assist in repairs. These acts of kindness will never be forgotten.



DONATING TO UKRAINE

When news of the devastating events in Ukraine began reaching the public in February, our German operations took swift action. Various campaigns were quickly taken up for the people of the war-ravaged country. These included not only a fundraiser but collection drives to provide clothing, bedding and hygiene products for those forced to flee.

"Between our three physical operations and Mercer Holz, employees collected €10,000 in just four weeks," says Carsten Merforth, Chief Operating Officer, Wood Products.

"After witnessing our employees coming together and seeing their success, it was clear that we would join the fundraising effort," adds Wolfgang Beck, Senior Vice President, Global Wood Sourcing.

"So, the four companies donated another €10,000 each, making a total of €50,000 for the people of Ukraine," says Leonhard Nossol, Managing Director of Mercer Rosenthal.

The funds were given to Aktion Deutschland Hilft (an alliance of German aid agencies), which redistributed them to the appropriate humanitarian organizations. "We also had a great experience with them for our fundraising efforts for the Rhine flood victims last year," says André Listemann, Managing Director of Mercer Stendal.

We thank and commend all team members who contributed to these efforts.

KPIs: Stakeholder and Indigenous Engagement

★ SIGNIFICANCE: Stakeholder and Indigenous engagement is essential to maintaining our social license to operate and to defining 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.

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



⊙ PROGRESS AND TARGETS: In 2022, our engagement efforts included increasing awareness of our operations within local communities, partnering with local businesses and societies to support community development projects, strengthening ties with private forest owners and enhancing publicly available ESG information through investor-minded ESG ratings.



Ⓜ THE MERCER WAY: Understanding the needs and expectations of our stakeholders and rightsholders plays a crucial role in defining the success of our company. Thus we conduct 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 local communities. In addition, our businesses engage in continuous dialogue with our customers and business partners to ensure we understand their requirements.

ENHANCE STAKEHOLDER AND INDIGENOUS ENGAGEMENT

8 DECENT WORK AND
ECONOMIC GROWTH



12 RESPONSIBLE
CONSUMPTION
AND PRODUCTION



FOCUSES	MERCER-WIDE GOALS	2030 ASPIRATIONS	2022 PROGRESS	2023 TARGETS
INDIGENOUS RELATIONS	Increase Indigenous participation in Canadian operations		<p>Phase 1 of the Traditional Land Use (TLU) project completed, reporting requirements outstanding; Phase 2 in development; Indigenous place names map initiated</p> <p>Phase 2 of the Canadian Council for Aboriginal Business (CCAB) certification completed by MPR</p> <p>Indigenous relations training across all MPR teams initiated</p> <p>The Outland Youth Employment Program (OYEP) partnership renewed for five years</p> <p>Contribution agreement continued for Indspire, a Canadian charity for Indigenous education</p>	<p>To launch Phase 2 of TLU with interested communities</p> <p>To complete Phase 3 of CCAB certification by September 2023</p> <p>Mercer Celgar and Mercer Forestry Services to engage with two Indigenous groups within pulp mill's supply area</p> <p>To expand Indigenous relations training across all Canadian operations</p>
SUSTAINABILITY	Enhance availability of ESG information for investors	<p>Deliver superior customer value proposition</p>	<p>Sustainability Report 2021, based on Global Reporting Initiative, Sustainability Accounting Standards Board and TCFD disclosure frameworks, completed</p>	<p>To include enhanced materiality assessment in the Sustainability Report 2022</p>
PROCUREMENT	Strengthen sustainability of our supply chain		<p>Audit and questionnaire for key suppliers to Canadian pulp mill completed</p> <p>Formal training of buyers outstanding</p>	<p>To finalize a supplier questionnaire (Q1), select vendors and roll out questionnaire (Q2), and share validation, benchmarking and internal/external communication (Q3) — all with a focus on Germany</p>
STAKEHOLDER ENGAGEMENT	Improve local stakeholder engagement		<p>A plan for the Growing Forests, Growing a Future project completed</p> <p>Second annual charity walk competition held for Mercer Celgar employees; the top three teams given a prize amount to donate to their local charity of choice</p> <p>Mercer Germany relief donation to Ukraine, totaling €50,000, consolidated</p> <p>MPR increased employee engagement through the implementation of town halls, lunchroom visits and other means</p> <p>Mercer Holz, Mercer Rosenthal and Mercer Timber Products participated in the city of Plauen's "company run" for the second year, increasing employee participation from 29 to 54</p>	<p>To continue the Growing Forests, Growing a Future rollout</p> <p>To review local donations and engagement committee processes for improvements and synergies</p> <p>To research and review local engagement opportunities to align with our sustainability goals</p>



