# FIT FOR FUTURE

## TRANSITION & TRANSFORMATION

SUSTAINABILITY REPORT 2024

MERCER

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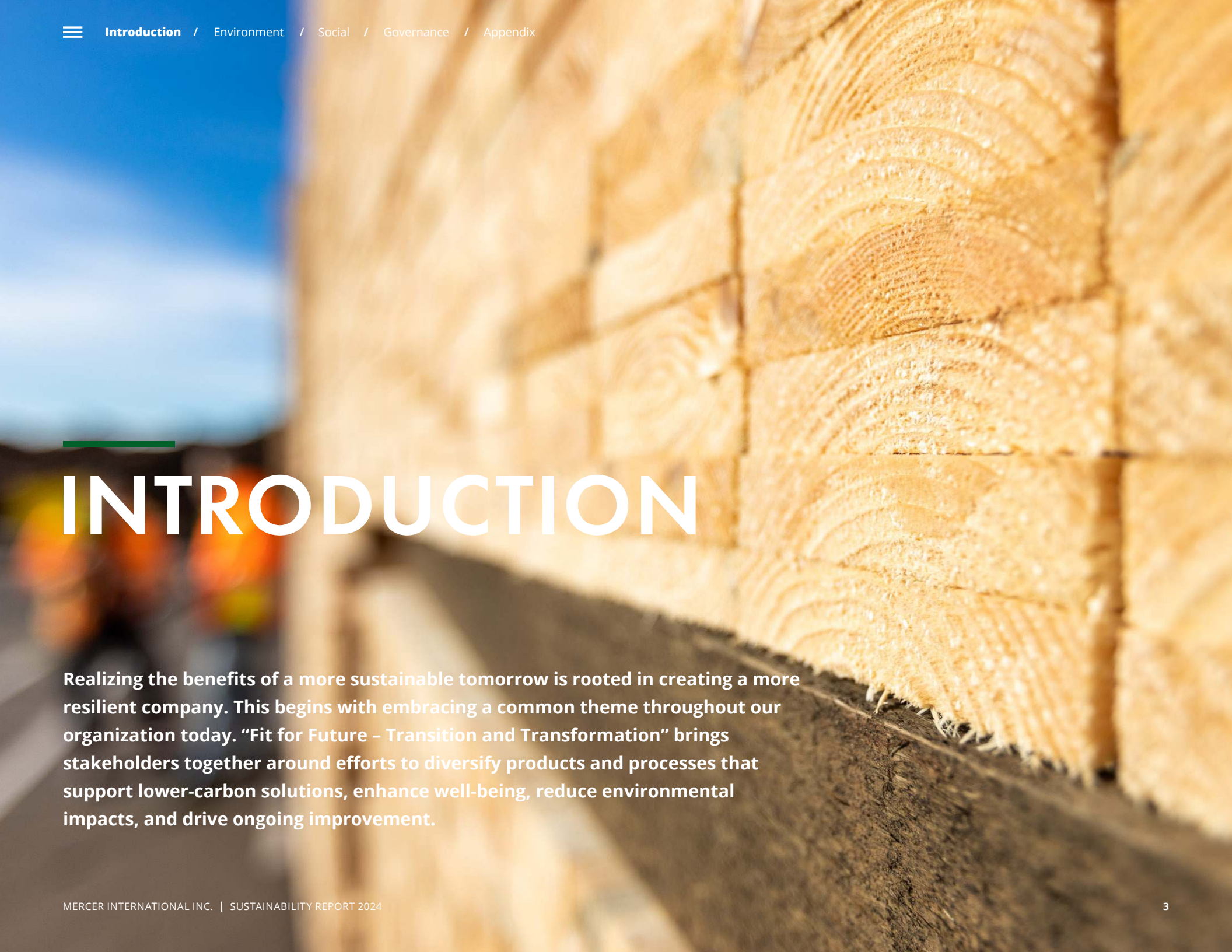
### FORWARD-LOOKING STATEMENTS

The following includes forward-looking statements which involve known and unknown risks and uncertainties which may cause our actual results in future periods to differ materially from forecasted results. Words such as “expects”, “anticipates”, “are optimistic that”, “projects”, “intends”, “designed”, “will”, “believes”, “estimates”, “may”, “could” and variations of such words and similar expressions are intended to identify such forward-looking statements. Among those factors which could cause actual results to differ materially are the following: the highly cyclical nature of our business, raw material costs, our level of indebtedness, competition, foreign exchange and interest rate fluctuations, our use of derivatives, expenditures for capital projects, environmental regulation and compliance, disruptions to our production, market conditions and other risk factors listed from time to time in our SEC reports.

### OTHER INFORMATION

For information regarding and a description of our business, operations—including our mills, human resources, results of operations, capital expenditures, innovations, climate change, and the risk factors we face—please see our Annual Report on Form 10-K for the fiscal year ended December 31, 2024. A copy is available on our corporate website (mercerint.com/investors/reports-filings) and on the United States Securities and Exchange Commission’s Electronic Data Gathering, Analysis and Retrieval system (sec.gov/edgar/browse/?CIK=0001333274).

For definitions, scope, and methodologies related to data and targets in this report please refer to the Appendix.



# INTRODUCTION

**Realizing the benefits of a more sustainable tomorrow is rooted in creating a more resilient company. This begins with embracing a common theme throughout our organization today. "Fit for Future – Transition and Transformation" brings stakeholders together around efforts to diversify products and processes that support lower-carbon solutions, enhance well-being, reduce environmental impacts, and drive ongoing improvement.**

# Messages from Leadership

## A MESSAGE FROM OUR PRESIDENT AND CEO

**At Mercer, we recognize that our business depends on the responsible use and management of natural resources. That's why sustainability is embedded in our operations and long-term strategy, driving our contributions to a circular bioeconomy through resource efficiency and bio-based product innovation.**

"Sustainability is woven into Mercer's business strategy and is supported by our employees, customers, suppliers, and shareholders."

Sustainability is not just an initiative at Mercer, it is the foundation of how we operate. To drive value for our business, we strive to maximize resource efficiency and develop innovative, sustainable products that meet market demands while promoting the use of renewable materials. Our commitment to this vision ranges from advancing mass timber production and supporting long-term carbon storage to continuously improving efficiencies in maximizing the use of every tree harvested.

Our sustainability vision permeates every aspect of our business, influencing our relationships with employees, customers, business partners, shareholders, governments, and the communities where we operate. While we work internally toward this vision, we also realize the importance of aligning our practices with societal expectations and collaborating closely with governments and Indigenous communities to ensure mutually beneficial use of natural resources. Our partnerships with Indigenous communities in Alberta and British Columbia focus on sustainable resource management as well as economic development. Engaging with all stakeholders ensures our practices align with community priorities, fostering trust and long-term collaboration.

Reflecting our customers' evolving needs, we are implementing circular economy initiatives to reduce, reuse, and recycle materials. We are exploring innovative products and solutions that can store carbon and provide alternatives to fossil-based materials, contributing to a reduced carbon footprint. As part of our organizational commitment to seek sustainable best practices in play throughout our operations, we also link a portion of employee compensation to environmental performance targets as we progress toward our 2030 Aspirational Goals.

As we continue along our sustainability journey, we monitor the progress we have made in reducing our environmental impact and setting ambitious emissions reduction targets that we believe are achievable. We have committed to transparency in our greenhouse gas (GHG) emissions reduction efforts as a signatory of the Science Based Targets initiative (SBTi) to align with global efforts to address climate change.

We proactively prepare for evolving regulatory requirements, such as the European Union Deforestation Regulation (EUDR) and Canadian Modern Slavery Act, viewing them as opportunities to showcase our commitment to responsible sourcing and sustainable best practices. In anticipation of the European Corporate Sustainability Reporting Directive (CSRD), we have updated our materiality assessment process to better align with the double materiality approach under the European Sustainability Reporting Standards (ESRS).

By continuously advancing progress toward our sustainability goals, we support responsible forest management with an eye toward long-term benefits for Mercer, our industry, and the world.

**Juan Carlos Bueno**
*President and Chief Executive Officer*

# Messages from Leadership

## A MESSAGE FROM OUR CHIEF SUSTAINABILITY OFFICER

**The theme for 2024 was one of progress and learning for Mercer as we continued our sustainability journey. Our commitment to transforming biomass into bioproducts for a more sustainable world remains at the forefront of our efforts.**

"Our sustainability efforts are guided by the Mercer Way, our long-standing philosophy of responsible business practices that encompass sustainability, safety, financial responsibility, and strong leadership."

In this endeavor, we are guided by the Mercer Way, our long-standing philosophy of responsible business practices encompassing sustainability, safety, leadership, financial responsibility, and strong governance.

Building on our theme from 2023, "Fit for Future – Transition and Transformation," our sustainability efforts are emphasized through our transition into a diversified bioproducts company. The transformation is focused on our commitment to transforming fiber into low-carbon, more sustainable products and solutions for the global market, including the building sector with our innovative mass timber products. We believe this will expand our product portfolio to drive shareholder value and benefit society over the long run.

Recognizing the significant shifts in our business since 2021, we have reviewed and updated our 2030 strategic sustainability goals. Acquisitions, regulatory changes, and heightened stakeholder expectations have informed our revised targets, ensuring they are both focused and realistic. We remain dedicated to making progress across our key sustainability goals: improving environmental performance, mitigating climate change, improving resource efficiency and advancing the circular economy, sustainably managing forests, and embracing social responsibility. This process of regular review is a fundamental aspect of good governance. It demonstrates our commitment to transparency, accountability, and adaptability. By aligning our sustainability goals with current realities and evolving stakeholder expectations, we ensure our strategies remain relevant and effective, reflecting our dedication to long-term sustainable value creation. This commitment to continuous improvement and responsiveness underpins our governance framework, ensuring we proactively manage risks and capitalize on opportunities in a dynamic operating environment.

Key changes to Mercer's 2030 aspirational sustainability goals include:

- Aligning our climate targets with limiting global warming to 1.5 degrees.
- Setting a new goal to achieve 90% energy from renewable sources.
- Setting a new goal to achieve 200% growth in stored carbon in mass timber products.

While we are proud of our progress, we also recognize the challenges we face in our sustainability journey. We are continuously working to integrate sustainability into our business strategy and realize cost efficiencies that enables us to make progress towards our carbon reduction and resource efficiency targets; and engage with key stakeholders about the benefits of sustainably managed forest. Despite these challenges, we remain steadfast in our sustainability commitments and achieving our 2030 goals.

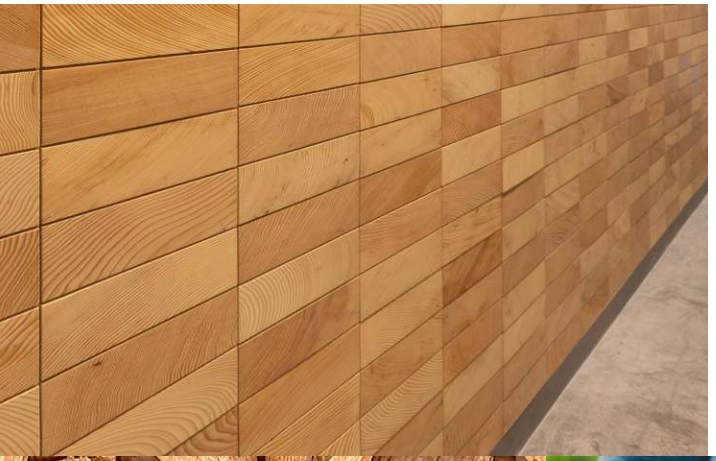
Looking to the future, we believe that continued collaboration with stakeholders, including customers, suppliers, industry associations, and shareholders, is essential for driving meaningful progress. We are also committed to transparent ESG disclosures and are actively preparing for the new CSRD requirements.

Thank you for your continued support on our sustainability journey.

**Bill Adams**
*Chief Sustainability Officer*

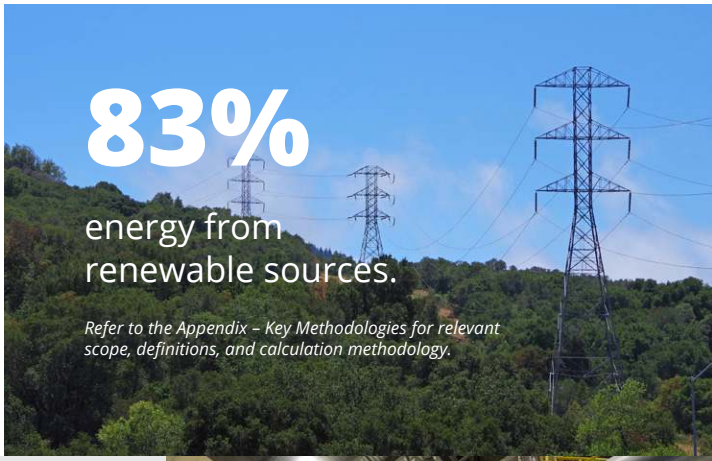
# Highlights

**As we reflect on the progress made toward our sustainability goals, we are grateful for our stakeholders who support us on our journey. Here are just a few of the key highlights we are most proud of from 2024.**



## Awarded the Sustainable Forestry Initiative (SFI) President's Award

for our leadership in promoting mass timber and SFI certification within the supply chain, including climate-smart forestry, biodiversity conservation, and Indigenous relations.



**83%**

energy from renewable sources.

*Refer to the Appendix – Key Methodologies for relevant scope, definitions, and calculation methodology.*

## Strengthened our human rights approach

through due diligence and formal supply chain risk assessments.

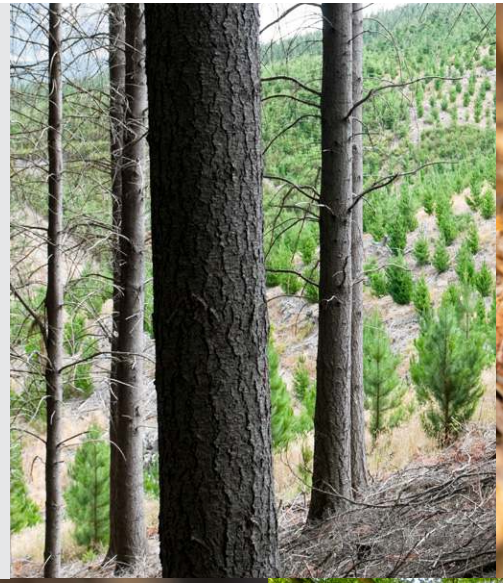
**50%**

Increased our pulp mill scope 1 emissions intensity reduction target to 50%.

# Highlights Continued

## TNFD

Published our first Taskforce on Nature-related Financial Disclosures report on nature and biodiversity.



## CSRD

Conducted our first Corporate Sustainability Reporting Directive aligned Double Materiality Assessment.

## Participated in the UN Global Compact SDG Ambition Accelerator program

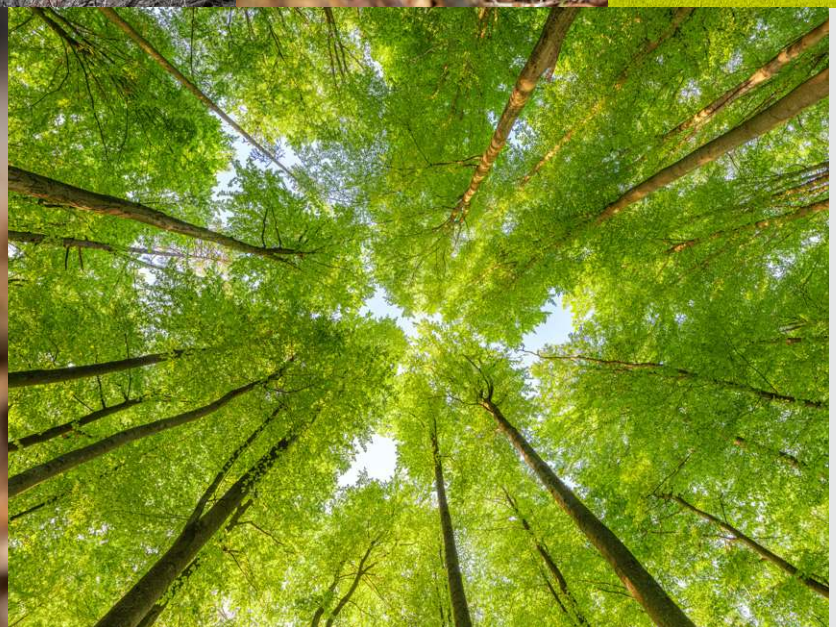
to further advance our sustainability alignment with the UN Sustainable Development Goals.

## 17.6[1]

Improved our Sustainalytics ESG Risk Rating to 17.6 (low risk)

which exceeds our target for our ESG-linked credit facility interest rate reduction.

*1 Per Sustainalytics as of the date of this report.*



## CDP

Expanded our ESG rating disclosures, responding to the CDP forests, climate change, and water questionnaire.

# Vision, Values, and Pillars

## VISION

### Transforming biomass into bioproducts for a more sustainable world.

## VALUES

### Our values are the foundation of our identity, shaping ethical decisions and strategic direction.

**Be Safe & Healthy.**

- We believe that nothing is more important than the **health and safety of our people** and all stakeholders.
- We are dedicated to **continuously improving our processes**, being individually accountable, and promoting comprehensive safety awareness.

**Be Sustainable.**

- We believe in the balance of social, environmental, and economic values that **support our sustainable enterprise** and our drive to make sustainable products.
- We are accountable to **measure and improve our performance** over time and are valued by the communities within which we operate.

**Be Respectful.**

- We believe that a culture of **diversity and inclusion is critical** in making the best decisions for our people and achieving sustainable business success.
- We strive to provide an inclusive culture by fostering an environment of **mutual respect**, **fairness**, and by providing opportunities to contribute and grow.

**Be Bold.**

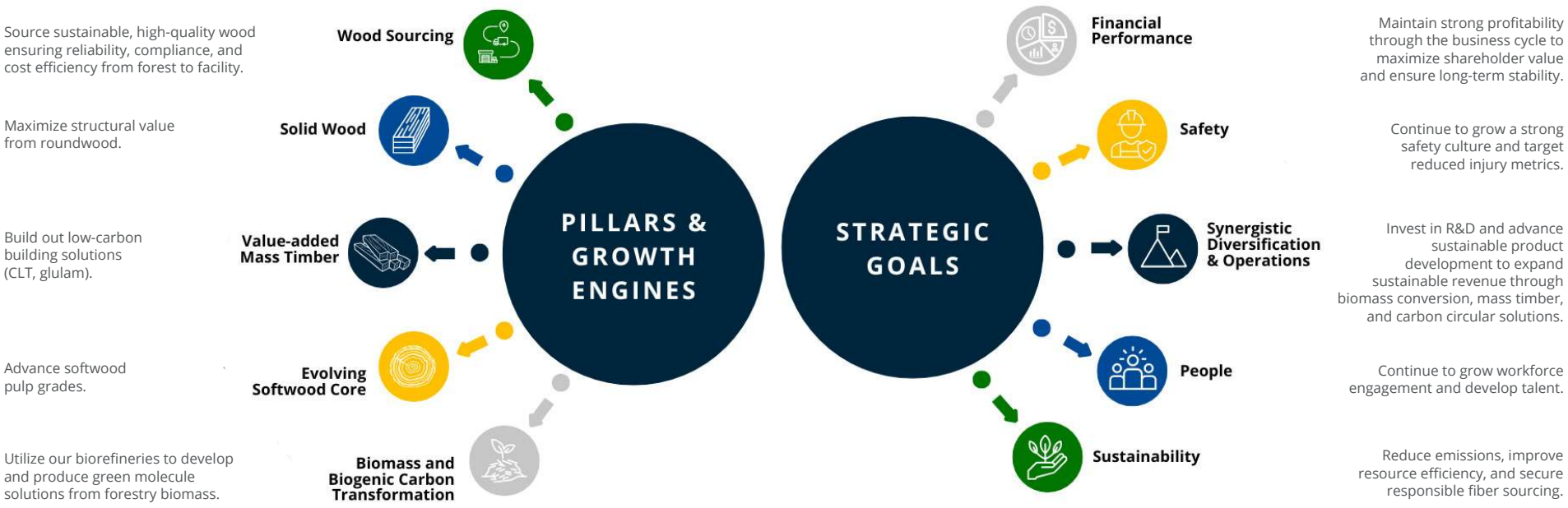
- We encourage an entrepreneurial spirit that courageously and tenaciously **pursues opportunity and change**.
- We value innovation and unique approaches to problem-solving. In our **pursuit of excellence**, we strive to develop novel ideas, solutions, and opportunities.

# Vision, Values, and Pillars Continued

## BUSINESS PILLARS

Underpinning our vision of transforming biomass into bioproducts for a sustainable world, our strategy is built on four core pillars: financial, synergistic diversification and operations, circular economy, and people and safety. They not only guide our daily operations but also anchor our commitment to sustainability, innovation, and ethical practices.

Together, they enable us to transform our vision into reality and contribute to the pursuit of a more sustainable world. Each one is essential to our sustainable growth and operational excellence.



# Materiality Assessment

**In 2024, to prepare for future compliance with the European Corporate Sustainability Reporting Directive (CSRD) we conducted a double materiality assessment (DMA) in alignment with the European Sustainability Reporting Standards (ESRS).**

The double materiality assessment is a critical strategic decision-making tool to identify and prioritize key sustainability matters. The DMA approach facilitates the inclusion of sustainability issues from two perspectives:

- Financial materiality, which addresses sustainability-related issues that impact company value such as profitability and cash flow.
- Impact materiality includes a company's impacts on the environment and society, such as carbon emissions, workforce diversity, and human rights.

## OUR APPROACH

Our DMA approach involved the following steps:

- Identified relevant sustainability matters across our business context.
- Engaged with stakeholders to identify and assess impacts, risks, and opportunities (IROs).
- Mapped material IROs to ESRS disclosure requirements.