9

Governance and Other

In collaboration with our board of directors, our senior executive team manages our operations with competency, ethics and accountability for the long-term benefit of our shareholders and stakeholders.



Jimmy Lee



William McCartney

Board Committees



Keith Purchase



James Shepherd



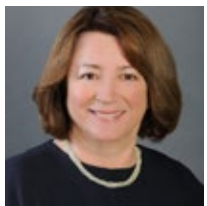
Alan Wallace



Linda Welty



Rainer Rettig



Alice Laberge



Janine North



Juan Carlos Bueno

Board Management and Composition

Our board members have a fundamental responsibility to promote the best interests of the company and its shareholders by overseeing management of the company's business and affairs. Board members are elected annually, and the current board of directors consists of 10 members.

Risk Management

As part of its purview, the board oversees risk management. To accomplish this, it has four standing committees that assist in carrying out duties and responsibilities related to the function of risk oversight.

The four committees are:

- The **Audit Committee**, which oversees our accounting and financial reporting processes and our external audit processes.
- The **Human Resources Committee**, which oversees appropriate compensation practices, as well as reviews and approves

management development strategies and succession plans for our key executive officers.

- The **Environmental, Health and Safety Committee**, which reviews policies and compliance programs to monitor our environmental, climate change, health and safety management systems, including internal and external audit results and reporting.
- The **Governance and Nominating Committee**, which provides leadership in order to develop and monitor our approach to corporate governance issues, evaluating the overall effectiveness of the board and its performance.

ISSUE REPORTING

To preserve our viability and integrity, we believe we must protect our critical assets — including our people. We also believe our communication, internal controls and processes must adapt to the changing needs and objectives of the company, as well as to the changing marketplace.

In this spirit, we're proud to have adopted the Code of Business Conduct & Ethics, which serves to establish our fundamental values and the standards of behavior we demand in our daily activities. The code complements our Whistleblower Policy, which further promotes our ongoing commitment to ethics and integrity.

Supporting our Whistleblower Policy is EthicsPoint®, an anonymous Internet- and telephone-based reporting platform that comprehensively assists management and employees in collaboratively addressing fraud,

abuse, misconduct and other potential violations to cultivate a more positive work environment. We sincerely appreciate the support and cooperation of our employees and stakeholders in helping keep us an ethical company from top to bottom.

Our employees and other stakeholders are encouraged to report suspected misconduct or unethical behavior. All potential noncompliance cases involving a Mercer employee or a contracted third party are investigated by an independent internal or external team and are reported to the board of directors' Audit Committee. Proven cases of noncompliance may lead to disciplinary or legal action.

Along with EthicsPoint®, any of our grievance channels can be used for reporting. These include face-to-face contact, email, letter or phone.

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 18, 2023. For our annual shareholders' meeting scheduled on May 31, 2023, 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.

CYBERSECURITY

As part of our efforts to constantly improve our IT operations, we have published a cybersecurity policy framework that includes both proactive and defensive approaches to:

- Identify, detect, protect, respond to and recover from a cybersecurity event
- Evaluate the cybersecurity program and the administrative, technical and physical controls of the defensive program through proactive tactics

From September 2019 to March 2022, the IT Oversight Committee, authorized by our CFO, ran a unified security framework with managed 24/7 services. The core of the cybersecurity framework complies with ISO 27001, with the program further aligned to the recognized standards of ISA62443, NIST800-82r2 and NIST800-61r2.

In addition, our Director of IT Infrastructure and Cybersecurity has implemented an ongoing security awareness program for all employees. Strategic partnerships with security and cloud providers round out the measures. This framework was one of the factors that resulted in digital magazines CIO and Computerwoche recognizing our Chief Information Officer, Christoph Grewe-Franze, with their CIO of the Year award.

Industry Associations

We are grateful to be collaborating with industry groups, sustainability associations and forest-management certifiers around the world. We realize that no single company can solve the environmental challenges facing the world today, which is why it's so valuable that our memberships and partnerships allow us to speak with a unified voice. Employees, customers, investors, suppliers, local and Indigenous communities, governments, non-governmental organizations and media regulators — we all come together to create strategic and sustainable forest-based climate solutions.

Sustainability Associations



BSR™ focuses on creating a healthy planet where all can thrive, providing members with insight, advice and collaborative initiatives to create long-term value and scale impact.



CCAB builds bridges between Aboriginal and non-Aboriginal peoples, businesses and communities through programming, tools, training, network building, awards and national events.

INNOVATION NORTH

Innovation North is a community of researchers and practice partners who are co-creating a new approach to innovation, working to create a future where businesses and society thrive together.

SCIENCE BASED TARGETS INITIATIVE

Mercer International has responded to SBTi's urgent call for corporate climate action by committing to align with 1.5°C and net zero through the Business Ambition for 1.5°C campaign.

Forest Certifications



FOREST STEWARDSHIP COUNCIL®

FSC® is an open, independent, membership-led non-profit that sets standards under which forests and companies are certified. License codes: North America: FSC®-CO16399 | Germany: FSC®-CO19862



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; in dozens of countries, two-thirds are PEFC-certified. License codes: North America PEFC/26-31-139 | Germany: PEFC/04-31-0411



SUSTAINABLE FORESTRY INITIATIVE

Over 145 million hectares of forestland are certified by the SFI Forest Management Standard. SFI's governance reflects the diverse interests in the forest-and-conservation sector.

Germany

ASSOCIATION OF THE INDUSTRIAL ENERGY AND POWER INDUSTRY

Verband der Industriellen Energie- & Kraftwirtschaft accounts for about 80 percent of industrial energy consumption and about 90 percent of industrial production in Germany.



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, collectively, generate a turnover of around €120 billion with approximately 650,000 employees. It covers the entire wood value chain.



EUROPEAN PULP INDUSTRY SECTOR

EPIS is a non-profit association of market pulp producers, promoting awareness of renewable and sustainable cellulose products.



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.



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.



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 industries.

PLATFORM FORESTRY AND WOOD

Platform Forst und Holz promotes sustainable, multifunctional forestry and the increased use of wood in Germany, in order to enhance the competitiveness of forestry and timber companies.



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

Europe & Australia

CONFEDERATION OF EUROPEAN PAPER INDUSTRIES

CEPI promotes the pulp and paper industry in the European Union. CEPI's activities cover forest-related issues, energy and environmental regulation, and general issues.



ESSENTIAL OIL PRODUCERS ASSOCIATION OF AUSTRALIA

EOPAA brings together all parties involved in producing, trading and researching essential oils in Australia.



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.

North America



ALBERTA FOREST PRODUCTS ASSOCIATION

The non-profit AFPA works with the Alberta forest industry to foster a greater understanding of Alberta forests' economic, environmental and social values.



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.



FORESTS PRODUCT ASSOCIATION OF CANADA

FPAC promotes the forest industry's competitiveness, with activities including international trade, environmental regulation, forest-related issues and general issues relating to competitiveness.



WOODWORKS (WOOD PRODUCTS COUNCIL)

The non-profit WoodWorks' expertise covers all wood-building systems and technologies, connecting innovative wood materials with design solutions.



10 Indexes

A Report from Independent Accountants

To the Board of Directors of Mercer International Inc.