**The material topics identified through this process include:**

| ENVIRONMENT | SOCIAL | GOVERNANCE |
|---|---|---|
| E1: Climate Change | S1: Own Workforce | G1: Business Conduct |
| E2: Pollution | S2: Workers in the Value Chain | |
| E3: Water | S3: Affected Communities | |
| E4: Biodiversity and Ecosystems | | |
| E5: Resource Use and Circular Economy | | |

# Materiality Assessment Continued

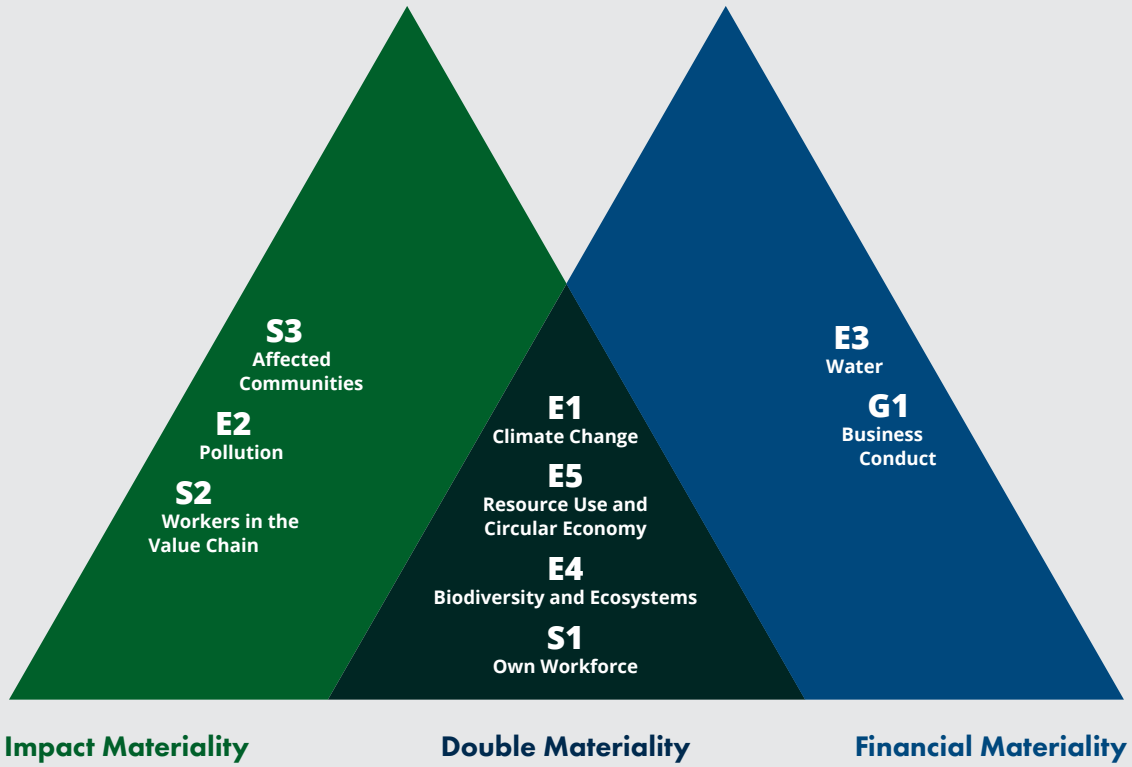
## RESULTS

The matrix to the right summarizes the outcome of the assessment. Given that we rely heavily on natural resources and have diversified business activities primarily in industrial manufacturing, most high-level ESRS topics were deemed material to report. We acknowledge our unique responsibility to operate sustainably and embed these principles along our value chain.

The topics that are material from both an impact and financial perspective are E1 Climate Change, E5 Resource Use and Circular Economy, and E4 Biodiversity and Ecosystems primarily because our business model and strategy rely heavily on the availability of wood fiber and healthy forests which inherently intersect with potential impacts to the environment. S1 Own Workforce was also deemed material from both perspectives as our business relies on the retention of a strong, skilled workforce while our employees' well-being is directly impacted by our business decisions.

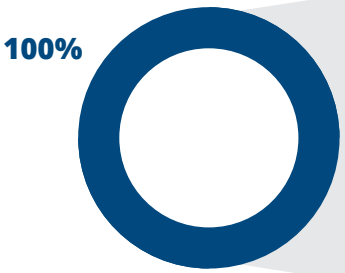
This double materiality assessment helped to inform our 2024 reporting and sustainability strategy, however, given that Mercer is not yet required to comply with CSRD, additional topics and details have been included in this 2024 report.

### DOUBLE MATERIALITY ASSESSMENT



# History and Product Growth

Mercer's investments reflect our recognition that diversification is important in positioning the company to better navigate through business cycles. This better positions us to provide more sustainable earnings year over year while contributing in a positive way to the circular economy. The transformation of Mercer over the decades has centered around our commitment to developing lower carbon, more sustainable products and solutions for the global market, creating value for customers, and contributing to a more sustainable world.




1994

30 years of business acquisitions, investments & growth

Pulp

Bioenergy, Biofuels, and Biochemicals

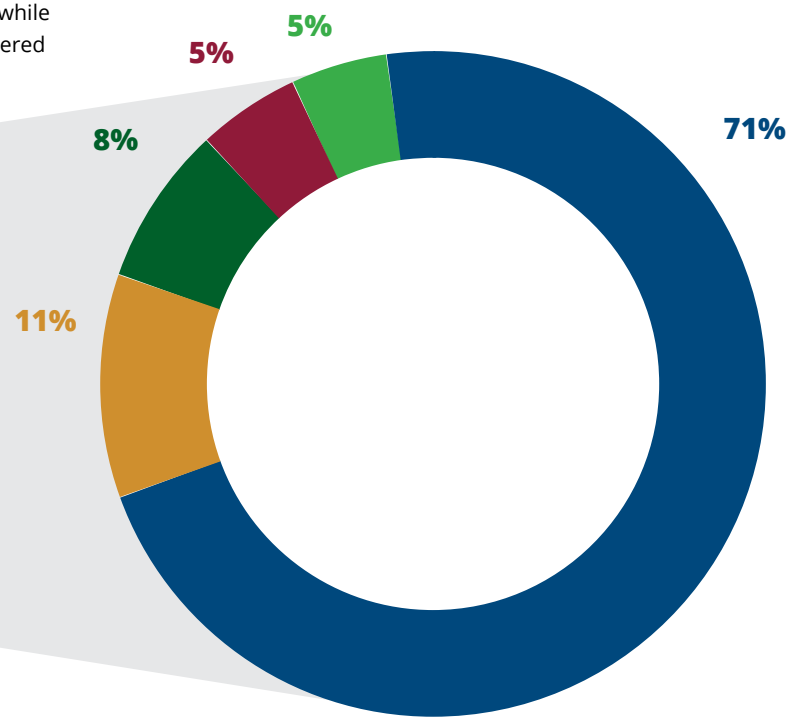
Lumber

Mass Timber and other Manufactured Wood Products

Pallets

**MERCER PRODUCT MIX**

Percentage by Revenue




2024

## KEY MILESTONES

**1994** Mercer Rosenthal Acquisition

**1999** Mercer Rosenthal Investment

**2004** Mercer Stendal Open

**2005** Mercer Celgar Acquisition

**2007** Mercer Celgar Investment

**2010** Mercer Celgar Investment

**2013** Mercer Stendal Investment

**2017** Mercer Timber Products Acquisition

**2018** Mercer Peace River Acquisition

**2021** Mercer Stendal Investment; Mercer Spokane Acquisition

**2022** Mercer Torgau Acquisition

**2023** Mercer Conway Acquisition; Mercer Okanagan Acquisition

# Our Products and Services

## GLOBAL OPERATIONS AND WORKFORCE

### CANADA

**1,050**
Employees

**Mercer Peace River and Peace River Transport**
*Peace River, Alberta*

**Mercer Forestry Services**
*Lumby, British Columbia*

**Mercer International**
*Vancouver, British Columbia*

**Mercer Okanagan**
*OK Falls, British Columbia*

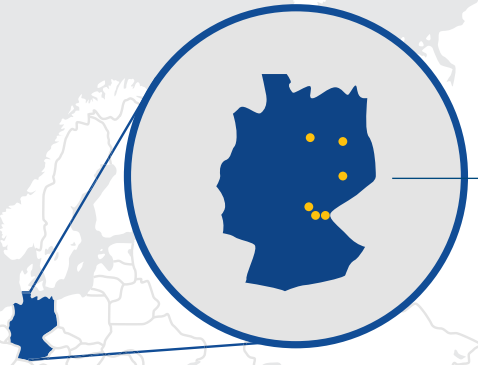
**Mercer Celgar**
*Castlegar, British Columbia*

### UNITED STATES

**160**
Employees

**Mercer Spokane**
*Spokane Valley, Washington*

**Mercer Conway**
*Conway, Arkansas*



### GERMANY

**2,345**
Employees

**Mercer Stendal and Mercer Logistik**
*Arneburg, Saxony Anhalt*

**Mercer Pulp Sales**
*Berlin*

**Mercer Torgau**
*Torgau, Saxony*

**Mercer Holz**
*Rosenthal am Rennsteig, Thuringia*

**Mercer Rosenthal and Mercer Europe**
*Rosenthal am Rennsteig, Thuringia*

**Mercer Timber Products**
*Saalburg Ebersdorf, Thuringia*

**13**
**GLOBAL LOCATIONS**

**3,580**
**GLOBAL EMPLOYEES[1]**

**$2,043.4**
**2024 REVENUE (U.S. $M)**

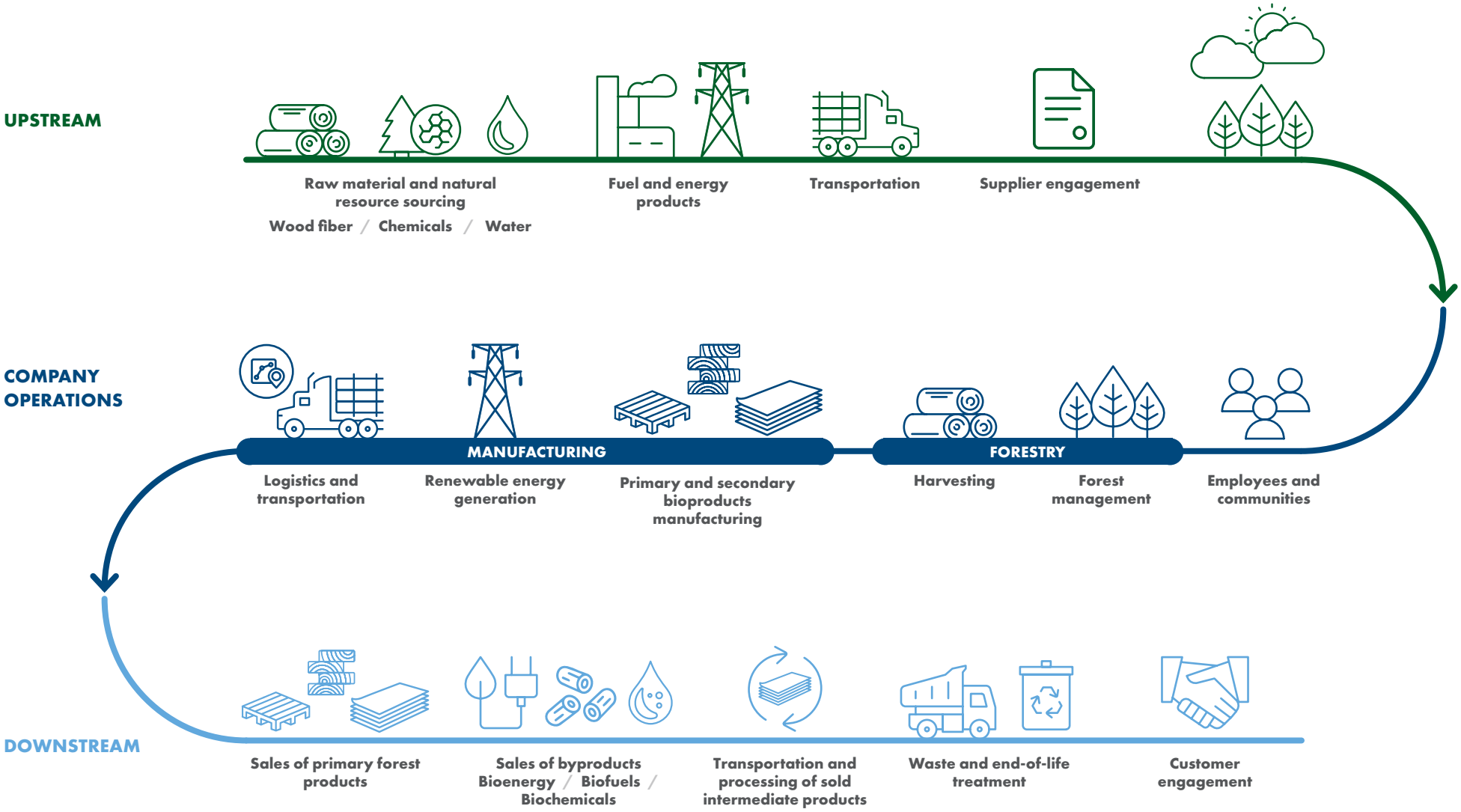
1 Approximate as of December 31, 2024

# Our Products and Services Continued

| OPERATION | LOCATION | EMPLOYEES[1] | PRIMARY BIOPRODUCTS[3] | SECONDARY BIOPRODUCTS[3] |
|---|---|---|---|---|
| **PULP MILLS** | | | | |
| **Mercer Celgar** | Canada | 405 | 520,000 ADMT NBSK | 100 MW Bioenergy<br>Biochemicals – Turpentine |
| **Mercer Peace River** | Canada | 360 | 475,000 ADMT NBSK/NBHK | 65 MW Bioenergy |
| **Mercer Rosenthal** | Germany | 395 | 360,000 ADMT NBSK | 57 MW Bioenergy<br>Biochemicals – Tall oil<br>Biomaterials – Lignin |
| **Mercer Stendal** | Germany | 495 | 740,000 ADMT Pulp | 148 MW Bioenergy<br>Biochemicals – Tall oil, Turpentine and Methanol |
| **SAWMILLS** | | | | |
| **Mercer Timber Products** | Germany | 445 | 550 MMfbm Lumber | 13 MW Bioenergy |
| **Mercer Torgau** | Germany | 710 | 410 MMfbm Lumber<br>17 Million Pallets | 15 MW Bioenergy<br>230,000 tonnes Biofuels – Pellets and Briquettes |
| **MASS TIMBER** | | | | |
| **Mercer Okanagan** | Canada | 110 | 40,000 $m^3$ CLT and Glulam | |
| **Mercer Conway** | United States | 60 | 75,000 $m^3$ CLT and Glulam | |
| **Mercer Spokane** | United States | 100 | 140,000 $m^3$ CLT | |
| **BIOSERVICES[2]** | | | | |
| **Peace River Transport** | Canada | 30 | Transportation | |
| **Mercer Holz** | Germany | 235 | Wood procurement, Harvesting and Logistics | |
| **Mercer Forestry Services** | Canada | 60 | Wood Harvesting and Logistics | |
| **Mercer Logistics** | Germany | 30 | Logistics | |
| **Mercer International / Mercer Europe / Mercer Pulp Sales** | Germany and Canada | 120 | Corporate Offices | |

**ADMT:** Air-dried metric tonnes; **NBSK:** Northern bleached softwood kraft; **NBHK:** Northern bleached hardwood kraft; **CLT:** Cross-laminated timber; **MMfbm:** Million board feet; **$M^3$:** Cubic meters; **MW:** Megawatts
1 Employee figures are rounded. 2 Peace River Logging number of employees is not reported as PRL is only 50% owned by Mercer. 3 Primary Bioproducts and Secondary Bioproducts figures refer to production capacity.

# Our Value Chain



# Our Stakeholders

**People shape our organization in ways that inspire and enable us to move toward our goals and shape a better and more sustainable future. We also value the diverse range of perspectives ranging from members of our Board of Directors to senior leadership to managers and employees throughout our locations. To ensure we are embracing the valuable input from all, we actively engage with our internal and external stakeholders on an ongoing basis to understand what matters most to them.**

## OUR CUSTOMERS

We actively engage with our customers to ensure we reliably deliver high quality products and solutions. Key customer interests include climate change, product sustainability, sustainable forestry, communication and transparency, human rights, reliable supply chains, and high quality reliable products.

## OUR EMPLOYEES

At Mercer we are committed to incorporating sustainability into everything we do. This includes sharing new ideas on gaining efficiencies in our pulp and sawmill operations and mass timber facilities as well as doing the little things that make a difference on a day-to-day basis.

## OUR COMMUNITIES

Through diligent outreach and ongoing communication, we engage with those who live and work in the communities where we operate. This includes working with Indigenous communities to protect mutual values and interests on the lands we are privileged to work on.

## OUR SHAREHOLDERS

We recognize our fundamental financial obligation to our shareholders, striving to be a sustainable enterprise that delivers long-term growth and value creation. This means coupling strong and resilient financial performance with robust sustainability performance across environmental, social, and governance (ESG) topics, ensuring we meet shareholder expectations for both financial returns and responsible business practices.

## OUR SUPPLIERS

We view our suppliers as long-term partners and engage with those who align with our social, environmental, and ethical standards. We support local businesses and expect all suppliers to adhere to our Supplier Code of Conduct, ensuring respect for human rights, environmental stewardship, and sustainable practices throughout the supply chain.

# Our Sustainability Approach

**Mercer's sustainability strategy is integrated into our business strategy, providing a clear framework that aligns environmental, social, and economic priorities with our operations and financial performance. Our approach focuses on measurable impact, ensuring accountability across our sustainability initiatives.**

As a member of the UN Global Compact, we align our efforts with its principles to drive responsible business practices. Through this membership, we have identified key Sustainable Development Goals (SDGs) where our operations and products can make a measurable contribution.

In early 2024, our participation in the UN Global Compact SDG Ambition Accelerator helped us refine our sustainability targets and further align them with global priorities. This initiative supports our ongoing efforts to implement concrete actions that contribute to a sustainable and low-carbon economy.

We view these goals as important commitments that can move sustainable development forward, both in our local communities and globally. Mercer's dedication to these goals underscores our commitment to fostering positive change toward a more sustainable future.

## TEN PRINCIPLES OF THE UNITED NATIONS GLOBAL COMPACT

As a signatory to the UN Global Compact, Mercer is committed to the Ten Principles of the United Nations Global Compact. We realize that our success in sustainability is rooted in our value system that translates into operating with ethics and the highest regard for human rights. In 2024, Mercer completed its first Communication on Progress which enables participating companies of the UN Global Compact to measure and demonstrate progress to stakeholders and the public on the Ten Principles and the Sustainable Development Goals in a consistent and harmonized way.

SUSTAINABLE DEVELOPMENT GOALS

WE SUPPORT UN GLOBAL COMPACT

### SDG AMBITION ACCELERATOR PROGRAM WITH THE UNGC IN NEW YORK

Our participation in the UN Global Compact SDG Ambition Accelerator in early 2024 has been a key initiative to accelerate action and further align our sustainability ambitions with our business goals. Our sustainability framework lays the foundation of our sustainability strategy. At Mercer, this is our roadmap to creating positive impacts for society and the planet. Our framework serves as a tool to align our environmental, social, and economic goals with our business strategies, operations, and financial performance.

Our membership in the UN Global Compact reinforces this commitment, emphasizing responsible practices in human rights, labor, environment, and anti-corruption. As part of the UN Global Compact, we have identified the Sustainable Development Goals towards which our operations and products can make effective contributions.

# Our Sustainability Approach Continued

## Strategic Focus Areas: At Mercer, we center our efforts toward a more sustainable future around six key focus areas that provide guidance in policy and practice.

We strive to continuously improve environmental performance across the organization and with our business partners.

We innovate and implement processes aimed at mitigating and adapting to the effects associated with climate change.

We continuously improve resource efficiency and advance the circular bioeconomy.

We acknowledge our responsibility to sustainably manage forests and promote responsible forestry in our supply chain.

We focus on sustainable long-term growth and value creation.

We embrace social responsibility to advance the well-being of employees, local communities, and business partners across our supply chain.

# Our Sustainability Approach Continued

**Our Sustainability Approach is framed around strategic focus areas and related targets and indicators. Our 2024 results and progress are summarized in the table below. Please refer to the individual sections within the report for further details related to our progress.**

| THEME AND FOCUS AREA | 2030 ASPIRATIONAL GOALS | 2024 PROGRESS | STATUS | UN SDG |
|---|---|---|---|---|
| **Environment** | | | | |
| **Champion Sustainable Forestry** | 75% share of certified fiber, with 100% of fiber from responsible sources[1] | 68% certified fiber<br>100% of fiber comes from responsible sources | ▶ | 15 |
| **Mitigate Climate Change** | 50% reduction in scope 1 GHG emissions per tonne of pulp from a 2019 baseline[1] | 10% increase from 2019 | ▶▶ | 7, 12, 13 |
| | 35% reduction in absolute scope 2 GHG emissions from a 2024 baseline[1] | Revised goal | ▶▶ | |
| | 35% reduction in absolute scope 3 GHG emissions from a 2024 baseline[1] | Revised goal | ▶▶ | |
| | 90% of energy from renewable sources[1] | 83% | ▶ | |
| | 200% growth in stored carbon in mass timber from a 2024 baseline[1] | New goal | ▶ | |
| **Improve Resource Efficiencies and the Circular Bioeconomy** | 10% reduction in water withdrawal intensity from a 2019 baseline[1] | 1% increase from 2019 | ▶▶ | 6, 12 |
| | 5% improvement in resource efficiency from a 2024 baseline in[1]: | | | 7, 12, 15 |
| | • Fiber utilization rate | New goal | ▶ | |
| | • Chemical utilization rate | New goal | ▶ | |
| | • Energy intensity | New goal | ▶ | |
| | 30% reduction in landfill waste intensity from a 2019 baseline[1] | 24% decrease from 2019 | ▶ | 12 |

▶ In progress, on track ▶▶ Needs acceleration

# Our Sustainability Approach Continued

| THEME AND FOCUS AREA | 2030 ASPIRATIONAL GOALS | 2024 PROGRESS | STATUS | UN SDG |
|---|---|---|---|---|
| | Advance the substitution of fossil-based products with innovative biomaterials and low-carbon products through R&D and collaborative partnerships[1] | New goal | ▶ | 12 Responsible Consumption and Production; 13 Climate Action |
| **Social** | | | | |
| **Embrace Social Responsibility** | 60th percentile inclusion index score[1] | 22nd percentile | ▶▶ | 5 Gender Equality; 8 Decent Work and Economic Growth |
| | 80% engagement survey response rate[1] | 60% | ▶ | |
| | <1.7 total recordable incidents rate[1] | 2.76 | ▶ | 8 Decent Work and Economic Growth |
| **Governance** | | | | |
| **Sustainable Enterprise** | Balanced and resilient EBITDA[1] | Operating EBITDA: $243,722,000<br>Revenue Mix:<br>71% Pulp<br>21% Solid wood[2]<br>8% Bioenergy, Biofuels, and Biochemicals[3] | ▶▶ | 8 Decent Work and Economic Growth |
| | Be the preferred global supplier, delivering superior value proposition[1] | Continuous engagement with customers to meet their operational, strategic, and sustainability needs | ▶ | 8 Decent Work and Economic Growth |

*1 See Appendix for a summary table of our targets, progress, and corresponding methodology and scope.*
*2 Solid wood includes lumber, mass timber, and pallets.*
*3 Bioenergy, biofuels, and biochemicals include bioenergy, pellets, briquettes, tall oil, turpentine, and methanol.*

▶ In progress, on track ▶▶ Needs acceleration

# ENVIRONMENT

From seeking to sustainably manage forests to continuously seeking ways to reduce, reuse, and recycle, Mercer drives toward our goals to protect our planet. Leading through innovation and education moves us forward in positively impacting our company, our industry, and the world.

# Sustainable Forestry and Biodiversity

## SUSTAINABLE FOREST MANAGEMENT

At Mercer, we understand that we must seek to be good stewards of the woodlands we manage and operate within. Mercer's forest management activities are specific to our Mercer Peace River (MPR) operations in northwestern Alberta, Canada. MPR holds tenure on 7.3 million hectares of crown land, of which 2.7 million hectares are held under Forest Management Agreements (FMAs). This tenure is an area-based tenure, where MPR is responsible for the development of sustainable forest management plans for MPR and underlying Quota Holders. On the other 4.6 million hectares, MPR holds deciduous volume-based tenures as a Quota Holder under FMAs managed by other companies.

Our detailed forest management plans (FMPs) guide our forestry operations to ensure our harvesting practices align with regulatory requirements and Mercer's operating rules and standards. Following a 200-year harvest planning horizon, our FMPs are updated every 10 years with objectives, indicators, and targets that incorporate input from public stakeholders and Indigenous communities.

Our forest management practices seek to balance environmental and socioeconomic needs while prioritizing ecosystem health. A critical part of this process involves employing ecosystem based management (EBM) which aims to restore, enhance, and protect the resilience of ecosystems by emulating natural disturbances. With EBM, harvests are performed to mimic patch size, shape, and structural diversity that would naturally occur on the landscape to promote biodiversity and maintain forest resilience.

Collaborative research directly informs Mercer's sustainable forestry practices. MPR partners with research organizations and government agencies on projects related to ecosystem-based management, climate change adaptation, and species protection to inform best practices and ensure that our forest management aligns with current scientific knowledge and changing environmental conditions.

The Six Principles of Sustainable Forest Management guide our approach:

**1.** Maintain biological diversity

**2.** Maintain ecosystem productivity

**3.** Conserve soil and water

**4.** Consider global ecological cycles

**5.** Provide multiple benefits to society

**6.** Accept society's responsibility for the involvement of Indigenous communities and the public in sustainable development

## WHERE TECHNOLOGY MEETS GRASS ROOTS FOREST MANAGEMENT

Mercer's Spatial Viewer technology incorporates satellite images with on-the-ground reports of what is happening on the forest floor. This data not only helps ensure that Indigenous communities maintain access to important resources including medicinal plants, hunting grounds, and lakes and streams, but provides Mercer with even more advanced data that informs smarter harvesting decisions. Knowing where birds may be nesting or protected species may be wintering, for example, allows for adjustments in harvesting areas that benefit local communities and the biodiversity of the forest.

# Sustainable Forestry and Biodiversity Continued

## BIODIVERSITY IN SUSTAINABLE FORESTRY

Mercer is committed to maintaining and supporting biodiversity – the variety of life and ecosystems – within our managed tenures and as part of our fiber sourcing. Sustainable forestry practices are intrinsically linked to the preservation of biodiversity, ensuring the long-term health and resilience of forest ecosystems.

We recognize biodiversity's crucial role in healthy ecosystems and our business. Mercer Peace River actively manages its forests to protect wildlife habitats for species like songbirds, caribou, and trumpeter swans, guided by biodiversity conservation as a core principle of our sustainable forest management. We employ a mitigation hierarchy that prioritizes avoiding impacts through practices such as winter harvesting and buffer zones. We minimize impacts by emulating natural disturbances and maintaining structural diversity. Additionally, we actively restore and regenerate ecosystems through collaborative efforts, focusing on protecting critical areas like riparian zones. Furthermore, third-party forest certification plays an important role in upholding biodiversity values. Independent forest certifications provide assurance that forest management practices adhere to rigorous environmental and social criteria, including the protection of species at risk, the maintenance of natural forest structures, and the preservation of high conservation value areas.

We implement programs to control noxious weeds and maintain species, habitat, and genetic diversity, as well as soil and water quality. Our foresters and contractors are trained on identifying and reporting locations and features of high biodiversity importance, ensuring these areas are buffered and removed from our harvestable landbase. The principles embedded within sustainable forestry and verified through third-party certification systems are essential for safeguarding the intricate web of life within forest ecosystems.

## RESEARCH-BASED FOREST MANAGEMENT: MERCER AND THE EMEND PROJECT

The Ecosystem-based Management Emulating Natural Disturbance (EMEND) Project is a large-scale variable retention harvest experiment designed to test effects of residual forest structure on ecosystem integrity and forest regeneration at the forest stand-level. EMEND is a long-term project that began in 1998 and is forecast to run for one stand rotation, or approximately 80-100 years. The project, centered at the University of Alberta, is a collaboration between numerous research agencies, provincial and federal governments, and the forest companies operating in northwest Alberta.

Mercer leaves approximately 15% of hardwood post-harvest, one of the highest retention levels in the province, which leads to faster convergence with natural ecosystem processes. How we design our harvest areas, and how much retention is left in them is rooted in the science and research from our own best practices and ongoing studies such as EMEND.

Responsible planning and harvesting allows the forest to return to its natural state in approximately 13 years post-harvest, compared to what previously was a 70-year timeframe.

**"Our forest planning and harvesting aims to emulate natural patterns on the landscape to protect habitats and promote forest ecosystem processes that are required by different flora and fauna."**

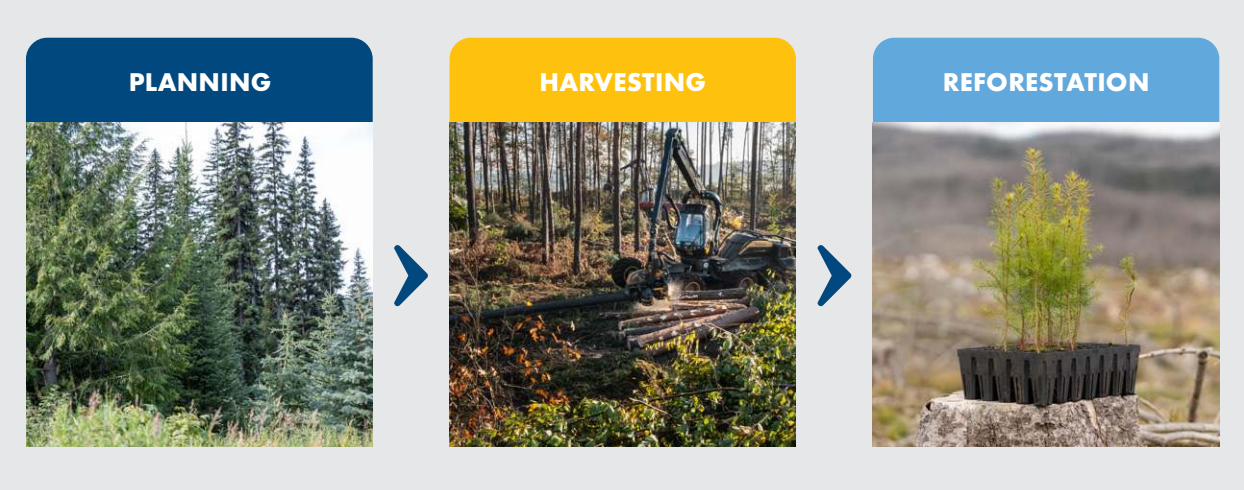
**Cal Dakin**
*Managing Director, Mercer Peace River*

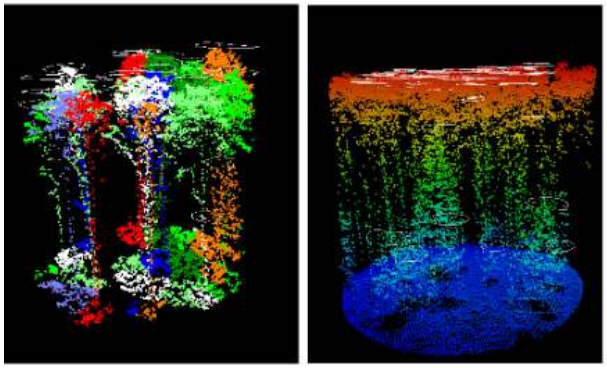
# Sustainable Forestry and Biodiversity Continued

## MONITORING BIODIVERSITY

Biodiversity is closely monitored in our managed tenures as part of MPR's detailed forest management plans (FMPs). Mercer's FMPs are framed around a set of Values, Objectives, Indicators, and Targets (VOITs) which ensure a holistic approach to sustainability. VOITs define what is important, what the desired outcomes are, how progress is to be measured, and how success is defined, guiding the planning, operations, monitoring, and adaptation while incorporating stakeholder and rights holder input. Ultimately, VOITs drive responsible forest management and accountability towards diverse ecological, economic, and social goals.

As part of the VOITs framework that guides our sustainable forest management in Alberta, we actively monitor biodiversity through 29 indicators across four levels—landscape, local/stand, species, and genetic. Key examples of these indicators include the area distribution of old, mature, and young forests by type, the variety of patch sizes, the amount of downed woody debris, the identified number of sensitive biodiversity sites, and the extent of our continuous reserve network that supports wildlife habitat connectivity.



*Mercer implements LiDAR (Light Detection and Ranging) technology in our forest management planning.*

FORSITE
Forest Management Specialists

"We begin by creating a new inventory every 10 years where we determine exactly what's out in the forest... and we take all of the different information that's associated with that forest and we bring it together into a large forest (planning) model."

**Gordon Whitmore**
*Land Management Superintendent, Mercer Peace River*

# Sustainable Forestry and Biodiversity Continued

## CLIMATE-SMART FORESTRY

Mercer's approach to climate-smart forestry centers on sustainable forest management practices that aim to optimize both climate adaptation and mitigation. This involves ensuring responsible harvesting, promoting ecosystem-based management to enhance forest resilience, maximizing the utilization of harvested wood to store carbon and displace more emissions-intensive materials, and actively engaging in initiatives that support wood's role in climate protection.

*Even with populations of the trumpeter swan on the rebound, Mercer maintains up to 800 meters of buffers around swan nesting lakes.*

*On the International Day of Forests, Mercer Holz partnered with the city of Jerichow, Saxony-Anhalt, Germany, for a reforestation campaign that engaged the next generation in sustainable forestry.*

## RENATURALIZING HABITATS: MERCER TORGAU'S COMMITMENT TO ECOLOGY

In 2024, Mercer Torgau took proactive steps to balance industrial development with ecological stewardship by creating habitats that support biodiversity and restore ecosystems. The team at Mercer Torgau initiated renaturalization projects across the cities of Beckwitz, Klitzschen, and Drebligar, transforming over 157,000 square meters—equivalent to 22 soccer fields—of previously intensively farmed or commercially used land into thriving natural habitats.

### At Beckwitz:

- 19,700 square meters of field hedges were planted.
- 80,869 square meters of ruderal vegetation (a plant species that is first to grow on disturbed lands) were allowed to develop naturally, forming rough grasslands that provide vital habitats for pioneer species of plants, animals, and fungi.
- These areas attract insects with nectar, pollen, and hibernation opportunities, fostering critical biodiversity.

### At Klitzschen and Drebligar:

- A mix of trees, hedges, and ruderal meadows were introduced to create diverse environments.
- Wetlands and small water bodies were developed to support amphibians, reptiles, and other wildlife.

By renaturalizing these areas, Mercer Torgau is helping nature to recover and thrive. Birds, insects, and other species are already benefiting from the established habitats, contributing to regenerating ecosystems previously degraded by intensive land use.

# Sustainable Forestry and Biodiversity Continued

## INTEGRATING NATURE-RELATED ISSUES THROUGH TNFD'S LEAP APPROACH

We recognize that our business is intrinsically linked to nature and the stability of ecosystem services that nature provides. As such, we acknowledge the responsibility and role we have in effectively understanding and managing our nature-related dependencies and impacts. In 2024, we continued to build on our assessment of nature-related issues, aligned with the Taskforce on Nature-related Financial Disclosures' (TNFD) LEAP approach. This approach aims to help organizations conduct the due diligence necessary to inform disclosure statements aligned with the TNFD recommendations as well as provide guidance in identifying and assessing nature-related dependencies, impacts, risks and opportunities. Our assessment leverages various TNFD-recommended tools including the IUCN Red List of Threatened Species and Ecosystems, the World Database on Protected Areas, the Integrated Biodiversity Assessment Tool, the WRI Aqueduct Water Risk Atlas, and WWF Water and Biodiversity Risk Filters.

Taskforce on Nature-related Financial Disclosures

This year, we focused on the last phase of the LEAP approach: Prepare to respond and report. In this step, we determined our response to the material nature-related issues identified in the LEAP approach. To learn more, please see our TNFD Content Index available on our website here.

## MITIGATING WILDFIRE RISK: MERCER FORESTRY SERVICES' ARROW PARK PROJECT

In 2024, Mercer Forestry Services (MFS) made significant progress on its forest thinning project near Arrow Park, British Columbia. Initiated in 2023, the 40-hectare initiative on Crown Land aims to reduce wildfire risk by creating a fire buffer zone adjacent to the community. Awarded through a competitive bidding process by the BC Ministry of Forests, the project involved a three-phase approach to wildfire mitigation:

1. **Thinning Forest Fuels:** Using conventional harvesting equipment, MFS removed approximately 40% of the timber volume, focusing on less windfirm, fire-susceptible trees. Merchantable logs were processed and delivered, including some to Mercer Celgar, while non-merchantable stems were piled for disposal.
2. **Forest Floor Cleanup:** Cabin Resource Management was hired to prune ladder fuels and remove fine forest debris by hand.
3. **Final Disposal:** The waste piles were burned in a controlled manner in 2024, completing the project.

The project achieved its primary goal of protecting Arrow Park while demonstrating cost-effective practices. Costs to the Province were offset by stumpage royalties, highlighting the value of sustainable forest management. This success showcases MFS's ability to balance public safety, fiber procurement, and environmental stewardship, paving the way for future projects in wildfire mitigation.

## THE DIVERSE PROJECT AT MERCER PEACE RIVER: MAINTAINING FUNCTIONAL DIVERSITY IN THE FACE OF CLIMATE CHANGE

DIVERSE, a pan-Canadian research initiative, is advancing forest management by focusing on functional diversity and ecological connectivity to enhance forest resilience amidst global climate change. The project integrates innovative management approaches to address the increasing uncertainties of climate change, working to improve Canada's forest resilience and ensure continued ecosystem services. DIVERSE aims to implement and test novel adaptation strategies, develop improved uncertainty management methods, and reframe forestry as a key intervention for strengthening forest resilience and sustainability. Mercer Peace River, the University of Alberta, and partners from Indigenous, industry, government, and non-governmental organizations across Canada are collaborating on this project. The DIVERSE Project's findings will inform resilience-focused forest management strategies at Mercer Peace River, ensuring our forests are resilient for generations to come.

# Sustainable Forestry and Biodiversity Continued

## FOREST MANAGEMENT STANDARDS

Forest certification provides independent verification of sustainable forestry practices, ensuring responsible management and sourcing of forest products. Our managed forests in Canada are third-party certified to the Sustainable Forestry Initiative (SFI) Forest Management Standard as well as to the SFI Fiber Sourcing Standard. These certifications provide our customers and stakeholders with assurance that our wood supply, both from Mercer-managed forests and the wood we procure, comes from legal and responsible sources managed with sustainable forestry practices.

## FIBER PROCUREMENT AND CHAIN OF CUSTODY STANDARDS

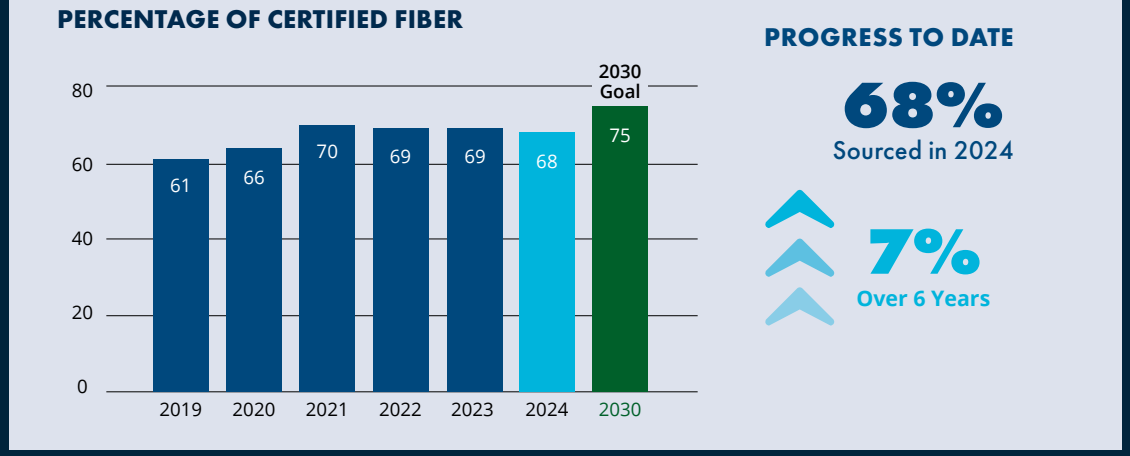
Mercer's fiber procurement practices align with the Programme for the Endorsement of Forest Certification (PEFC), the Sustainable Forestry Initiative (SFI) Chain-of-Custody, and the Forest Stewardship Council (FSC) Chain-of-Custody certifications. These certifications outline the expectations of fiber procurement and fiber traceability through the supply chain, ensuring that fiber comes from legally authorized and responsible sources. Please visit our website to view a full list of certifications.

### GOAL

By 2030, increase the share of certified wood fiber to 75%, with 100% of fiber from responsible sources.

### OUR PROGRESS

In line with Mercer's Wood and Fibre Procurement Policy, 100% of Mercer's fiber is responsibly sourced. In 2024, 68% of fiber was certified.




*Refer to the Appendix for relevant scope definitions and methodology for this target.*

## MERCER INTERNATIONAL RECEIVES 2024 SFI PRESIDENT'S AWARD FOR ADVANCING MASS TIMBER

Mercer's Senior Vice-President, Mass Timber, Nick Milestone, received the 2024 Sustainable Forestry Initiative (SFI) President's Award for promoting mass timber and advancing SFI certification in the construction supply chain. This is based on Mercer continuing to advance the use of certified materials while supporting environmental stewardship in construction.

# Climate Change

## Mercer is actively committed to climate protection and climate change mitigation. We specifically support initiatives that promote wood and wood-based byproducts as an important climate change solution.

Our support of and participation in global climate initiatives underlines our commitment to the environment, our industry, and our business. In an effort to reduce impacts on the environment and mitigate the risk from climate change, we are boosting our use of renewable energy, promoting carbon sequestration and investing in technological innovations such as the use of cross-laminated timber in the construction industry.

### MERCER'S CLIMATE TRANSITION PLAN

Mercer has a Climate Transition Plan that outlines our strategy and commitment to GHG emissions reductions in our own operations and our value chain. Our Climate Transition Plan is our company-wide climate change strategy and it includes collaborating with our value chain partners, developing low-carbon products, and adapting to the physical impacts of climate change. We conduct regular climate scenario analyses to assess climate-related risks and opportunities. Through this process, we assess the resilience of our business strategy and model against different potential future climate scenarios. We recognize that in order to meet our greenhouse gas emissions targets, it will be crucial to focus on upgrading key existing infrastructure, such as our lime kilns, with technological advancements that allow us to reduce our reliance on fossil fuels.

Aligning our climate ambitions with a future where warming is limited to 1.5°C above pre-industrial levels, our Climate Transition Plan is framed around the CDP's key elements of a credible plan. It involves a company-wide integrated strategy that addresses where we are today and where we need to be in the future to be successful in a 1.5°C world.

### PATH TO 2030

**Our Climate Transition Plan is grounded in four guiding governance principles:**

1. **Board-level oversight** of the climate transition plan and climate-related risks and opportunities
2. **Financial planning** with timebound capital expenditure projects to support emissions reductions
3. **Policy engagement** advocating for impactful and transparent climate action in line with our commitments and strategy
4. **Annual scope 1, 2 & 3** GHG emissions accounting with third-party verification

> Sustainability and financial responsibility go hand in hand and are the foundation of Mercer's strategic approach. By emphasizing resourcefulness and strategic solutions, Mercer seeks to create lasting enterprise value through sustainable practices."

**Richard Short**
*Chief Financial Officer and Secretary*

# Climate Change Continued

## OUR CLIMATE TRANSITION PLAN INCLUDES:

### SCENARIO ANALYSIS

Mercer incorporates Climate Scenario Analysis as a fundamental part of our overall risk management approach. This analysis is conducted periodically and adheres to the guidelines of the Task Force on Climate-Related Financial Disclosures (TCFD). By modeling potential future scenarios, we gain deeper insights into the associated climate-related risks and opportunities, including potential financial impacts, and are able to enhance the resilience of our business strategy.

### RISKS AND OPPORTUNITIES

Mercer's Climate Scenario Analysis identified key risks and opportunities across three different potential warming scenarios identified with guidance from the Intergovernmental Panel on Climate Change and the Network for Greening the Financial System. These risks include physical risks, such as extreme weather events, water scarcity, and disruptions to fiber supply, and transition risks, including shifting regulations and increased competition for land use. By proactively adjusting our strategy, we are working to anticipate regulatory and societal changes that may affect our business and strengthen the resilience of our supply chain. For more information, please see Mercer's TCFD Content Index on our website.