We have reviewed the select sustainability indicators included in the accompanying Appendix I (“the subject matter”) within the Environmental, Social and Governance 2022 Report of Mercer International Inc. for the year ended December 31, 2022. Mercer International Inc.’s management is responsible for the subject matter, in accordance with the criteria included in Appendix I. 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) in AT-C section 105, *Concepts Common to All Attestation Engagements*, and AT-C section 210, *Review Engagements*, and standards established by the International Auditing and Assurance Standards Board (IAASB) in International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*. Those standards require that we plan and perform the review to obtain limited assurance about whether any material modifications should be made to the subject matter in order for it to be in accordance with 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 in accordance with 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. We believe that the review evidence obtained is sufficient and appropriate to provide a reasonable basis for our conclusion.

We have complied with the relevant rules of professional conduct/code of ethics applicable to the practice of public accounting and related to assurance engagements, issued by various professional accounting bodies, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies International Standard on Quality Control 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements*, and, accordingly, maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The procedures we performed were based on our professional judgment. In performing our review, we performed analytical procedures, inquired of persons responsible for the subject matter, read relevant policies to understand terms related to the specified metrics, reviewed supporting

documentation in regard to the completeness and accuracy of the data on a sample basis, and obtained an understanding of the data management systems and processes used to generate, aggregate, and report the subject matter.

Greenhouse gas (GHG) emissions quantification is subject to significant inherent measurement uncertainty because of such things as GHG emissions factors that are used in mathematical models to calculate GHG emissions, and the inability of these models, due to incomplete scientific knowledge and other factors, to accurately measure under all circumstances the relationship between various inputs and the resultant GHG emissions. Environmental and energy use data used in GHG emissions calculations are subject to inherent limitations, given the nature and the methods used for measuring such data. The selection by management of different but acceptable measurement techniques could have resulted in materially different amounts or metrics being reported.

The preparation of the subject matter requires management to establish the criteria, make determinations as to the relevancy of information to be included, and make assumptions that affect reported information. The selection by management of different but acceptable measurement techniques could have resulted in materially different amounts or metrics being reported.

Based on our review, we are not aware of any material modifications that should be made to the subject matter included in the accompanying Environmental, Social and Governance 2022 Report of Mercer International Inc. for the year ended December 31, 2022, in order for it to be in accordance with the criteria described in Appendix I.

The subject matter has been prepared in accordance with the criteria prepared by Mercer’s management to report to the Board of Directors. As a result, the subject matter may not be suitable for another purpose. Our report is intended solely for Mercer. We acknowledge the disclosure of our report, in full only, by Mercer at its discretion, without assuming or accepting any responsibility or liability to any third party in respect of this report.


PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
1400 - 250 Howe Street
Vancouver, B.C. V6C 3S7
Canada
May 29, 2023