### TARGETS

Our GHG emissions reduction strategy starts with science-based target setting followed by focusing on actions with the greatest potential for emissions reductions. Climate science underscores the need for immediate action: to prevent the worst effects of climate change, global warming must be limited to 1.5°C, emissions must be cut in half by 2030, and net zero must be achieved by 2050. Mercer is committed to playing its part in this critical transition. In 2021, Mercer set initial climate goals, committing to a 35% reduction in scope 1 GHG emissions per tonne of pulp by 2030, along with a 35% absolute reduction in scope 2 and 3 emissions from a 2019 baseline. These near-term targets were validated by the Science Based Targets initiative (SBTi). During 2024, to align with a 1.5°C pathway, we increased our ambition to a 50% reduction in pulp mill scope 1 GHG emissions intensity. Mercer has acquired several additional businesses (e.g. sawmill and mass timber facilities) since our initial scope 2 and scope 3 climate targets were set. As a result, Mercer increased the comprehensiveness of our scope 2 and 3 absolute emissions measurements to account for acquisitions and set a revised baseline year of 2024 with a 35% reduction target. Our scope 1 emissions intensity target is integrated into our Short-Term Incentive Plan compensation as part of aligning our core values with our incentive structure.

### OUR SBTI COMMITMENT

In 2022, Mercer became one of the first North American companies in the forest and paper products sector to have its climate targets validated by the Science Based Targets initiative. As the global economy undergoes a transition to net zero, we recognize that 1.5°C-aligned businesses will be best positioned to succeed in a low carbon future. As such, we are working toward re-validating our revised targets aligning with limiting warming to 1.5°C.

SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

### LOWER CARBON INITIATIVES AND PRODUCTS

Our manufacturing facilities are primarily powered by self-generated on-site renewable energy, and the carbon intensity of our purchased electricity is continuing to decline. To minimize scope 3 emissions, we are continuing to focus on lowering the emissions of our logistics through partnering with our logistics providers to shift product transport from trucking to rail and to further improve efficiency.

### VALUE CHAIN ENGAGEMENT

Mercer engages closely with customers to help realize their sustainability goals and climate ambitions. We also work with government policy makers as well as industry associations to support the forest bioeconomy. We realize that some of our sustainability and climate goals are linked to the actions of our suppliers, and we engage with them in areas such as sustainable forest management and chain-of-custody certification.

### SCOPE 1, 2, AND 3 ACCOUNTING

Accurate and reliable data is essential for tracking progress and setting meaningful targets. We measure and report our GHG emissions annually across our value chain and work to continuously improve data quality and accessibility. Our GHG inventory calculations are aligned with the GHG Protocol using an operational control approach. We have obtained third-party assurance for all three scopes of emissions in order to ensure reliability and transparency.

# Climate Change Continued

## NEXT STEPS

As we strengthen our climate ambitions to align with a 1.5°C pathway, we recognize the SBTi requirement for land-intensive industries to set near-term targets for indirect Forest, Land, and Agriculture (FLAG) emissions. FLAG targets are designed to account for and drive reductions in greenhouse gas emissions stemming from land use change, land management, and carbon removals. In response, we plan to measure our FLAG emissions in 2025, update our scope 1, 2, and 3 emissions reduction targets accordingly, and obtain SBTi re-validation. Setting separate targets for FLAG emissions allows us to better track our different emission sources to enable more targeted management strategies. Measuring our FLAG emissions will involve building on previous work done in 2021 as part of Mercer's Alberta Climate Impact Assessment to complete a FLAG baseline including land use change, land management, and carbon removals.

Our Climate Transition Plan reflects our commitment to doing our part to address the climate crisis by integrating climate mitigation and adaptation across our operations, supply chain and decision-making. We are expanding our low-carbon product portfolio and adapting to an evolving landscape. This is a work-in-progress. We will continue to refine our approach to align with global standards, market needs, and the latest climate science.

We are also excited to further evaluate biogenic carbon capture technology to further increase our role in mitigating climate change.

Mercer's renewable resources present great opportunities to substitute fossil-based inputs and materials, such as plastics, with fiber-based solutions from sustainably managed forests.

## CUSTOMER ENGAGEMENT

Reducing GHG emissions is essential not only for environmental reasons but also to help Mercer and our customers achieve 2030 climate mitigation targets.

Our approach to our 2030 sustainability objectives is characterized by transparency and active engagement with customers to determine what is most material to them. By participating in the SBTi and reporting our sustainability practices to globally recognized platforms like EcoVadis and CDP, Mercer also provides customers with comprehensive climate-related information along our value chain. This enables our customers to make informed decisions that align with their sustainability goals.

### KEY CUSTOMER INTERESTS

- CLIMATE CHANGE
- PRODUCT SUSTAINABILITY
- SUSTAINABLE FORESTRY
- COMMUNICATION & TRANSPARENCY
- HUMAN RIGHTS
- RELIABLILITY
- RESPONSIBLE MANUFACTURING

> From the products we make, how we make them, and how we are integrated into supply chains, we've got some amazing opportunities... such as the mass timber business and how the world is starting to recognize the amount of buildings that the world's going to need in the next few decades. If we don't find low-carbon solutions, we're going to continue to exacerbate the rate of climate change."

**Bill Adams**
*Chief Sustainability Officer*

# Climate Change Continued

## CLIMATE SCENARIO ANALYSIS

Mercer recently completed its third climate scenario analysis in partnership with Business for Social Responsibility (BSR) in 2024, building upon previous analyses conducted in 2020 and 2022. This ongoing collaboration with BSR has allowed Mercer to progressively enhance its understanding of climate-related risks and opportunities. Through a series of workshops with Mercer's senior leadership, including sessions focused on identifying and validating key risks and opportunities, as well as developing strategic management initiatives, BSR worked closely with Mercer to refine its approach. This latest analysis further strengthened Mercer's climate resilience and strategic decision-making by providing detailed asset-level physical climate impact assessments utilizing GIS mapping and hazard analysis and classifying financial impacts using a framework aligned with Mercer's Enterprise Risk Management process and Double Materiality Assessment. Additionally, BSR's work included an evaluation of Mercer's existing mitigation policies and actions, identification of indicators to assess the effectiveness of programs, and development of actionable recommendations to further improve resilience, all while ensuring alignment with evolving CSRD reporting requirements such as European Sustainability Reporting Standards (ESRS) E1. This collaborative process has enabled Mercer to continuously integrate climate considerations into its strategic planning and management activities, reinforcing its commitment to addressing climate-related challenges and opportunities.

## SCENARIOS

We explored three ranges of possible future scenarios with guidance from the Intergovernmental Panel on Climate Change (IPCC) and the Network for Greening the Financial System (NGFS).

**Current Policies:** Only currently implemented policies are preserved leading to high physical risks. This scenario is characterized by absent ambitious government or business action, slow technology change, low use of carbon dioxide removals, and low regional policy variations. The result is emissions on track to reach 2.8°C warming by 2100 (Representative Concentration Pathways (RCP) 4.5).

**Net Zero 2050:** The transition to a net-zero economy required drastic and coordinated global action beginning in the 2020s. This scenario is characterized by immediate policy action, rapid technology change, medium-high carbon dioxide removals, and medium regional policy variations. The cost of action is initially high but warming peaks at 1.6°C in 2060 and declines to 1.4°C by 2100 (RCP 1.9).

**Delayed Transition:** After a decade of inaction, a set of uncoordinated and stringent policies are adopted in the 2030s to rapidly halt greenhouse gas emissions. This scenario is characterized by delayed policy action and technology change, low-medium carbon dioxide removals, and high regional policy variations. High social and economic costs result in warming peaking at 1.8°C, but ultimately declines to 1.6°C by 2100 (RCP 2.6).

| | Current Policies | Net Zero 2050 | Delayed Transition |
|---|---|---|---|
| Physical Risk | High | Low | Medium |
| Transition Risk | Low | Medium | High |
| Policy Ambition | 2.8°C | 1.6°C | 1.8°C |
| Policy Reaction | None; continuation of 2020 policies | Immediate and smooth | Delayed |
| Technology Change | Slow | Fast | Slow then fast |
| Carbon Dioxide Removal | Low use | Medium/high use | Low use |
| Regional Policy Variation | Low | Medium | High |

# Climate Change Continued

## SCOPE 1, 2, AND 3 GREENHOUSE GAS EMISSIONS

To monitor our impact on climate, we annually measure and report on our greenhouse gas emissions across our value chain. Reliable data is essential to track our progress and set reduction plans for the future. That is why we continuously work on improving the quality and availability of our data.

Our emissions are calculated with reference to the methodology set out by the Greenhouse Gas Protocol and verified by an independent third-party assurance provider.

### GOAL

By 2030, reduce scope 1 GHG emissions by 50% per tonne of pulp from a 2019 baseline.

By 2030, reduce absolute scope 2 and scope 3 GHG emissions by 35% from a 2024 baseline.

# Climate Change Continued

## SCOPE 1, 2, AND 3 GREENHOUSE GAS EMISSIONS

### SCOPE 3 UPSTREAM[1]

517,348 (tonnes $CO_2e$)

**Purchased goods and services**
**309,306 (tonnes $CO_2e$)**
Emissions from the production of purchased products.

**Capital goods**
**51,617 (tonnes $CO_2e$)**
Emissions from the production of purchased capital goods.

**Fuel and energy related activities**
**65,036 (tonnes $CO_2e$)**
Emissions from the production of fuels and energy purchased and consumed that are not already included in scope 1 or scope 2.

**Upstream transportation and distribution**
**91,390 (tonnes $CO_2e$)**
Emissions from the transportation and distribution of purchased products between tier 1 suppliers and Mercer's operations.

### SCOPE 1 and SCOPE 2 MERCER MANUFACTURING

**SCOPE 2**

**Indirect emissions**
**Location based: 45,012 (tonnes $CO_2e$)**
**Market based: 45,106 (tonnes $CO_2e$)**
Company-wide indirect emissions from the generation of purchased electricity from utility providers for use in our operations.

**SCOPE 1**

**Direct emissions**
**454,602 (tonnes $CO_2e$)**
Company-wide direct emissions from Mercer's own operations, including emissions from fuel combustion in our boilers, equipment and vehicles, as well as emissions from the generation of power on site.

### SCOPE 3 DOWNSTREAM[1]

1,750,794 (tonnes $CO_2e$)

**Downstream transportation and distribution**
**168,536 (tonnes $CO_2e$)**
Emissions from the transportation and distribution of sold products to global customers.

**Processing of sold products**
**921,306 (tonnes $CO_2e$)**
Emissions from the processing of sold intermediate products by Mercer's customers.

**End-of-life treatment of sold products**
**660,952 (tonnes $CO_2e$)**
Emissions from the end-of-life waste disposal and treatment of sold products.

*1 Scope 3 reporting boundary includes Pulp and Solid Wood segments: Mercer Rosenthal, Mercer Stendal, Mercer Celgar, Mercer Peace River, Mercer Timber Products, Mercer Torgau*

# Climate Change Continued

## OUR PROGRESS

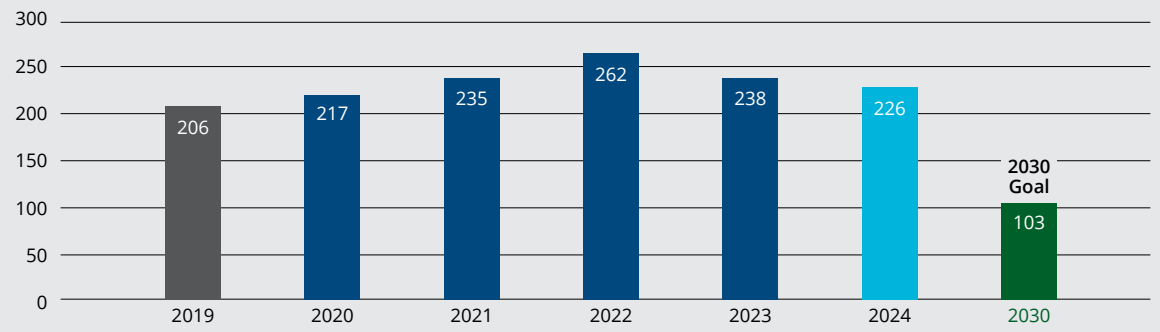
In 2024, Mercer improved the comprehensiveness of our scope 1 fossil fuel and biogenic emissions, and scope 2 emissions reporting boundary to include our recently acquired sawmill, mass timber, and bioservices segments. Scope 2 prior year (2023) data has been restated according to the new boundary, however, scope 1 fossil fuel and biogenic emissions have not been restated due to data availability challenges. Therefore, 2023 may not be comparable to 2024 for scope 1 fossil fuel and biogenic emissions.

## CLIMATE ACTIONS

Mercer is working toward the following as part of our climate action plan:

- switching from fossil fuels to biofuels in our lime kilns and power boiler;
- continuing to modernize our operations and invest in energy efficiency projects and process reliability initiatives;
- increasing the share of renewables used for energy generation;
- and continuing to invest in our e-mobility strategy.

**SCOPE 1 GHG INTENSITY – PULP MILLS** (kg $CO_2e$/ADMT)




| **Biogenic GHG Emissions** ($tCO_2e$) | **2023** | **2024** |
|---|---|---|
| **Scope 1 Biogenic GHG Emissions** | 4,863,904 | 4,811,226 |

| **Fossil Fuel GHG Emissions** ($tCO_2e$) | **2023** | **2024** |
|---|---|---|
| **Scope 1** | 433,372 | 454,602 |
| **Scope 2 (location-based)** | 46,176 | 45,012 |
| **Scope 2 (market-based)** | 46,571 | 45,106 |
| **Scope 3** | 2,678,480 | 2,268,142 |

*Refer to the Appendix for relevant scope, definitions and methodology.*

# Climate Change Continued

## FOREST PRODUCTS AS CLIMATE CHANGE SOLUTIONS

Sustainably managed forests and the resulting wood products play a crucial role in mitigating climate change. Forests act as significant carbon sinks, absorbing atmospheric $CO_2$ as they grow, and this carbon remains stored in long-lived wood products. Utilizing wood in place of more GHG emissions-intensive materials like concrete and steel can further reduce emissions, while using wood waste for bioenergy can displace fossil fuels.

## MASS TIMBER: A NEW ERA OF SUSTAINABLE DESIGN AT GOOGLE

In 2024, Mercer Mass Timber and Google unveiled 1265 Borregas, Google's first all-mass timber office building. Located in Sunnyvale, California, this five-story, two-million-square-foot structure showcases the transformative potential of mass timber in sustainable construction.

Built with cross-laminated timber (CLT) and glulam beams from Mercer's Okanagan mill, 1265 Borregas demonstrates the advantages of timber:

- **Embodied Carbon Reduction:** Google reports its new office building generates 96%[1] fewer embodied carbon emissions than a comparable steel and concrete structure, when you factor in sequestration over time.
- **Biophilic Design:** Natural wood has been reported to promote well-being and productivity.
- **Innovative Engineering:** A hybrid timber-steel system ensures seismic resilience and aesthetic appeal.

*1265 Borregas, Google's first mass timber office building, Sunnyvale, California.*

The building's third-party certified wood, solar-powered energy systems, and LEED Platinum certification, align with Google's goal of 24/7 carbon-free operations by 2030. With pre-engineered connections and factory-cut systems, the project streamlined construction, minimizing overall waste and costs. Combining sustainability, innovation, and human-centered design, this landmark project sets a new standard for what mass timber can achieve.

*1 As calculated by Google: https://blog.google/outreach-initiatives/sustainability/mass-timber-building/*

**1265 Borregas isn't just an office—it's a vision for sustainable construction."**

**Nick Milestone**
*Senior Vice President, Mercer Mass Timber*

# Climate Change Continued

**GOAL**

By 2030, 200% growth in stored carbon in mass timber products from a 2024 baseline.

## CREATING OPPORTUNITIES THROUGH CARBON SEQUESTRATION

***What is carbon sequestration?***

Carbon sequestration is the removal of carbon dioxide from the atmosphere. Trees do this naturally by storing $CO_2$ in their trunks, branches, leaves and roots, thus reducing atmospheric $CO_2$ levels and providing a natural method of long-term carbon storage. The carbon absorbed by wood-based products remains sequestered for the duration of the product's life, which can span decades or even centuries.

## STORING CARBON, BEAUTIFULLY

***The Benefits of Building with Cross-Laminated Timber***

As a climate change solution, mass timber provides an alternative for construction, akin to electric vehicles providing an alternative for transportation. To measure the carbon footprint of a building, companies conduct life cycle assessments.

**25% - 45%**

**Potential reduction due to embodied carbon from building with mass timber**

*According to a City of Vancouver report related to mass timber height bylaw amendments.*

With many clients utilizing Mercer's environmental product declarations (EPDs) supported by life cycle assessments to calculate the carbon footprints of their buildings, Mercer Mass Timber is updating its EPDs to include information about the sustainable sourcing of materials, including the jurisdiction, and even the watershed from which the wood is sourced. Mercer relies on chain-of-custody certification provided by SFI, PEFC, and FSC, as well as internal purchasing policies to ensure sustainable harvesting practices reinforcing our commitment to sustainable product design through traceability and transparency.

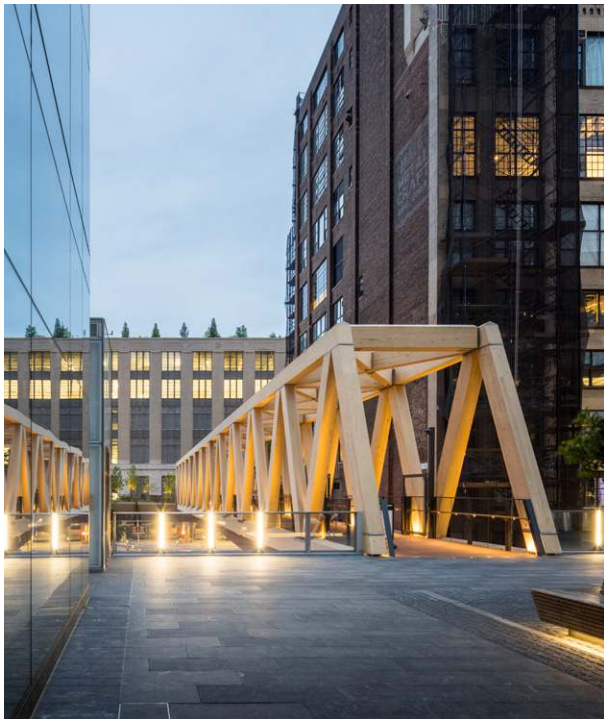
Additional benefits of mass timber include speed of construction and competitive cost of occupancy. As Mercer's facilities develop and costs come down, mass timber has the potential to become cheaper than steel and concrete. Since mass timber is lighter than these traditional materials, a smaller and less expensive foundation is needed to support the structure. The lighter weight also allows for lower transportation costs, making the construction process more efficient and less disruptive, which is particularly beneficial in urban environments.

**20% - 30%**

**Faster construction time vs. traditional concrete and steel**

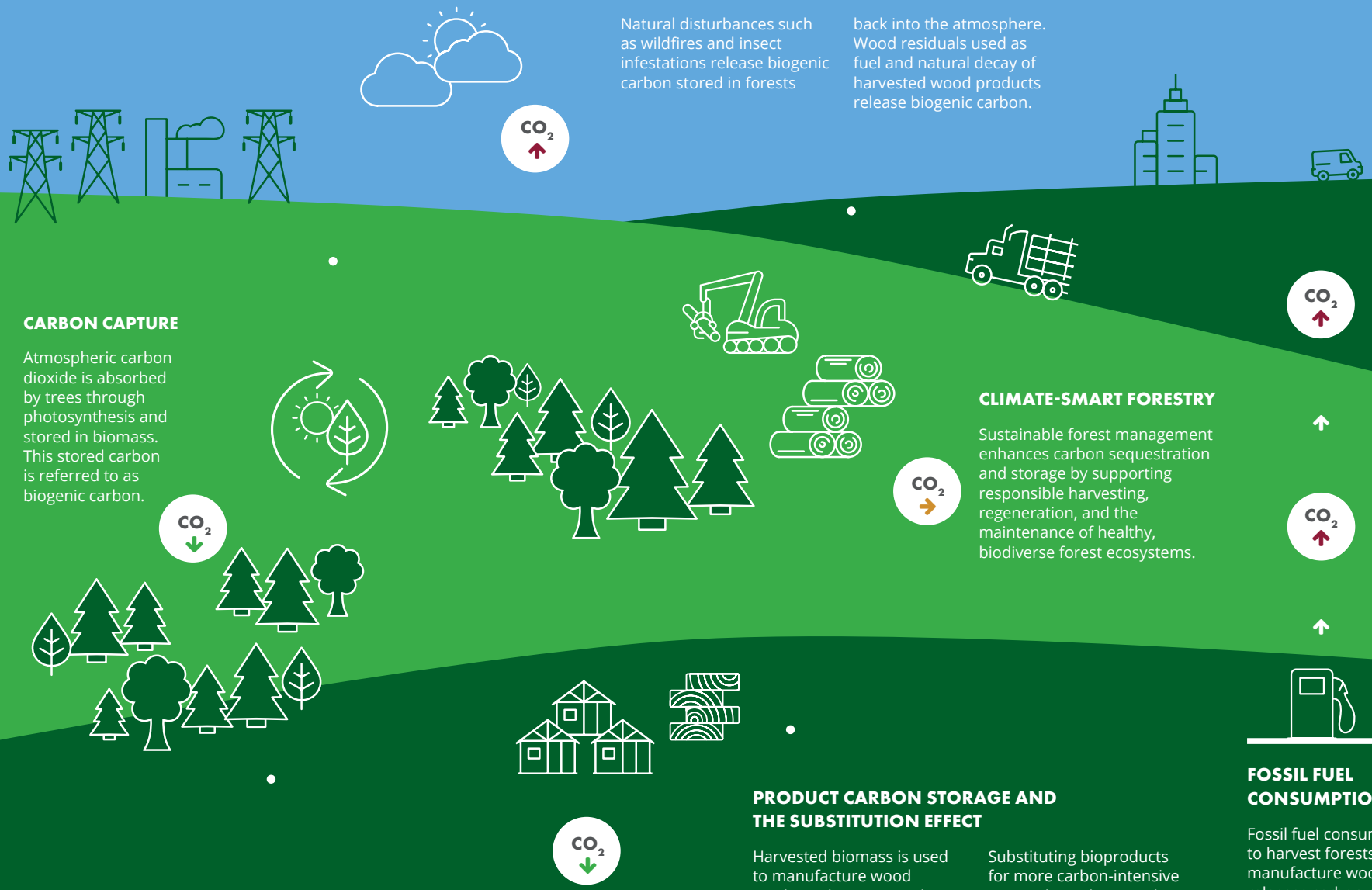
*Government of British Columbia*

It also offers additional biophilic benefits, creating a warm, inviting, and more natural environment for building occupants, contributing to their overall productivity and well-being. This more comfortable environment in turn can help recruit and retain talent at an organization. Mass timber represents a significant growth opportunity for Mercer, with Mercer holding a 30% market share in North American CLT capacity in an industry that is expected to grow between 20-30% per year.



# Climate Change Continued

## THE FOREST CARBON CYCLE




### BIOGENIC CARBON RELEASE

Natural disturbances such as wildfires and insect infestations release biogenic carbon stored in forests back into the atmosphere. Wood residuals used as fuel and natural decay of harvested wood products release biogenic carbon.

### CARBON CAPTURE

Atmospheric carbon dioxide is absorbed by trees through photosynthesis and stored in biomass. This stored carbon is referred to as biogenic carbon.

### CLIMATE-SMART FORESTRY

Sustainable forest management enhances carbon sequestration and storage by supporting responsible harvesting, regeneration, and the maintenance of healthy, biodiverse forest ecosystems.

### PRODUCT CARBON STORAGE AND THE SUBSTITUTION EFFECT

Harvested biomass is used to manufacture wood products that store carbon for extended periods, delaying its release back into the atmosphere.

Substituting bioproducts for more carbon-intensive materials, such as steel, concrete, and plastics, helps reduce fossil fuel–based emissions.

### FOSSIL FUEL CONSUMPTION

Fossil fuel consumption to harvest forests and manufacture wood products releases carbon dioxide into the atmosphere.

# Energy Management

**GOAL**

By 2030, 90% of energy from renewable sources.

By 2030, 5% improvement in pulp mill energy intensity from a 2024 baseline.

**Across all Mercer operations including pulp mills, sawmills and mass timber plants, energy use is carefully monitored and managed. Our organization strives to minimize energy consumption while maximizing our share of energy from self-generated sources.**

## THE POWER OF PULP

With the growing demand for natural, fiber-based products such as tissue and towels, Mercer's pulp mills provide products made from a renewable resource, wood. Kraft pulp is biodegradable and conducive to a lower-carbon footprint, but is also a superior alternative to plastics in packaging and fabrics in hygiene products.

The kraft process (also known as kraft pulping or sulfate process) is a process for conversion of wood into wood pulp, which consists of cellulose fibers, the main component of paper. Our pulp mill facilities are among Europe and North America's newest and most modern, offering us competitive manufacturing costs and efficiency advantages.

## RENEWABLE ENERGY FROM THE KRAFT PULPING PROCESS

1. Black liquor, a byproduct of the pulping process, is burned in recovery boilers to generate heat.
2. This heat is used to produce steam, which drives turbines to generate electricity that is used internally and exported to the grid.
3. Byproducts like bark and sawdust are also burned in power boilers to generate steam and electricity.
4. The mills employ a combined heat and power system to increase efficiency and maximize energy output from these biomass sources.

## ENERGY EFFICIENCY AT OUR PULP MILLS

Our pulp mills are energy self-reliant with minimal purchases of third-party electricity. We have invested significantly in cogeneration systems, allowing us to generate, use, and sell surplus bioenergy, supporting the renewable energy transition. Mercer has multiple energy management systems in place, including ISO 50001 certification at all German mills and an internal project coordinator network which tracks energy key performance indicators and shares best practices between mills.

| Resource Efficiency | 2024 | 2030 Goal |
|---|---|---|
| **Energy intensity - pulp mills (MWh/ADMT)** | 7.3 | 6.9 |

# Energy Management Continued

| Total Energy Consumption (MWh) – Company Wide | 2024 |
|---|---|
| **Energy Consumption from Fuels** | **13,855,495** |
| From Renewable Sources | 11,506,204 |
| From Renewable Sources (%) | 83% |
| From Non-Renewable Sources | 2,349,219 |
| From Non-Renewable Sources (%) | 17% |
| Electricity purchased from suppliers | 149,838 |
| **Gross Energy Consumption** | **14,005,333** |
| Electricity sales | 923,499 |
| **Net Energy Consumption** | **13,081,834** |

*Refer to the Appendix for all energy-related comparables and methodology.*

| Total Electricity Generation (MWh) – Company Wide | 2024 |
|---|---|
| **Electricity generation through own power plants** | 2,251,620 |

## ENERGY EFFICIENCY AT MERCER'S SAWMILLS

Mercer's sawmills operate biomass cogeneration plants that uses sawmill byproducts to produce both thermal energy for drying operations and electricity fed into the public grid. This approach contributes to Mercer and global energy transition and sustainable development goals. This begins with diligent management of the use of energy. Both of Mercer's sawmills are ISO 50001 certified, which provides a framework to track energy use and implement energy-saving initiatives. Some of these initiatives include using frequency converters to better match energy consumption to demand, heat exchangers to recover and reuse waste heat, as well as the replacement of conventional lighting with LED lighting throughout the facilities.

Energy savings can also be achieved through logistical improvements. At Mercer Timber Products, Mercer realized higher product yields through the combination of the compressed air systems of the sawmill and the planer mill. Another example included optimizing the flow of raw materials to reduce the number of empty truck runs.

**13%**

**REDUCTION IN ELECTRICAL ENERGY CONSUMPTION FROM 2023**

at Mercer Timber Products by reducing airspeed in the extraction system.

**2X**

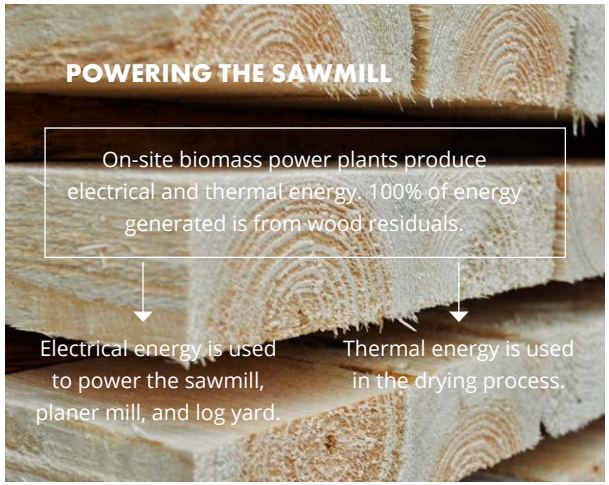
**STEAM AND BIOENERGY PRODUCED**

at Mercer Torgau and Mercer Timber Products than is needed to power operations so the remaining energy is sent to the public grid.

# Energy Management Continued

## EFFICIENCY THROUGH TECHNOLOGY

Mercer's sawmills utilize sophisticated energy monitoring systems with numerous measurement points to track electricity and fuel consumption. This data enables the identification of energy consumption thresholds and highlights opportunities for efficiency improvements. By increasingly integrating real-time monitoring technologies, Mercer's sawmills are able to optimize energy use relative to production output.




## SUSTAINABLE AND EFFICIENT PRINTING SOLUTION FOR PALLETS

Demonstrating a commitment to efficiency and sustainability, Mercer Torgau implemented a new printing technology in 2024 to label its pallet blocks. This innovative process, developed in partnership with Euro Pallets (EPAL), offers significant advantages over the previous branding iron system, including reduced energy consumption, increased efficiency, lower operating costs, and enhanced worker safety by minimizing hazards. Overall, this initiative contributes to optimizing production efficiency and a smaller environmental footprint.

Based on annual production of 11 million pallets, the new printing process delivers:

**99%** **reduction in pallet electricity consumption per year.**

**€516,000** **annual cost savings.**

**35 seconds vs. 45 minutes:** **reduction in changeover times.**

# Energy Management Continued

## CELEBRATING 20 YEARS OF A SUSTAINABLE LEGACY

In 2024, Mercer Holz marked two decades as a leader in timber rail transport, reflecting on its transformation of the industry and commitment to sustainability. Since adopting rail as its logistics backbone in 2004, Mercer Holz has partnered with SETG to dispatch over 30,000 block trains, ensuring an efficient, reliable, and eco-friendly timber supply.

## 2024 MILESTONES

This year, Mercer Holz continued expanding its rail capabilities, focusing on optimizing roundwood deliveries alongside its industry-leading wood procurement activities. Investments in modern railcars and infrastructure underscore the company's dedication to sustainable growth, even as challenges such as aging rail networks and rising demand test the industry.

## WHY RAIL MATTERS

- **Sustainability:** Rail emits far less $CO_2$ than road transport. Mercer's transition to rail is one key action in our Climate Transition Plan.
- **Efficiency:** Custom railcars minimize trips and save resources.
- **Reliability:** Rail ensures timely and safe delivery.

Looking ahead, Mercer Holz remains committed to strengthening rail logistics, supporting regional development, and leading climate-conscious innovation in timber transport.

## MERCER TIMBER PRODUCTS TESTS 16-TONNE ELECTRIC FORKLIFT WITH LITHIUM-ION TECHNOLOGY

As part of its e-mobility strategy, Mercer recently tested a 16-tonne electric forklift truck with the latest lithium-ion technology at Mercer Timber Products in Germany. The test phase was designed to assess the truck's performance and practicality under real-world conditions.

### FOCUS ON EFFICIENCY AND FLEXIBILITY

The electric forklift truck performed impressively in the test. With a battery capacity of up to 230 kWh, it was able to operate for eight hours at a time. The newly constructed charging infrastructure, with charging points of up to 300 kW, makes it possible to charge the battery from 30% to 80% in just 30 minutes. This fast-charging capability makes the electric forklift particularly attractive for multi-shift operations and offers the potential to sustainably increase the flexibility and productivity of the sawmill.

The insights gained from the test deployment are helping Mercer Timber Products plan the conversion of its forklift fleet. The purchase of the first electric forklift is scheduled for 2025. Simultaneously, the necessary charging infrastructure is being built to ensure a smooth transition. Mercer aims to advance our e-mobility strategy by continuing to prioritize electric alternatives to fossil fuel based mobile equipment when making new purchases.

> "The switch to electric forklift trucks is an important step in our sustainability strategy. We want to do our part to protect the climate while also increasing the efficiency of our logistics."
>
> **Juan Carlos Bueno**
> *President and Chief Executive Officer*

# Circular Bioeconomy and Resource Use

**GOAL**

By 2030, reduce pulp mill process waste to our landfills by 30% from a 2019 baseline.

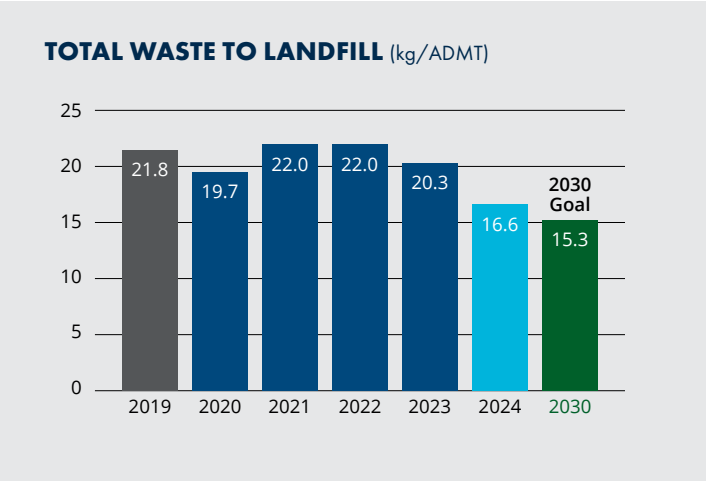
By 2030, improve resource efficiency by 5% in our pulp mill fiber and chemical utilization intensity from a 2024 baseline.

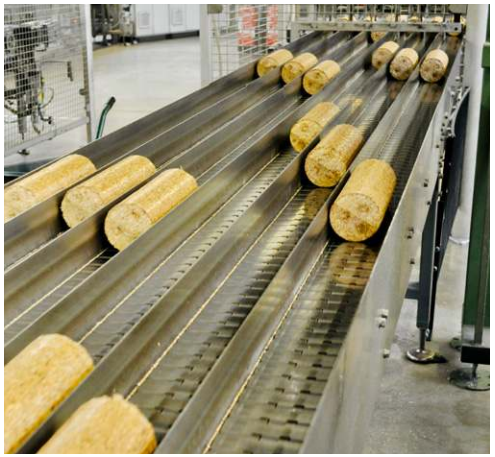
## WASTE MANAGEMENT

Based on a quest to substitute non-renewable fossil fuels with sustainable alternatives from biomass products, the "take-make-dispose" approach is supplanted by a "reduce, reuse, recycle" mantra. At Mercer, the transition to a circular bioeconomy is rooted in nature-based solutions such as wood from forests that are well managed. Our pulp mills generate process waste that includes wood ash, recausticizing dregs, and lime waste deposited in our operations' landfills. Our mills generate minimal amounts of hazardous waste that is managed and disposed of safely and reported on in accordance with relevant local laws and regulations.

Mercer has reduced our pulp mill process waste sent to landfill per tonne of pulp by 24% since 2019, with 18% of this reduction attributed to 2024. These reductions are due to intentional and proactive initiatives at a variety of our mills to find alternative uses for our pulp mill process waste including land applications of ash, biosolids, or lime for agricultural purposes and road construction.

**One of our key goals at Mercer is to continue to enhance the efficient use of resources while promoting circular solutions in how we manage our waste products.**



*Mercer Torgau briquette production line.*

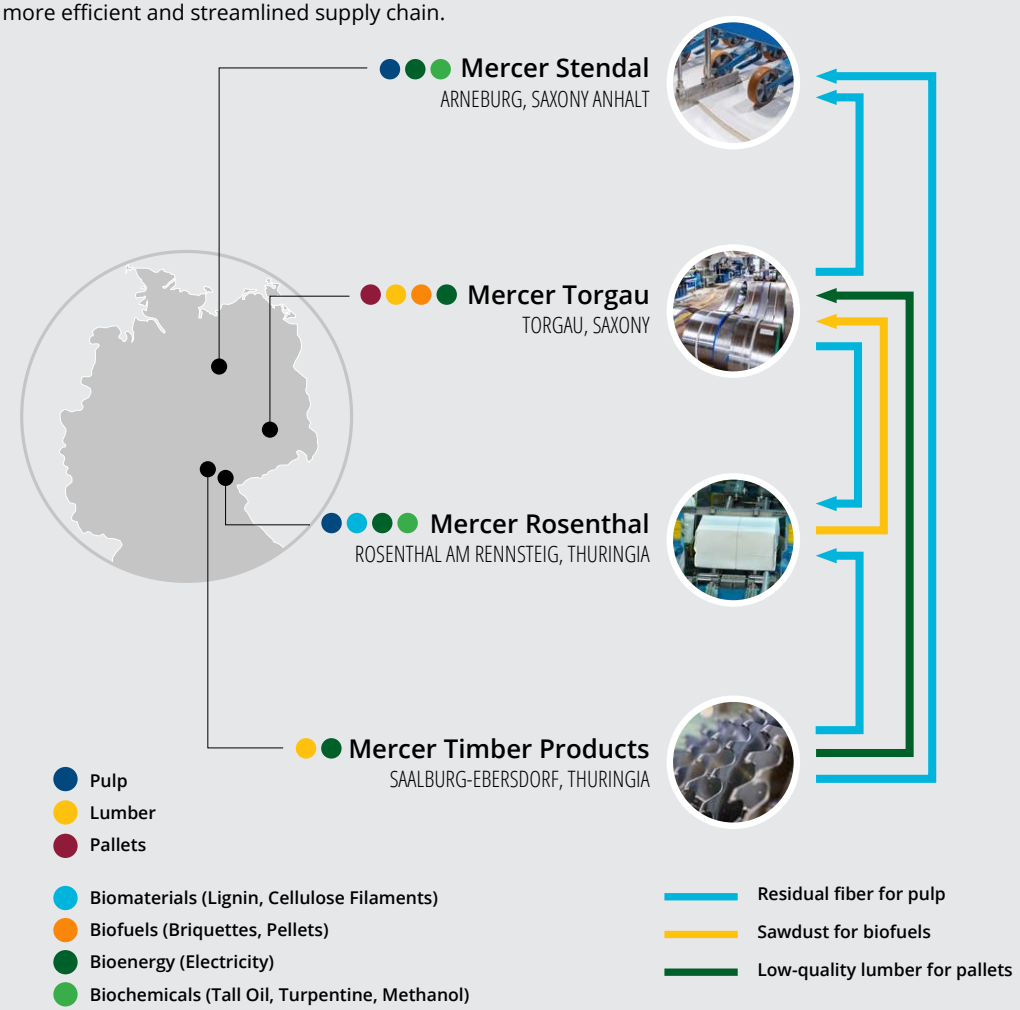
| Resource Efficiency | 2024 | 2030 Goal |
|---|---|---|
| **Fiber utilization rate - pulp mills ($m^3$/ADMT)** | 5.17 | 4.91 |
| **Chemical utilization rate - pulp mills (kg/ADMT)** | 141 | 134 |

*Refer to the Appendix for relevant scope, definitions and methodology for waste management and resource efficiency targets and progress.*

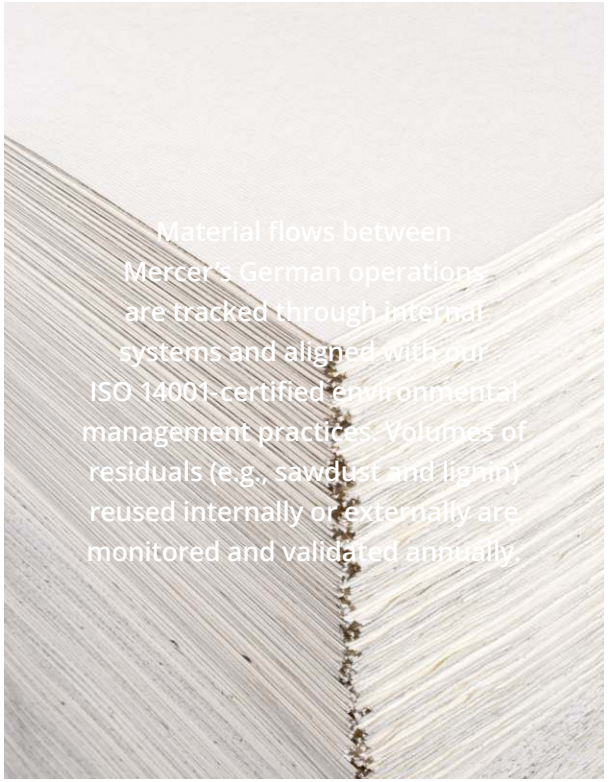
# Circular Bioeconomy and Resource Use Continued

## RESOURCE CIRCULARITY AND WASTE REDUCTION

Mercer's German operations reflect the synergistic efficiencies gained through careful collaboration and logistical planning. This coordination has led to minimized waste as well as efficiencies related to transportation and a more efficient and streamlined supply chain.




Residual fiber from Mercer Timber Products is transferred to Mercer Rosenthal and Mercer Stendal which convert the fiber into high-quality pulp.

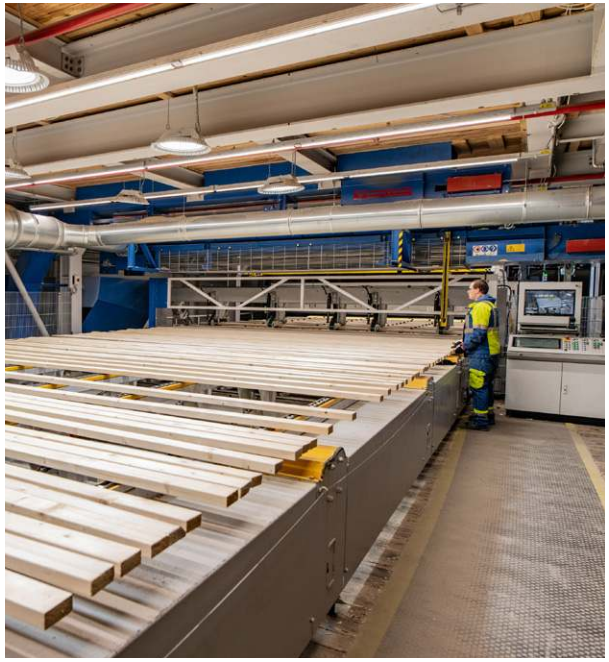


Material flows between Mercer's German operations are tracked through internal systems and aligned with our ISO 14001-certified environmental management practices. Volumes of residuals (e.g., sawdust and lignin) reused internally or externally are monitored and validated annually.

# Circular Bioeconomy and Resource Use Continued

## CIRCULARITY AT OUR SAWMILLS

Maximizing value from every log is central to our sawmills' circular approach. This optimization begins in the forest, where each log is strategically allocated to the most suitable mill based on its size, shape, and quality. Upon arrival, advanced scanning technology determines the highest-value end-use for each log, dictating the optimal cutting patterns and resulting products. As logs are processed, residual fiber such as bark, wood chips, and sawdust is generated. A portion of these byproducts is then transferred to Mercer's pulp mills for conversion into high-quality pulp. The remaining residuals fuel on-site power plants, generating enough energy to fully power the sawmills and provide local grids with bioenergy. Mercer aims to utilize raw fiber inputs as much as possible before its end-of-life.



> In an effort to support a more circular economy, we work hard to produce as little waste as possible in our solid wood facilities in Germany. In fact, less than 1% of fiber is wasted as we have developed processes that use every bit of the fiber, with bark being used as fuel within our power plants to dry lumber and produce bioenergy. The excess energy is then sent to the public grid."
>
> **Dr. Carsten Merforth**
> *Chief Operating Officer Wood Products*

## LIGNIN: A NATURAL ADVANCEMENT TOWARD INNOVATION IN THE MERCER VALUE CHAIN

Lignin, a valuable raw material extracted as part of processing wood cellulose, can be used to manufacture anything from plastics and paints to medicines and natural aromatics. Mercer's state-of-the-art pilot Lignin Center in Rosenthal, the first of its kind in Germany, showcases our commitment to advancing the circular bioeconomy and substituting fossil-based products with bio-based materials. The versatility of lignin in numerous applications that today still rely on fossil-based materials is a step forward in helping our value chain to reduce emissions and achieve our climate ambitions.

## BIOFUELS FROM SUSTAINABLY MANAGED FORESTS

At our Mercer Torgau mill, full utilization, fiber efficiency, and value-driven log use are top priorities, resulting in a highly efficient and circular business model. Every part of the tree is utilized to create a range of bioproducts, including pallets, lumber, briquettes, and pellets, as well as wood residuals like sawdust and wood chips. Only wood from responsible sources is processed, and all of the wood and pellets are free of bark, waste wood, additives, and binders. In fact, Mercer Torgau was one of the first suppliers to have its wood briquettes and pellets certified according to ENplus, complying with its highest quality class A1 certification based on the DIN EN ISO 17225-3 standard.