APPENDIX I

Subject Matter	Value	Units	Criteria ¹	Reporting Period	Scope
Water Management: Treated Effluent	42.4	m ³ /ADMT	GRI (2018) 303-4: Water Discharge	January 1, 2022–December 31, 2022	Celgar, Peace River, Stendal, Rosenthal
Water Management: Total Water Withdrawal	65.7	m ³ /ADMT	GRI (2018) 303-3: Water Withdrawal	January 1, 2022–December 31, 2022	
Effluent Emissions AOX BOD COD TSS	0.066 0.27 10.93 1.03	kg/ADMT	GRI (2018) 303-4: Water Discharge	January 1, 2022–December 31, 2022	
Air Emissions SO ₂ NO _x	0.53 1.61	kg/ADMT	GRI (2016) 305-7: Nitrogen Oxides, Sulfur Oxides and Other Significant Air Emissions	January 1, 2022–December 31, 2022	Celgar, Peace River, Stendal, Rosenthal, Mercer Timber Products
Greenhouse Gas Emissions Scope 1	405,943	tonnes CO ₂ e	GRI (2016) 305-1a: Direct (Scope 1) GHG Emissions	January 1, 2021–December 31, 2021	
Greenhouse Gas Emissions Scope 2	15,228	tonnes CO ₂ e	GRI (2016) 305-2: Direct (Scope 2) GHG Emissions	January 1, 2022–December 31, 2022	
Total Waste to Landfill (Wood Ash, Recaust Waste, Lime Waste)	22.0	kg/ADMT	GRI (2020) 306-5: Waste Directed to Disposal	January 1, 2022–December 31, 2022	Celgar, Peace River, Stendal, Rosenthal
Total Energy Generation	37.1	GJ/tonnes	GRI (2016) 302-1: Energy Consumption within the Organization	January 1, 2022–December 31, 2022	
Total Energy Consumption	0.77	MWh/tonne	Management’s Internally Generated Criteria (Energy Generation within the Organization)		
	4.0	% grid electricity	GRI (2016) 302-3: Energy Intensity		
	85.8	% energy from biomass			
Total Recordable Injury Rate (TRIR)	2.23	# of recordable injuries per 200,000 work hours	GRI (2018) 403-9a: Work-Related Injuries	January 1, 2022–December 31, 2022	Company wide
Percentage of Women in the Workplace	18	%	GRI (2016) 405-1: Diversity of Governance Bodies and Employees	January 1, 2022–December 31, 2022	
Percentage of Certified Sourced Wood Fiber	69	% certified wood	SASB-RR-PP-430a.1	January 1, 2022–December 31, 2022	Celgar, Peace River, Stendal, Rosenthal, Mercer Timber Products
Total Pulp Production	1,737,688	ADMT	SASB-RR-PP-000.A	January 1, 2022–December 31, 2022	Celgar, Peace River, Stendal, Rosenthal

¹ 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 2022. GRI referenced may include disclosure requirements for other KPIs that are not within the scope of this review engagement.

 This symbol denotes limited assurance of KPI by PricewaterhouseCoopers LLP.

GRI Disclosure Index

Mercer follows the Global Reporting Initiative (GRI) Sustainability Reporting Standards in its corporate sustainability reporting. The report has been prepared with reference to 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 www.mercerint.com/investors/. Specific material Key Performance Indicators in the Sustainability Report have been assured by an independent third party, PricewaterhouseCoopers LLP (PWC) (see the Independent Accountants’ Assurance Report) on page 102 of this report.

SASB Disclosure Index

Mercer’s report utilizing 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. This document is available on the Mercer webpage www.mercerint.com/investors/.

TCFD Disclosure Index

Mercer’s report utilizing the Task Force on Climate-related Financial Disclosures 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. This document is available on the Mercer webpage www.mercerint.com/investors/.

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.

PHOTO CREDITS: Front and back covers and pages 1 and 15 (center) accessed through Unsplash; pages 4, 6–7, 8, 16–17, 26–27, 34, 37, 58–59, 64, 70–71, 73, 94–95, and 100–101 courtesy of Kent Kallberg; pages 18, 44–45, and 62 courtesy of Tobias Kromke; page 20 courtesy of Katerra; pages 23 and 74 courtesy of Sebastian Schwarz; pages 29 and 30 courtesy of Benjamin Benschneider; page 33 courtesy of Kristopher Grunert; pages 39 and 52 courtesy of Karsten Schmidt; pages 40, 77, and 84–85 courtesy of Daniela Wedel / Anke Hoffmeister; pages 46, 47, 49, and 60 courtesy of Lorenz Lenk; page 76 courtesy of Travis Johnson; page 81 courtesy of Ronny List; pages 88–89 courtesy of Konrad Drüsedau; page 89 (bottom) courtesy of Rose Stewart.



This book was designed and produced by:

ECHO STORYTELLING AGENCY
1616 WEST 3RD AVENUE
VANCOUVER, BC, CANADA V6J 1K2
ECHOSTORIES.COM | 1.877.777.ECHO

Creating inspiring books, video,
and digital content since 1999.
Design © ECHO 2023

Printed in Canada



Greenhouse gas emissions from the paper lifecycle, the transport, and the printing of this item have been offset through investments in energy efficiency and non-fossil-fuel energy technologies.



1120 – 700 W Pender St,
Vancouver, B.C. V6C 1G8

mercerint.com