## IMPROVING YIELDS AND EFFICIENCY THROUGH TECHNOLOGY

Mercer leverages technology to maximize the value from wood lots by optimizing the annual residuals from the production process. Mercer Timber Products' state-of-the-art planer mill can grade up to 100 different grades of wood and is complemented with a scanner that scans the complete board and calculates the maximum cut value. This allows Mercer to pre-sort different grades intended for different markets around the world more efficiently.

# Circular Bioeconomy and Resource Use Continued

## A SUSTAINABLE SOLUTION: CUTTING FIBER LOSSES BY 79% AT MERCER CELGAR

At Mercer Celgar, employee-driven innovation led to a significant improvement in operational efficiency. This employee-led project tackled inefficiencies in the mill's unique dual-pulp-machine setup, which caused excessive fiber losses of 4.2 tonnes per day—well above industry norms. Rising fiber and chemical costs made addressing this challenge a priority.

The solution was simple yet effective: decoupling the stock preparation system from machine production rates by stabilizing its flow. This allowed the hydrocyclone cleaning system to operate consistently, reducing fiber losses and enhancing system performance. Key upgrades in automation and process controls supported this approach, which originated from the practical insights of experienced machine room operators.

As a result, fiber losses dropped by 79%, reducing equipment wear, and improving process stability. This collaborative effort showcases the value of listening to frontline workers, fostering teamwork, and driving operational excellence at Mercer Celgar.

## BIOPRODUCTS WITH IMPACT: MERCER INTERNATIONAL AND DOMTAR CORPORATION COLLABORATE TO ADVANCE NANOFIBRILLATED CELLULOSE

Mercer International and Domtar Corporation are redefining sustainable innovation through Performance BioFilaments, a collaborative venture between the two organizations. This venture focuses on advancing research and product development of nanofibrillated cellulose (NFC)—a biomaterial with immense potential. Derived from wood pulp, NFC undergoes a proprietary, chemical-free mechanical refining process, yielding fibers with extraordinary strength, flexibility, and rheological properties.

NFC offers the ability to reduce embodied carbon, enhance durability, and support lightweight materials, useful in industries such as automotive (vehicle weight reduction), construction (concrete crack reduction), non-woven (light weighting and strengthening), and coatings (paint performance improvement). It also strengthens plastics, improves concrete's durability, and modifies rheology for industrial applications.

Using bioproducts from Mercer, Performance BioFilaments employs a mechanical process to produce NFC efficiently and affordably. Unlike chemical methods, this approach improves yield, reduces costs, and minimizes environmental impact.

# Circular Bioeconomy and Resource Use Continued

## MERCER STENDAL REDUCES GREEN LIQUOR SLUDGE BY 15%

At Mercer Stendal, sustainability starts within. In 2024, Mercer Stendal led a continuous improvement project to reduce the production of green liquor sludge—a by product of the kraft pulp process—by 15%.

**The Challenge**
Green liquor sludge forms during the incineration of black liquor and requires disposal, impacting costs and the environment. Previously, over 1,100 tons were disposed of monthly, prompting a need for innovative solutions.

**The Approach**
The project team analyzed process data to identify key issues, including combustion parameters, filter washing practices, and condensate discharge. Solutions included:

- **Manual Optimization:** Adjusting process parameters to minimize waste.
- **Filter Enhancements:** Introducing less permeable filter cloths to retain more reusable lime.

**Results and Future Plans**
These adjustments reduced sludge disposal to 930 tons per month, lowering costs and environmental impact. To further enhance efficiency, future steps include exploring sludge drying and ongoing process monitoring.

This project highlights Mercer's dedication to sustainability through internal innovation, driving environmental benefits alongside operational improvements.

# Water Management

**Water is an essential resource both in our operations and the forests we manage. We are committed to reducing water usage and protecting water quality in a way that is environmentally sustainable and socially responsible.**

**GOAL**

By 2030, reduce our pulp mill water withdrawal intensity by 10% compared to a 2019 baseline.

At Mercer, we recognize the fundamental importance of responsible water stewardship across our operations. Our pulp mills are our most water-intensive operations. 100% of the water used in the kraft pulping process is withdrawn as surface water from rivers near our operations. All our pulp mills' environmental management systems are aligned with the ISO 14001 standard, providing a comprehensive framework to reduce water use and continuously improve the quality of our water discharges.

We strive to minimize the impact of our operations on water availability and quality. Our mills actively pursue opportunities to enhance water efficiency and increase water reuse and recycling, supported by various research and development initiatives.

## WATER WITHDRAWAL

Our process water withdrawal per tonne of pulp has been relatively stable over the past six years. The 5% increase in water withdrawal intensity in 2024 compared to 2023 was primarily due to lower total pulp production as a result of unplanned downtime events. Included in our withdrawal metric is process and cooling water sourced from freshwater rivers at all our pulp mills. Non-contact cooling water is necessary to ensure safe and efficient power generation from the condensing turbines at the pulp mills. Although availability of water is critical to our operations, water consumption is low in relation to the volume of water withdrawn. Of all the water withdrawn from the environment, approximately 91% was returned back to nearby rivers as surface water after use in 2024.

**91%**

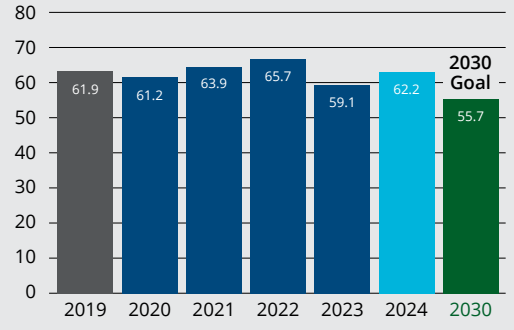
**of water withdrawn by our pulp mills was returned to its source in 2024**

| Water (Pulp Mills) | | 2023 | 2024 |
|---|---|---|---|
| Water withdrawal | 1,000 $m^3$ | 107,748 | 112,262 |
| | $m^3$ / ADMT | 59.1 | 62.2 |
| Water consumption | 1,000 $m^3$ | 10,855 | 9,952 |
| Water consumption in areas of high water stress | 1,000 $m^3$ | 1,833 | 1,864 |

## MERCER'S WATER RISK ASSESSMENT

Recognizing the vital role of water in our operations and the broader ecosystem, we are committed to comprehensive water risk management overseen at the highest level by our Board of Directors. This involves assessing, mitigating, and monitoring water-related risks across our value chain to ensure sustainable water use, and the protection of local watershed health. Mercer continues to assess and manage its exposure to water risks, integrating our findings into our enterprise risk management processes and business strategy.

**WATER WITHDRAWAL** ($m^3$/ADMT)



# Water Management Continued

Mercer has conducted a comprehensive water risk assessment, guided by tools including the World Wildlife Fund (WWF) Water Risk Filter and the World Resource Institute (WRI) Aqueduct Water Risk Atlas. This assessment, which is reviewed annually for changes, evaluates risks from both regional and operational perspectives, considering the conditions of river basins and the impact of our operations on water resources. Our analysis reveals that Mercer Rosenthal operates in an area of high water stress. With water being so essential to the operations of our mills, particularly in our pulp manufacturing facilities, it is imperative that we carefully monitor and sustainably manage water use. Mercer Rosenthal continuously seeks to identify and implement strategic water risk mitigation and adaptation initiatives such as water recirculation, reverse osmosis filtration, and enhanced effluent cleaning protocols. These efforts at the mill aim to optimize water reuse, minimize freshwater withdrawal, and improve both water consumption efficiency and wastewater quality.

## MEETING LOCAL REQUIREMENTS FOR WATER USE

While the mills in Germany operate under a unique set of regulations due to the size of their waterways versus the larger and wider rivers in Canada, all Mercer mills operate in accordance with the water treatment guidelines set by local authorities. Mercer's mills employ an internal quality control system that tracks values and flags any discrepancies or deviations between the mill values and those sampled by the authorities.

## HOW MONITORING AND WATER MANAGEMENT SAVED 2 MILLION GALLONS AT MERCER SPOKANE

In 2024, Mercer Spokane significantly enhanced its water efficiency, cutting usage by 2 million gallons (7,570 $m^3$) —a 44% reduction compared to the prior year. This resulted from the diligence of Mercer Spokane's employees who, through careful monitoring, identified and modified the facility's six evaporative cooling units.

These units play a vital role in maintaining optimal humidity and temperature conditions—key for ensuring glue adhesion and preventing the lumber and finished products from drying out. These systems stabilize the environment at approximately 70°F but due to a wiring issue, the water was flowing continuously. By closely monitoring water consumption, the problem was identified, and quickly addressed.

Beyond compliance and financial savings, this success demonstrates how proactive problem-solving and utility monitoring yield meaningful results. By leveraging tools to track water, energy, and natural gas usage, Mercer Spokane continues to identify new efficiency opportunities, including touchless systems to minimize false activations.

This milestone is part of a broader commitment to sustainability across the operations. Lessons learned, like the value of routine inspections and data-driven decision-making, are now being shared across facilities to inspire similar successes.

**44%**

**Water use reduction at Mercer Spokane**

"This effort not only solved an immediate challenge but laid the groundwork for continued innovation and resource conservation."

**Jim Gronenthal**
*Process Engineer*

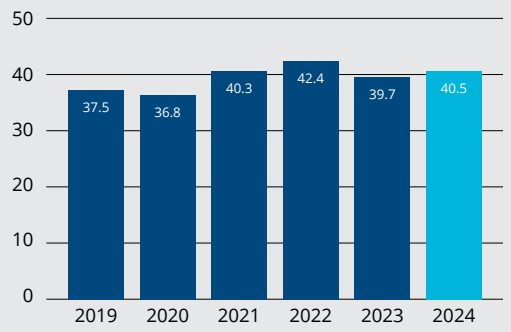
# Water Management Continued

## MAINTAINING AND MONITORING WASTE WATER QUALITY

In 2024, we completed the second phase of a project to aid in replacing fresh water with condensate in wastewater treatment at Mercer Stendal. It involved the installation of a tank, a pump, and another pipeline to collect and transfer the condensate following the construction of a 40-meter-long pipe bridge that began in 2022. This project is an example of Mercer's commitment to the responsible use of water. Mercer Stendal promotes sustainable water use by reducing reliance on freshwater from the River Elbe and aligning operations with environmental protection efforts to help support the river's ecological health.

Treated effluent intensity has been relatively stable over the last six years. Lower 2024 total pulp production driven by unplanned downtime events contributed to a slight increase in treated effluent intensity as compared to 2023.

**TREATED EFFLUENT** ($m^3$/ADMT)




| Water Emissions (Pulp Mills) | | 2023 | 2024 |
|---|---|---|---|
| $AO_x$ | kg/ADMT | 0.056 | 0.062 |
| BOD | kg/ADMT | 0.21 | 0.26 |
| COD | kg/ADMT | 10.14 | 10.46 |
| TSS | kg/ADMT | 0.75 | 0.86 |
| **Water (Pulp Mills)** | | | |
| Treated effluent discharge | 1,000 $m^3$ | 72,383 | 72,985 |
| | $m^3$ / ADMT | 39.7 | 40.5 |
| Total water discharge | 1,000 $m^3$ | 96,894 | 102,311 |

### RENEWED COMMITMENT TO IMPROVING WASTE WATER TREATMENT AT MERCER PEACE RIVER

At Mercer Peace River, we are dedicated to safeguarding our natural surroundings. Our effluent treatment process involves clarifying wastewater, treating it in an aerated stabilization basin (ASB), and conducting regular toxicity tests. In 2021, higher-than-expected sludge buildup limited spill pond capacity, reducing ASB efficiency. While the water was treated, it did not meet toxicity standards.

We promptly reported the issue, cooperated with authorities, and implemented corrective actions including maintaining spill pond capacity and upgrading equipment. However, this incident involving unintended effluent discharge into the Peace River during a maintenance shutdown resulted in a fine for violating the Fisheries Act. We take full responsibility and remain committed to preventing future incidents. Environmental stewardship is a core value, and we continue working to meet the highest environmental standards.

We maintain internal water monitoring processes to measure the quality of our water discharge against key water quality parameters. All water discharged from our pulp mills is treated and returned as surface water back to the nearby rivers it originally came from. Through careful monitoring, spill control and containment protocols, we prioritize responsible water management and ensure we meet the requirements set out in our mills' effluent permits.

# Air Quality

**Mercer's operations emit certain air pollutants as a result of the industrial manufacturing process. We devote significant management and financial resources to comply with all applicable environmental permits, laws, and regulations.**

Investing in technologies that monitor and maintain air quality helps us ensure that our operations can meet regulatory requirements. All of our plants are subject to permits, authorizations, and approvals and we must comply with prescribed emission limits. We also maintain strict oversight of our emissions monitoring through regular audits, including internal and external reviews, compliance checks, and third-party audits. Audit results are then reported to senior management and environment teams to ensure accountability and continuous improvement.

## MONITORING AND MEASURING AIR QUALITY

### $SO_2$ (SULFUR DIOXIDE)

As part of the chemical recovery process, black liquor is burned in the recovery boiler, releasing $SO_2$ as a by-product of the reaction between the sulfur compounds in the black liquor and oxygen in the air. $SO_2$ emissions intensity has remained steady since prior year. Our ongoing investments in mill and equipment reliability, coupled with process improvements and root cause analyses, directly target enhanced air quality parameters.

### $NO_x$ (NITROGEN OXIDE)

$NO_x$ emissions from our pulp mills predominantly originate from burning fuels in our boilers. $NO_x$ emissions intensity has remained steady since prior year.

| $SO_2$ (kg/ADMT) | 2023 | 2024 |
|---|---|---|
| $SO_2$ | 0.48 | 0.49 |

| $NO_x$ (kg/ADMT) | 2023 | 2024 |
|---|---|---|
| $NO_x$ | 1.71 | 1.70 |

# Air Quality Continued

## PARTICULATES

Particulate matter is a mixture of solid and liquid particles that can be released into the atmosphere during various stages of our kraft pulp mill processes. Particulate emissions intensity has remained relatively steady since prior year. Our Environmental Management System is aligned with ISO 14001 which provides a systematic framework for Mercer to manage its environmental impact, including air quality, by requiring us to:

- Identify and assess environmental aspects and impacts, specifically those related to air emissions.
- Establish measurable objectives and targets for improvement.
- Implement controls and monitoring systems to minimize air pollution.
- Ensure compliance with relevant legal requirements.
- Promote continual improvement of their environmental performance.

ISO 14001 supports a structured approach to air quality management, moving from identifying problems to implementing solutions and continuously refining processes.

All four of our pulp mills are ISO 14001 certified and operate under air quality permits that limit air emissions to safe and acceptable levels.

| **Particulate** (kg/ADMT) | **2023** | **2024** |
|---|---|---|
| **Particulate** | 0.37 | 0.39 |

# SOCIAL

Performance begins with people. At Mercer, we value the connection between company success and the safety, well-being, and prosperity of all stakeholders. From employees to contractors to business partners, we realize that productivity is strengthened through responsible business practices that prioritize the people and communities who make Mercer a better place.

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

# Health and Safety

**Health and safety are integral to Mercer's operations. As a core company value, the safety and well-being of our employees and contractors is championed by senior leadership and reflected in our policies and standards.**

## ROAD TO ZERO

Health and Safety is not considered just a priority at Mercer, but rather a value embraced as something that never changes and is integral to everything we do. Through consistent communication and reinforcement, the focus on health and safety is the responsibility of all. The Mercer Way recognizes that everyone has the right to a safe and healthy workplace and by fostering an interdependent safety culture where everyone looks after themselves and each other; we strive for a workplace that is also more stable and produces higher quality products. This culture of safety translates into not only healthier and safer employees, but also smoother and more stable operations. Through regular facility and equipment inspection and scheduled maintenance outages we reduce the potential for upset conditions and emergency breakdowns that can result in accidents, damage, and fires. Maintaining process safety alongside of behavioral safety is a business imperative.

At Mercer, our "Road to Zero" is a concept that is fundamental to our culture and how we work. We are deeply committed to a zero-injury workplace and the well-being of everyone involved. To achieve this, we maintain our nine Life-Saving Golden Rules, targeting high-risk activities. Our dedication is further demonstrated through comprehensive programs including training on critical aspects of safety such as risk assessment, compliance, emergency response procedures, and industrial hygiene. Every incident evaluated to have potential for serious injury is investigated to understand and address the root cause, preventing future occurrences. We also conduct regular safety audits to ensure our programs are effective.

## MERCER SAFETY PROGRAMS

While Mercer's operations include joint safety committees and embedded worker safety representatives, we realize that safety starts with those doing the work every day on the ground. That's why we support the worker's "Right to Know" regarding the hazards of the work and how to protect themselves from those hazards.

Employees are expected to stop work when a safety concern is identified. Safety issues are corrected and addressed by employees and supervisors. Safety Professionals are available at every operation, supporting teams as required. This applies to all workers, from Mercer employers to contractors who may be working at our locations temporarily. At Mercer, all of us are accountable for providing a safe working environment.

Mercer Safety Days are held annually to review audit safety program elements, inspect the workplaces, and talk with leadership and employees to find ways to improve and to expand best practices and learnings.

Our Health and Safety policy outlines our commitment to a zero harm work environment where the well-being of our people is not negotiable and where every employee holds responsibility for ensuring that all injuries are prevented both at work and at home.

Going forward, we also intend to enhance our Advance Abilities Management program across the organization. The goal of the program is to respond immediately to an injury, provide early intervention, and support to reduce aggravation. It involves managing the injury through modified work arrangements when required based on the injured employee's abilities while respecting any defined physical restrictions.

# Health and Safety Continued

## SAFETY TRAINING

Safety training begins on day one at Mercer as safety is a key aspect of orientation for employees, contractors, and visitors. Each production site conducts ongoing safety training, including continuing education for on-site safety professionals on how to meet jurisdictional regulations.

Training at Mercer is not just limited to the mills but is also equally emphasized at our corporate offices. Our Senior Safety Leadership Committee provides oversight for health and safety across the organization and is continuously working to further company-wide programs that teach the foundational aspects of health and safety.

## EMERGENCY AND CRISIS RESPONSE

At Mercer, we believe that every injury is preventable and that safety is non-negotiable. Given the nature of industrial manufacturing work, we acknowledge the potential for workplace accidents. We maintain strong emergency response plans and well-prepared teams with high quality tools and equipment to respond to emergencies that could occur. We also maintain a robust Crisis Management Plan with a team of support in the event it is required.

Mercer utilizes what is called a "Safety Flash" to quickly disseminate general safety information, positive recognition and near miss or accident report details. Mercer's long-standing commitment to health and safety data collection and sharing was significantly enhanced in early 2023 with the launch of HendrikS, a cloud-based repository. This platform now allows all employees to easily view safety performance and information at their facility and across all of Mercer, report safety incidents, and provide feedback.

> **"...if you feel something is unsafe for you or others, it's your obligation to refuse the work, challenge the situation, and work together to solve the problem. This is the Mercer Way. It's all about collaboration."**
>
> **Mark Goebel**
> *Vice President, Health and Safety at Mercer International*

# Health and Safety Continued

## PROTECTING THE SAFETY OF CONTRACTORS

At Mercer, we take the safety and well-being of contractors as seriously as that of our employees. In fact, the same policies that apply to our employees also apply to contractors working on our behalf. Reviewing safety records and monitoring contractor safety performance is a key aspect of our contractor selection process to ensure our commitments to safety align. As part of our contractor safety program, we also ask our contractors to evaluate our safety programs regularly to help us identify new ways to improve our safety protocols.

**GOAL**

By 2030, achieve a <1.7 total recordable incidents rate (TRIR).

We experienced 85 recordable incidents in 2024, which translates to a rate of 2.76 incidents per 200,000 hours worked across all employees; a metric referred to as the Total Recordable Incident Rate (TRIR)[1]. Overall, Mercer's 2024 consolidated TRIR improved 25% from 2023, which is a reflection of our continued commitment to safety. The decreased TRIR was largely due to significant improvements in our mass timber facilities which were acquired in 2023. Since then, we have worked diligently to implement safety protocols aligned with The Mercer Way at these facilities. In addition, Mercer Torgau had a 34% year over year improvement in 2024 after being fully integrated into Mercer's safety programs post-acquisition.

Prior year comparative figures for TRIR have not been restated for our recent acquisitions. While contractor hours are not included in the 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. In 2024, we experienced zero employee or contractor fatalities.

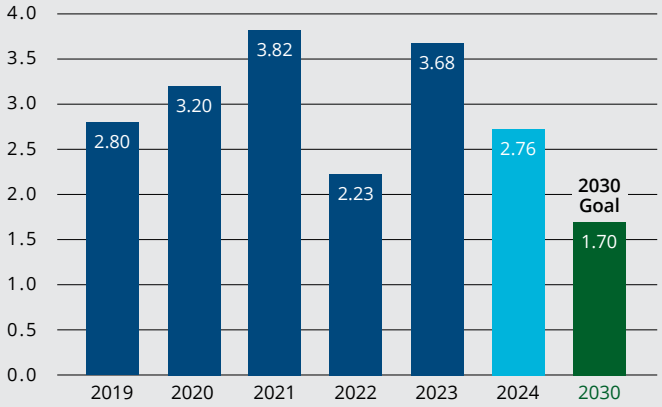
Our safety performance targets are integrated into our Short-Term Incentive Plan compensation to help align our core values to our incentive structure.

Our overarching goal is to have zero accidents, and we continue to pursue an injury-free workplace for both employees and contractors.

*1 Recordable incidents and TRIR reporting boundary does not include the 50% joint venture interest in the Cariboo Pulp & Paper Company ("CPP") that Mercer disposed of in March 2024.*

## COMPANY-WIDE SAFETY PERFORMANCE

### OUR PROGRESS – TRIR




*Total Recordable Incident Rate (TRIR) is calculated as the number of recordable incidents multiplied by 200,000 hours / total number of hours worked by all employees.*

**-25%**

**YOY decrease in Mercer consolidated TRIR**

**-68%**

**YOY decrease in Mass Timber TRIR**

# Health and Safety Continued

## 2024 CHALLENGES AND SUCCESSES

### SAFETY CHALLENGES

While safety is stressed regularly across the organization, we regrettably experienced some serious incidents in 2024. Our Mercer Stendal mill recorded a serious bodily injury from a truck accident and there were several instances at our German pulp mills related to chemical burns. We recognize the significant impact these incidents have on the workers, their families, and their colleagues and immediately took steps to prevent these incidents from occurring in the future.

### SAFETY SUCCESSES

#### MERCER PEACE RIVER CONTINUES IMPROVEMENTS IN SAFETY PERFORMANCE

Mercer Peace River (MPR) in Alberta, Canada, continued to celebrate a significant milestone in workplace safety, realizing a Total Recordable Incident Rate (TRIR) of 0 for the 12 months ended. This builds on the TRIR of below 2.0 throughout 2023 and marks a significant improvement from a rolling TRIR of 7.2 in early 2022.

The success is rooted in the implementation of a reinvigorated Mission Zero safety program alongside an extensive leadership support initiative that included:

- Enhanced safety meetings fostering recognition, collaboration, and communication.
- Ambitious safety Key Performance Indicators.
- Clearly defined roles and responsibilities in the workplace.

While we are pleased with our progress, when it comes to safety, there is always room for improvement. This progress underscores the importance of proactive measures and the collective responsibility to ensure every worker goes home safely by embracing safety in their daily lives, building a culture of care at work and beyond.

#### MERCER TIMBER PRODUCTS EXEMPLIFIES EXCELLENCE IN SAFETY AND COMMUNITY SUPPORT

Mercer Timber Products (MTP) earned second place in the Thuringian Health and Safety Award in May 2024, recognizing exceptional safety practices at the Friesau sawmill. The €2,000 prize was donated to the Thuringian Wish Wagon, reflecting MTP's commitment to both workplace safety and community compassion. The donation supports fulfilling final wishes for terminally ill individuals, providing comfort and memorable experiences.

MTP's recognition highlights its comprehensive safety culture, encompassing:

- Advanced safety technologies and personal protective equipment
- The "Road to Zero" program focused on eliminating workplace incidents through training, drills, and innovation
- Wellness programs promoting physical and mental health

# Employee Engagement and Well-being

## At Mercer, we understand that listening and engaging with employees benefits the company, making us stronger and more resilient.

To bolster open communication across all locations and employees, we conducted our third annual employee engagement survey. The survey was administered by a third party at all facilities worldwide. We use our employee engagement survey results as a key tool to measure employee well-being and monitor the effectiveness of our employee initiatives. The survey covers engagement, motivation, recognition, and workplace culture themes and the results inform annual action planning.

Participation in the survey is a key indicator of how we're doing. In 2024, our global response rate was 60%, and we aim to reach 80% participation by 2030. These surveys reflect our commitment to transparency and are reviewed annually by senior leadership to ensure clear follow-through on identified priorities.

### GOAL

By 2030, achieve an 80% response rate to employee engagement survey.

### KEY SURVEY TAKEAWAYS

Our 2024 engagement survey highlighted a need to improve information flow across the organization. We are addressing this by focusing on message consistency and accountability, ensuring employees are regularly informed of progress.

At our operations where multiple languages are spoken, we ensure that our surveys are provided in all languages to improve accessibility and inclusivity.

Improving employee engagement is an ongoing effort. We are making steady progress and remain committed to acting on results transparently and meaningfully.

### EMPLOYEE SURVEY PARTICIPATION RATES

**60%** Global response rate in 2024

**6%** Increase in survey participation since 2023

"It's not just about engaging with employees to ask their opinion... but the openness and the transparency for us as leaders, managers, and first line supervisors to take the time to sit down and share the results discussing our strengths or areas that we need to improve on or get better at."

**Guy Arguin**
*Chief Human Resources Officer*

# Employee Engagement and Well-being Continued

## EMPLOYEE TRAINING AND DEVELOPMENT

Mercer is committed to the continuous development of our employees. Supporting their professional and personal growth leads to a more engaged, capable workforce and delivers measurable business and financial benefits. Regular performance reviews help identify development needs, guide career progression, and support open dialogue.

Across our operations, our training and development programs include:

- **Technical Training:** Practical instruction for apprentices and senior technical staff to advance core skills.
- **Foundational Management Training:** Structured programs for new supervisors and mid-level managers focused on essential people leadership skills.
- **Mercer Leadership Development Programs:** A global leadership development initiative fostering cross-cultural understanding and internal networks for future leaders.
- **Advanced Education Support:** Opportunities for employees to pursue master's degrees, technical certifications, and other continuous education programs.
- **LinkedIn Learning:** Self-directed learning modules supporting skill development, career progression, and professional growth.

Investing in people is a central pillar of Mercer's strategy to build a resilient, future-ready workforce.

## COMPETITIVE COMPENSATION

We seek to provide fair, equal, and competitive salaries and benefits for all employees at Mercer. Offering competitive compensation helps us attract and retain talent in all global locations and we're committed to ensuring all employees are fairly rewarded and meet or exceed local living wage standards. Remuneration processes are clearly communicated to all employees. By prioritizing fair and competitive pay, we actively foster inclusive economic growth and employment opportunities, aligning our practices with global sustainable development initiatives for a more equitable and sustainable future.

# Employee Engagement and Well-being Continued

## HEALTH AND WELLNESS SUPPORT PROGRAMS

Supporting the health and well-being of our employees is fundamental to our success. At Mercer, we demonstrate this commitment by offering comprehensive benefits, including extended health and medical coverage to all eligible full-time and part-time employees. Furthermore, our Employee and Family Assistance Program provides confidential, 24/7 access to professional support for employees and their households in North America. This program offers a range of valuable services, encompassing personal and financial counseling, coaching, family planning resources, legal advisory support, and tools to promote mental health. We are also expanding this important resource to our German operations soon.

## ENSURING FAIR LABOR PRACTICES

We comply with all applicable labor and freedom of association laws and collective agreements. Collective bargaining agreements help promote safe, equitable working conditions where employee voices can be heard. While not widespread in our industry, they have shown a positive impact where adopted. Alongside European Works Councils in Germany, these agreements support constructive dialogue between employees and management, contributing to engagement, satisfaction, and fair workplace practices.

# Employee Engagement and Well-being Continued

## ADVANCING AN INCLUSIVE CULTURE AT MERCER

Mercer is committed to fostering an inclusive, respectful, and supportive workplace culture. We value our employees' diverse experiences and perspectives, recognizing that this diversity contributes to better decision-making, innovation, and overall employee engagement.

Our Human Resources team is trained in inclusion, discrimination, and harassment prevention. We take proactive steps to maintain fair and respectful practices in hiring, development, and day-to-day workplace interactions.

### GOAL

By 2030, achieve an inclusion index score in the 60th percentile.

### OUR PROGRESS

Mercer's inclusion index score in 2024 measured in the 22nd percentile.

# Employee Engagement and Well-being Continued

This year, as part of our review and update of our 2030 aspirational goals, we recognized the need for more nuanced and impactful ways to measure our progress in building a diverse and representative workforce. As such, we are currently evaluating alternative metrics that move beyond a singular focus on the gender of new hires and which will more effectively drive progress in this area, taking into account the dynamics of our industry and the geographic realities of our operational locations.

Nevertheless, fostering a more diverse workforce remains a fundamental pillar of our sustainability strategy. We continue to implement actions to increase the diversity of our talent pool and ensure equitable recruitment practices. These include mandating female representation on all recruitment panels to mitigate unconscious bias and providing ongoing inclusive hiring training for our human resources managers. Furthermore, we actively participate in career fairs and engage in community outreach initiatives to build relationships within local communities, enhance awareness of our industry, and foster goodwill. Our commitment extends to the internal advancement of women through our succession planning process, in which we track the progress of women across the organization. This is reinforced by annual compensation reviews to ensure equitable treatment for all employees.

In parallel, we are dedicated to fostering an inclusive culture at Mercer that values diversity, exemplified by our new goal to achieve the 60th percentile in the inclusion index, as measured by our annual employee engagement survey. We firmly believe that strong employee engagement is intrinsically linked to inclusiveness, and our multifaceted approach focuses on ensuring fair treatment, actively valuing diverse perspectives and ideas, addressing concerns responsibly, and cultivating a trusting and open environment. By driving tangible progress towards a more engaged, diverse, and inclusive culture, we aim to strengthen our organization and contribute to a more equitable and sustainable future for all our employees, our industry, and the communities in which we operate.

## WOMEN IN LEADERSHIP

Over the last year, a group of high-level senior women, Women-in-Leadership, came together to help drive several key initiatives across North America and Germany. Supported by key board members, these individuals act as mentors and coaches for Mercer women looking to grow and develop.

## CHALLENGES AND SUCCESSES

Attracting and retaining talent across all roles remains a priority—particularly in technical fields and rural areas where workforce availability can be limited. These dynamics are shared across the forestry and manufacturing industries.

Mercer continues to work with national and regional industry associations to expand awareness of career opportunities, strengthen workforce pipelines, and support long-term sector growth.

At Mercer, we are committed to maintaining fair and respectful practices across our operations. We support inclusive hiring and advancement by using structured recruitment processes, offering leadership development, and participating in local outreach to broaden awareness of careers in our industry.

We monitor internal progress through succession planning and annual compensation reviews to ensure equitable treatment across roles and functions. Senior leaders play an active role in guiding these efforts, helping to identify and remove systemic barriers where they exist.

Rather than focusing on prescriptive targets, we emphasize building a strong workplace culture where all employees have access to opportunity, recognition, and growth.

### INSPIRING FUTURE LEADERS THROUGH GIRLS' DAY AT MERCER STENDAL

In April 2024, Mercer Stendal proudly hosted Girls' Day (Mädchen-Zukunftstag), providing young women a unique opportunity to explore careers in science, technology, engineering, and mathematics (STEM) and the pulp industry. Participants met female role models in various positions at Mercer Stendal, learning about their journeys and the opportunities available in industries like pulp production. With women being underrepresented in many technical fields, Girls' Day is crucial in challenging stereotypes and inspiring the next generation.

## 2024 SNAPSHOT

# Community Involvement

**The communities in which Mercer operates represent key stakeholders in our sustainability journey. We recognize that we must earn a "social license," or the societal approval to operate, and aim to maintain trust by aligning our practices with societal demands and expectations.**

Investing in these communities, many of which are located in rural areas, transcends monetary investment to include truly becoming a part of the communities and understanding our impact within them.

## ENGAGING WITH OUR COMMUNITIES

Mercer engages with our communities in a variety of ways, from outreach and inclusion of Indigenous communities in our planning, to employing local talent and supporting local youth groups through various initiatives. We also recognize the role of local and regional governments as part of the communities where we live, operate, and serve.

Mercer works with the local governments, the community, and Indigenous rights holders, when a forest management plan is being developed or when a harvesting plan is being submitted. This is an example of how "seeking to operate with a social license" is such a critical component of our community engagement. All of our mills maintain operation-specific responsibility for community relations, with ongoing consultation mechanisms and engagement processes in place to identify and address local stakeholder interests and concerns.

## COMMUNITY OUTREACH AND EDUCATION

As part of building strong community ties, Mercer offers local residents the opportunity to learn more about what we do and how we do it. We offer tours of our mills, which also provides an opportunity to attract talent, and educate the public on the sustainability benefits of managed forests.

Our Public Advisory Committee conducts regular outreach through meetings with the public to inform and educate them about Mercer and our industry as well as gather feedback and insights.

## SUPPORTING EDUCATIONAL OPPORTUNITIES FOR YOUTH

### OUTLAND YOUTH EMPLOYMENT PROGRAM (OYEP)

OYEP is a six-week work experience providing training and education in a supportive space that replicates various work environments. On August 8, 2024, Mercer Peace River hosted OYEP participants at their mill, offering insights into various departments and potential career paths in the forest products industry. Additionally, MPR representatives attended the OYEP Graduation Ceremony on August 22, 2024, at the Mihkowapikwaniy Cultural Camp in Little Buffalo, Alberta, celebrating the achievements of Indigenous youth who completed the six-week employment program.

The program takes an inclusive approach to Indigenous education, recruitment and retention, providing a safe and predictable learning environment that can be tailored to meet the needs of local communities and partners. A goal of OYEP is to collaborate with local Indigenous communities and consult with Elders to ensure youth feel culturally and spiritually supported in the workplace.

### MERCER CELGAR DONATES $500,000 IN CASTLEGAR CHAMBER'S NEW MASS TIMBER COMMUNITY BUILDING

Mercer Celgar has contributed $500,000 to the Castlegar and District Chamber of Commerce's new 7,000-square-foot building project, specifically supporting a state-of-the-art boardroom for international and virtual meetings. The new facility, projected to cost $5.1 million, will house the Chamber of Commerce, Destination Castlegar, and other community-focused organizations, with a design emphasizing sustainability through Passive House certification and mass timber construction. The donation underscores Mercer Celgar's support for and commitment to fostering local economic development and advancing innovative, sustainable infrastructure for the Castlegar region.

> "This generous donation from Mercer Celgar ensures our operations can seamlessly connect locally and globally."
>
> **Tammy Verigen-Burk**
> *Executive Director, Castlegar Chamber of Commerce*

# Indigenous Relations

**Indigenous communities have deep-rooted connections to the land and its resources. At Mercer, we understand that recognizing and respecting their rights and cultural values is essential for ethical and sustainable forest management.**

## AN INCLUSIVE APPROACH TO FOREST MANAGEMENT

Indigenous communities possess valuable traditional knowledge about forest ecosystems and sustainable resource management practices that can inform and enhance modern forestry approaches.

Mercer Peace River in Alberta, Canada is committed to respectful engagement and sustainable practices. We align with international and provincial Indigenous consultation frameworks.

Our consultation process seeks to extend beyond Indigenous communities to involve the public through community conversations and public advisory committees. This helps our activities better align with the values and needs of each community.

## MERCER'S INDIGENOUS ENGAGEMENT APPROACH

The Government of Alberta mandates that forest companies develop Values, Objectives, Indicators, and Targets (VOITs) as part of their forest management plans. VOITs serve as provincial performance standards, guiding forest management and integrating sustainability, timber production, and stakeholder interests. While we align with Alberta's VOIT framework, Mercer also recognizes the importance of building relationships based on principles consistent with Free, Prior, and Informed Consent (FPIC), particularly where long-term planning or project development is involved.

Our Peace River VOITs reflect the values identified by rights holders, such as clean water, and guide our forest management strategies. We work closely with communities in the planning process to ensure their values are incorporated into our land-based management. This involves various methods of formal community consultation, including meetings, traditional land use studies, spatial information systems, and field surveys, to identify and protect traditional and culturally significant sites.

MPR's comprehensive forest management plan builds upon these VOITs. It outlines long-term strategies, including high-level management objectives, timber production assumptions, and sustainable harvest levels. The plan also details the management approach for Mercer's forest management areas, specifying when, where, and how harvesting will occur.

We value collaboration and respect for the diverse needs and rights of all those who live, work, and play in Alberta's boreal forest.

"Indigenous communities have deep-rooted connections to the land and its resources. Building strong relationships with Indigenous communities fosters trust, collaboration, and shared stewardship of forest resources, leading to more equitable and sustainable outcomes for all."

**Cal Dakin**
*Managing Director, Mercer Peace River*

# Indigenous Relations Continued

## INDIGENOUS RELATIONS AT MERCER

Mercer believes that true sustainability is only possible when Indigenous voices are heard and respected.

Mercer operates on treaty lands in Alberta, where Indigenous communities have constitutional rights to hunt, fish, trap, and gather. As a result, our forest management planning seeks to respect and accommodate these rights. The Government of Alberta oversees consultation but delegates procedural aspects to Mercer as a proponent. This means we must:

- Engage Indigenous communities about potential impacts of our operations.
- Seek to mitigate or accommodate concerns raised during the consultation process.
- Ensure government review and approval of consultation efforts to confirm adequacy.

However, we believe that consultation alone is not enough. Mercer prioritizes community engagement and economic reconciliation. Our long-term approach to forest management centers on Indigenous rights and seeks to align with Indigenous community priorities. Additionally, we work to create economic opportunities for Indigenous communities, fostering Indigenous participation in the forestry industry. We are committed to preserving cultural heritage and traditional practices, integrating Indigenous knowledge into land management. We endeavor to consult, respect and involve Indigenous communities in forest management decision-making, going beyond regulatory compliance to foster genuine, long-term relationships built on trust, transparency, and mutual benefit.

### 1

### COMMUNITY ENGAGEMENT AND RELATIONSHIP BUILDING

We engage Indigenous communities year-round, not just during planning cycles. This includes supporting community programs, such as the Outland Youth Employment Program and Junior Forest Rangers to encourage Indigenous youth participation in forestry. We also participate in community events to strengthen relationships and better understand local needs. Above all, we actively listen to Indigenous leaders and elders to ensure their concerns are addressed.

### 2

### ECONOMIC RECONCILIATION AND JOINT VENTURES

Mercer actively seeks to create economic opportunities for Indigenous communities in a variety of ways, including employment programs that provide jobs in forestry-related fields and business partnerships and joint ventures that support Indigenous entrepreneurship. We also seek opportunities to include Indigenous businesses in our supply chain.

### 3

### INCORPORATING INDIGENOUS KNOWLEDGE INTO FOREST MANAGEMENT

Mercer respects Traditional Ecological Knowledge and works to integrate Indigenous perspectives into our forest management practices. We provide Indigenous communities with tools to store and manage their traditional land-use data while maintaining full data sovereignty. Indigenous communities can share information with Mercer on an opt-in basis, ensuring culturally sensitive data remains protected.

Nurturing robust partnerships with Indigenous communities helps us improve overall planning and mitigation efforts, such as creating buffers around culturally significant sites like trappers' cabins, berry-picking areas, and wildlife habitats. We work hard to ensure our forest management aligns with Indigenous values and priorities, while also enhancing environmental stewardship.

# Indigenous Relations Continued

## CREATING CULTURAL AWARENESS WITHIN MERCER

In 2024, employees from Mercer Peace River participated in several cultural awareness training sessions, including partnering with the Outland Youth Employment Program (OYEP) and engaging in blanket exercises—a kinesthetic, interactive learning tool that explores the history and contemporary relationship between Indigenous and non-Indigenous Peoples in Canada. The exercises use blankets to represent land and reenact historical events from an Indigenous perspective.

This commitment to immersive, experiential learning is crucial for building cultural awareness within Mercer. It fosters empathy, breaks down preconceived notions, and creates a foundation for respectful and meaningful collaboration with Indigenous communities. By understanding the historical context and lived experiences of Indigenous Peoples, Mercer can strengthen its relationships, promote inclusivity, and ensure its operations are conducted with deep respect for cultural heritage and reconciliation.

## PARTNERING WITH INDIGENOUS COMMUNITIES

Our consultation with Indigenous communities is highly customized to meet the needs of each community. Understanding how each community is structured is critical to know the best approach to reach out and communicate with the members of that community. Some communities request that we work through Elders, or through a particular committee, or councils. While this can be challenging, it is also very rewarding as we are able to better protect the areas where these communities' members interact with the land and resources. For example, we supplement our Spatial Viewer technology, a satellite-based forest mapping tool, with what we learn from Indigenous communities to get an "on-the-ground" perspective of where birds may be nesting or where a bear's den may be located, allowing us to avoid those areas.

## THE POWER OF PARTNERSHIPS

Following the 2018 acquisition of Mercer Peace River, previously Daishowa-Marubeni International (DMI), Mercer prioritized strengthening relationships with Indigenous communities. For example, our partnership with the Métis Nation of Alberta Region 6 demonstrates the positive impact of industry working together with Indigenous groups. Started in 1988 to address the pulp mill's environmental and economic impacts, it led to the formation of the Indigenous Resource Development Group, which fostered communication between Indigenous communities and Daishowa, DMI's former parent company. These discussions provided contract labor to the pulp mill and established Bison Contracting, a joint venture between the Métis Nation of Alberta Region 6 and a local contractor. For over 35 years, Bison Contracting has provided employment for more than 2,000 people, predominantly Indigenous.

Mercer also utilizes the framework provided by the Canadian Council for Aboriginal Business (CCAB) and its Progressive Aboriginal Relations (PAR) program to build meaningful relationships with Indigenous communities in Canada. The PAR program, established in 2001, recognizes the significance of these relationships in the Canadian business sector.

The CCAB is a national organization that brings together Indigenous and non-Indigenous businesses, fostering mutual understanding and respect for Indigenous cultures and practices. Our membership in the CCAB reflects our commitment to these values. By aligning with the PAR certification criteria, we are actively working to strengthen our relationships with Indigenous groups, and our program participation is a testament to our dedication.

We are currently in the 'Committed' phase of the PAR process, indicating our active and continuous efforts to enhance our relationships with Indigenous communities. In line with the 'Committed' phase requirements, Mercer prioritizes respectful engagement to build trust, uphold ethical standards, and establish sustainable, long-term relationships with Indigenous Peoples in Canada.

# Indigenous Relations Continued

## MERCER CELGAR AND SKEMXIST SOLUTIONS PARTNER FOR SUSTAINABLE FORESTRY

Mercer Celgar has partnered with Skemxist Solutions, an Osoyoos Indian Band (OIB) company, to operate a log sort yard in Okanagan Falls, British Columbia. Bringing together OIB's leadership in cultural stewardship and The Sutherland Group's forestry expertise, Skemxist Solutions benefits from Mercer's support in providing responsibly sourced wood fiber and facilitating training programs.

Key objectives of the partnership include:

- **Economic Development:** Creating skilled jobs for OIB members, including log scalers and equipment operators, while providing training aligned with industry standards
- **Sustainable Forestry:** Maximizing fiber utilization, including salvaging fire-damaged timber, while adhering to global forestry standards
- **Cultural Respect:** Ensuring hiring and operations honor OIB traditions and autonomy

Operating nearly year-round, the log sort yard will support Mercer's operations and the region's forestry goals with success being measured through fiber utilization, safety outcomes, and community impacts, ensuring the initiative advances environmental stewardship and economic stability.

> "This partnership reflects our commitment to responsible forestry and meaningful collaboration with local communities."

**Mike Lynn**
*Senior Manager, Fiber and Mill Services at Mercer Celgar*

## ADVANCING INDIGENOUS COLLABORATION: TRADITIONAL LAND USE PROJECT PHASE II

In 2024, Mercer Peace River entered Phase II of its Traditional Land Use (TLU) Project, a collaboration with Indigenous communities and the Forest Resource Improvement Association of Alberta (FRIAA).

Key objectives of the project include:

- **Community Collaboration:** MPR works closely with Indigenous communities to identify culturally significant plants, understand Caribou migration strategies, and conduct on-the-ground environmental validation
- **Academic Partnership:** Partnering with the Northern Alberta Institute of Technology (NAIT), the project combines scientific research with traditional perspectives to enhance forest management

Phase II builds on the success of earlier efforts, strengthening relationships with local communities and fostering a holistic approach to environmental stewardship.

# Customer Engagement

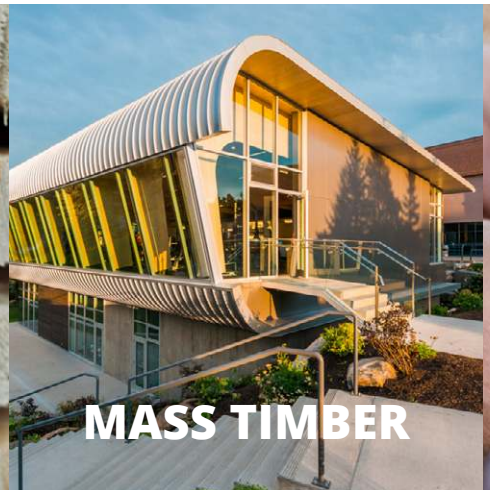
## Mercer prioritizes long-term, collaborative relationships with our global customers, a cornerstone of our goal to be the preferred global supplier by 2030.

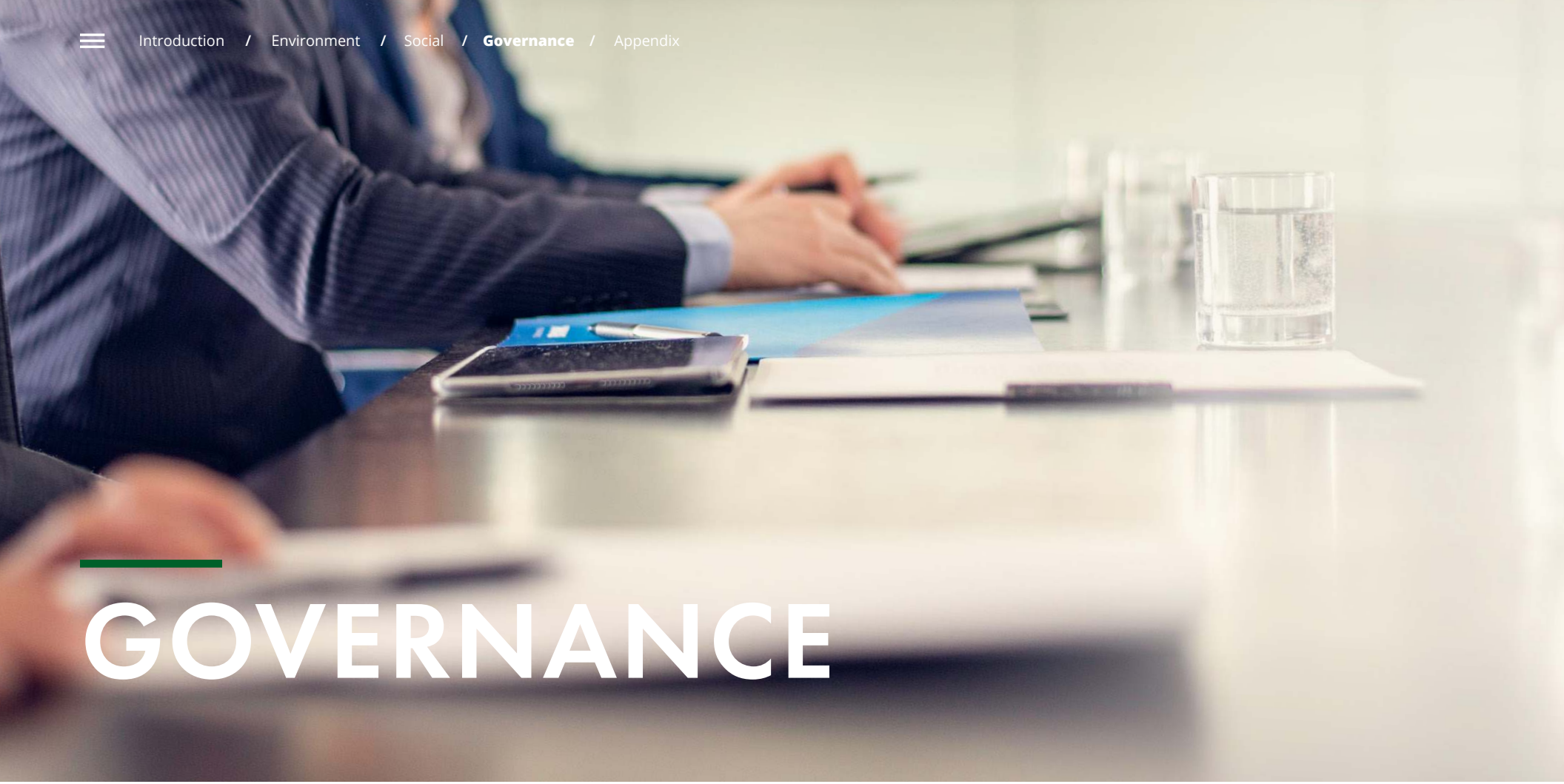
Our global operations and modern mills enable us to deliver high-quality products and reliable support. Transparency, responsiveness, and exceeding expectations are core to every customer relationship, aligning with our commitment to customer centricity and world-class service. Our valued customers are essential to Mercer's operations and our positive contributions to the industry and communities we serve.

As Mercer strives to be a leader in sustainability, our achievements support our customers in advancing their own sustainability leadership. Specifically, through our expanding portfolio of forest products and ongoing investments in research and development of innovative bioproducts and materials, we bring to market solutions that effectively replace fossil-based materials and products with sustainable and renewable alternatives. By offering these alternative choices, Mercer actively supports its customers in their efforts to reduce reliance on fossil fuels, decrease their carbon footprint, and meet the increasing consumer demand for sustainable options.

Building on our commitment to providing sustainable alternatives, Mercer actively supports our customers in advancing the circular bioeconomy. We achieve this by exploring innovative ways to maximize the value of renewable resources throughout their lifecycle. This includes developing solutions that utilize byproducts and residues from our manufacturing processes, offering materials that are designed for recyclability and reuse, and collaborating with customers to optimize resource efficiency within their own operations. By embracing circular principles, we help our customers minimize waste, reduce their environmental impact, and contribute to a more sustainable and resource-efficient future.

Furthermore, recognizing the increasing relevance of sustainability reporting and growing regulatory requirements, Mercer actively supports its customers by providing transparent and comprehensive data and information related to our products. This includes lifecycle assessments, carbon footprint analyses, and information on material sourcing and human rights. By proactively sharing this data, Mercer helps its customers meet their reporting obligations, navigate evolving regulations, and communicate their sustainability progress effectively. Moreover, our own GHG emissions reduction goals directly contribute to reducing the scope 3 emissions of our customers. By making tangible progress towards our sustainability targets, we become a stronger partner in helping customers achieve their own goals and strategies, fostering a shared commitment to a more sustainable future.





# GOVERNANCE

# Board Oversight

**Mercer's Board of Directors[1] provides oversight and guidance on the company's sustainability strategies and ESG risks. To provide transparency and involvement at all levels of the organization, our Board members serve on committees tasked with the development and adherence to both policies and best practices.**

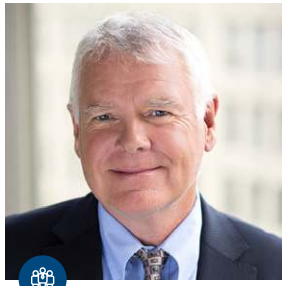
*1 Board of Directors are presented as at December 31, 2024.*

- Audit Committee
- Governance and Nominating Committee
- Human Resources Committee
- Environmental, Health, and Safety Committee

Committee Chair

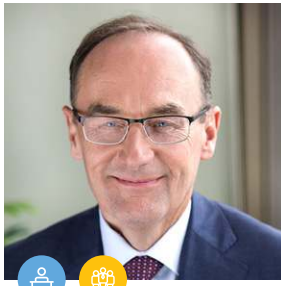
Committee Member

**Jimmy S.H. Lee**
*Chairman Emeritus*

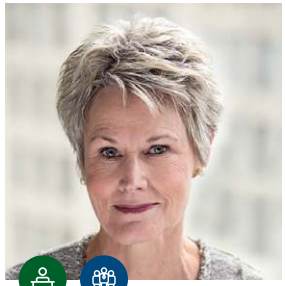


**William D. McCartney**
*Chairman of the Board, President and CEO of Pemcorp Management Corp.*

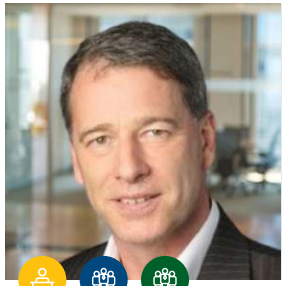
**James Shepherd**
*Former President and CEO of Canfor Corporation*



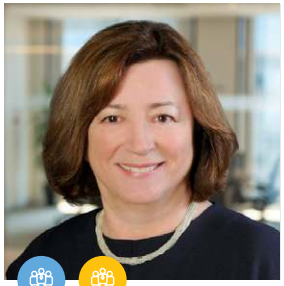
**Alan C. Wallace**
*Former Vice Chairman of Investment Banking of CIBC World Markets Inc., CEO of Peloton Advisors Inc.*



**Linda J. Welty**
*Former Director, Huber Engineered Materials*



**Rainer Rettig**
*Former Senior Vice President, Circular Economy Program, Covestro AG*



**Alice Laberge**
*Director, Russel Metals Inc.*

**Janine North**
*Director, Conifex Timber Inc., Imperial Metals Corporation*

**Thomas K. Corrick**
*Former CEO, Boise Cascade*

**Torbjörn Lööf**
*Director, Essity AB, Husqvarna Group, AB Blåkläder*

**Juan Carlos Bueno**
*President and CEO, Mercer International Inc.*

# Board Oversight Continued

## BOARD RESPONSIBILITIES: SUSTAINABILITY OVERSIGHT BY MERCER'S BOARD AND BOARD COMMITTEES

Our Board of Directors (BOD) plays a critical role in overseeing Mercer's governance and upholding our commitment to integrity, accountability, and ethical business practices. The Board provides strategic oversight of the business, advises the CEO and senior management, oversees business planning and risk management, reviews corporate performance, and approves significant actions and transactions. It also provides oversight on environmental, health and safety, social and governance, and human resources strategies and goals.

> "Sustainability is embedded in Mercer's overall business strategy, supporting its vision of transforming biomass into bioproducts for a more sustainable world. This begins with Mercer's ongoing mission to provide a safe and healthy work environment for employees and partners. It also highlights the forest products industry's positive impact—particularly Mercer's role in replacing fossil-based products and energy with renewable resources."

**Linda Welty**
*Board of Directors, Chair of the Environmental, Health and Safety Committee and member of Mercer's Governance and Nominating Committee*

Mercer's Board Committees include:

- **The Audit Committee** oversees financial reporting, internal controls, and the external audit process, ensuring the integrity of the company's financial statements. It also manages risk assessment, auditor independence, and compliance with accounting-related regulations, including cybersecurity and sustainability disclosures.
- **The Governance and Nominating Committee** leads Board nominations, evaluates Board performance, and ensures strong corporate governance practices. It also develops director qualification criteria and reviews governance policies and guidelines.
- **The Human Resources Committee** sets executive compensation, reviews performance, and administers incentive and equity-based plans. It also oversees succession planning and ensures the company's compensation practices remain competitive and aligned with shareholder expectations.
- **The Environmental, Health, and Safety Committee** monitors the company's compliance with environmental, health, and safety regulations and oversees related management systems. It also reviews audit findings and helps shape company policies on climate and sustainability matters.

Specifically, our President and CEO is accountable for successful sustainability performance overall and our Chief Sustainability Officer (CSO) provides direction for the sustainability strategy and how it is integrated into the business strategy. The role of the CSO includes the development and execution of the sustainability strategy and disclosure across the business, reporting to the CEO and regularly updating the Environmental Health and Safety (EH&S) Committee of the Board.

## ESG RISK MANAGEMENT

Mercer takes a proactive approach to ESG risk management, integrating environmental, social, and governance considerations into business strategy and decision-making. As a U.S. publicly traded company, Mercer operates in a highly regulated environment with stringent reporting requirements.

Our full Board of Directors oversees Mercer's ESG risk management, ensuring ESG risks and opportunities are integrated into our long-term strategy. The Board delegates ESG oversight across various committees, with the EH&S Committee ultimately tasked with the responsibility of overseeing the effectiveness of Mercer's sustainability practices and performance. We embed an analysis and assessment of sustainability risks and opportunities directly into our company-wide Enterprise Risk Management process.

# Supply Chain Management

## Responsible supply chain management is fundamental to our sustainability commitment, ethical business practices, and human rights.

With a supply network spanning 6,500+ vendors across 30+ countries, we proactively assess, engage, and collaborate with our suppliers to ensure that our procurement processes align with international sustainability standards and regulatory requirements.

As a key player in the forest products industry, we are steadfast in our commitment to sustainable practices and the economic well-being of the communities where we operate. Our approach to procurement and supply chain management is guided by a strong emphasis on ethical responsibility and social impact.

Partnering with local suppliers is a fundamental aspect of our strategy—not just from a business standpoint, but as a reflection of our dedication to strengthening local economies. By sourcing locally, we help drive job creation, stimulate economic activity, and support community development. This approach also aligns with our broader sustainability objectives, including minimizing transportation-related emissions and reinforcing environmental stewardship.

Additionally, we expect our partners to uphold the same ethical and sustainability standards that guide our operations. Through these efforts, our procurement and supply chain practices go beyond business necessity; they are an integral part of our mission to be a responsible corporate leader, fostering long-term positive change in the communities and ecosystems in which we operate.

### SUPPLIER EXPECTATIONS

Mercer sets clear expectations for suppliers regarding sustainability, human rights, and responsible sourcing. Every vendor must adhere to our Supplier Code of Conduct by accepting a purchase order from Mercer. Our code is based on global frameworks such as the UN Global Compact, OECD Guidelines for Multinational Enterprises, and the ILO Declaration on Fundamental Principles and Rights at Work, and it requires vendors to comply with strict human rights, environmental, and ethical business standards.

All vendors are expected to comply with local and international regulatory requirements, including Germany's Supply Chain Due Diligence Act and Canada's Modern Slavery Act. Regular risk assessments help ensure that Mercer's procurement practices align with our sustainability goals.

We believe transparency and accountability are essential to building trust and long-term partnerships. To that end, we actively monitor compliance and provide guidance to help suppliers meet our standards. Where gaps are identified, we work collaboratively to develop improvement plans, reinforcing our shared commitment to responsible sourcing and sustainable value creation.

# Supply Chain Management Continued

## SUPPLIER ENGAGEMENT

Mercer actively engages with suppliers through collaborative initiatives, audits, and ongoing communication to drive continuous improvement in sustainable supply chain management.

We actively engage suppliers through communication, audits, and surveys. Approximately 200 key suppliers were targeted for in-depth ESG assessments in 2024 which helped Mercer understand how suppliers implement sustainability and ESG principles within their own operations. Additionally, Mercer provides training and support to help suppliers align with sustainability best practices. These efforts strengthen our supplier relationships, promote accountability, and encourage proactive risk management. By fostering a culture of mutual learning, Mercer helps suppliers meet evolving expectations and the contribution to our collective sustainability goals.

## SUSTAINABLE PROCUREMENT

Mercer integrates ESG criteria into its procurement practices, prioritizing the purchase of responsibly sourced materials and expecting ethical conduct from suppliers. Our procurement processes emphasize that suppliers adhere to all relevant labor rights and safety requirements, respect and uphold traditional rights, demonstrate environmental responsibility by actively reducing their environmental impacts, and, where feasible, are locally situated to support regional economic development. We also encourage our partners on innovation and continuous improvement in the supply chain to support low-carbon and circular economy goals. This ensures that our purchasing decisions reflect not only operational needs but our broader environmental and social values.

## RESPONSIBLE SOURCING THROUGH FOREST CERTIFICATIONS

Mercer uses third-party forest certification standards to ensure that the fiber we source meets strict sustainability criteria.

These certifications help maintain Mercer's chain-of-custody, ensuring traceability of certified fiber from the forest to our final products. Certification provides third-party verification that forests and fiber suppliers comply with sustainable harvesting, biodiversity protection, and fair labor practices.

Maintaining chain-of-custody certification is essential for preserving fiber integrity throughout our entire supply chain, including fiber from our own managed forests and from third-party sources. Certification ensures that wood products retain their sustainability credentials as they move through processing, from raw fiber to final pulp or timber products.

# Human Rights

## At Mercer, we are dedicated to upholding and advancing human rights across our global operations.

Our approach is guided by the United Nations Guiding Principles on Business and Human Rights, reflecting our deep commitment to ethical business conduct and social responsibility. We believe that respect for human rights is fundamental to sustainable business practices and the well-being of our employees, stakeholders, and the communities in which we operate.

Mercer is committed to continuous improvement and transparency in human rights practices. We work with stakeholders to identify, prevent, and remediate any adverse human rights impacts linked to our activities, products, and services. Our Board of Directors, along with our Chief Human Resources Officer and Chief Sustainability Officer, oversee our Human Rights Policy, ensuring accountability and progress. We adhere to internationally recognized standards, including the Ten Principles of the United Nations Global Compact, the Universal Declaration of Human Rights, the OECD Guidelines for Multinational Enterprises, and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. These principles inform our policies and business decisions, keeping human rights at the core of our sustainability strategy.

Mercer is committed to fostering positive and respectful relationships with Indigenous Peoples, particularly in Western Canada where Mercer operates. We value the diverse histories, languages, cultures, and perspectives of Indigenous communities and recognize their essential role in sustainable forest management. For more information, see the Indigenous Relations section in this report and our Western Canada Indigenous Relations Policy on our website.

As part of our sustainability approach, we expect our suppliers and business partners to adhere to our human rights policies. Mercer actively monitors supplier performance, assists them in meeting our ethical standards, and takes corrective actions when necessary.

### ANTI-DISCRIMINATION STATEMENT

Mercer fosters an inclusive and diverse workplace, offering equal employment opportunities to all individuals, regardless of age, race, color, creed, religion, disability, marital status, sex, sexual orientation, or national origin. Our work environment is built on respect, free from discrimination, intimidation, and harassment. Our Respectful Workplace Policy sets clear standards and expectations around harassment and discrimination and outlines actions Mercer takes to foster a respectful workplace. We encourage open communication, provide management with awareness training on respect in the workplace, and offer supportive resources for all employees such as counseling and guidance.

# Human Rights Continued

## LABOR RIGHTS AND FREEDOM OF ASSOCIATION

Mercer strictly prohibits child labor, forced labor, slavery, and human trafficking. We maintain robust internal accountability mechanisms to ensure compliance with these standards among our employees and business partners across the supply chain. Targeted training is provided to employees to reinforce awareness and implementation of these policies.

We recognize the lawful rights of employees to free association and collective bargaining, complying with labor laws in all jurisdictions where we operate. Additionally, Mercer prioritizes workplace safety and health through our "Road to Zero" program, a CEO-led initiative designed to eliminate workplace incidents by equipping employees with tools, training, and policies that promote a safe and healthy work environment.

## HUMAN RIGHTS SUPPLY CHAIN DUE DILIGENCE PROCESS

Mercer is committed to identifying, preventing, and addressing human rights risks within our industry and supply chain. Our comprehensive, multi-stage due diligence process evaluates risks across our global supply chain, aligning with international standards and evolving regulations like Germany's Supply Chain Due Diligence Act (SCDDA) and Canada's Modern Slavery Act.

Our Supply Chain Due Diligence Process is structured to proactively assess and mitigate human rights risks, aligning with federal and international standards and regulations.

- **Risk Management Framework:** Our process is embedded within a robust risk management framework. This includes annual vendor risk assessments (with ad hoc assessments as needed), identification and weighting of human rights risks, establishing preventative and remedial measures, ongoing monitoring, and documentation. We utilize external third-party data to understand risks Mercer might encounter directly, indirectly, or contribute to (e.g., country risk indices, slavery indexes). Vendors are assessed for risks including forced labor, child labor, hazardous conditions, discrimination, and freedom of association violations. In 2024, a risk analysis was conducted on 6,646 companies. 85% were classified as low risk, 15% as medium risk, and 0% as high risk business partners. The Vice President, Procurement oversees supplier due diligence and supply chain risk management.
- **Supplier Code of Conduct Integration:** All vendors must adhere to Mercer's Supplier Code of Conduct, which reflects international human rights and sustainability principles. Acceptance of a purchase order signifies agreement to this code. Suppliers are expected to uphold these standards within their own supply chains. In 2024, Mercer revised its Procurement Terms and Conditions to further enhance ESG requirements.
- **Ongoing Monitoring and Media Tracking:** Our system continuously scans global media for human rights or environmental risks linked to suppliers. Detected issues trigger immediate ad hoc risk assessments. Based on internal assessments and the low prevalence of modern slavery risks in primary operating/sourcing regions (Canada, USA, Germany), Mercer considers the risk in its owned operations and supply chain to be low.
- **Stakeholder Engagement and Training:** Mercer employees in supply chain relevant roles receive regular human rights due diligence training. In 2024, a newly developed Supply Chain Due Diligence training program was delivered to 150 Mercer employees in Germany and North America.
- **Policy and Compliance:** In 2024, Mercer created a Policy Statement outlining its Supply Chain Due Diligence practices (Risk Management Framework), specifically addressing the German Supply Chain Due Diligence Act and submitted its first Modern Slavery Report to Public Safety Canada, fulfilling requirements under Canada's Fighting Against Forced Labour and Child Labour in Supply Chains Act. Annual reports and compliance statements are made publicly available.

## HUMAN RIGHTS MITIGATION AND REMEDIATION

Mercer has a structured framework to address potential violations swiftly. Continuous monitoring helps identify risks early. If concerns arise, we engage directly with vendors through meetings, audits, or site visits. Mercer collaborates with vendors, offering training and remediation strategies to improve compliance. Termination is considered only if corrective actions fail. To date, no severe human rights violations requiring remediation have been identified. Concerns can be reported confidentially via the EthicsPoint channel.

# Responsible Business Conduct and Ethics

## BUSINESS ETHICS

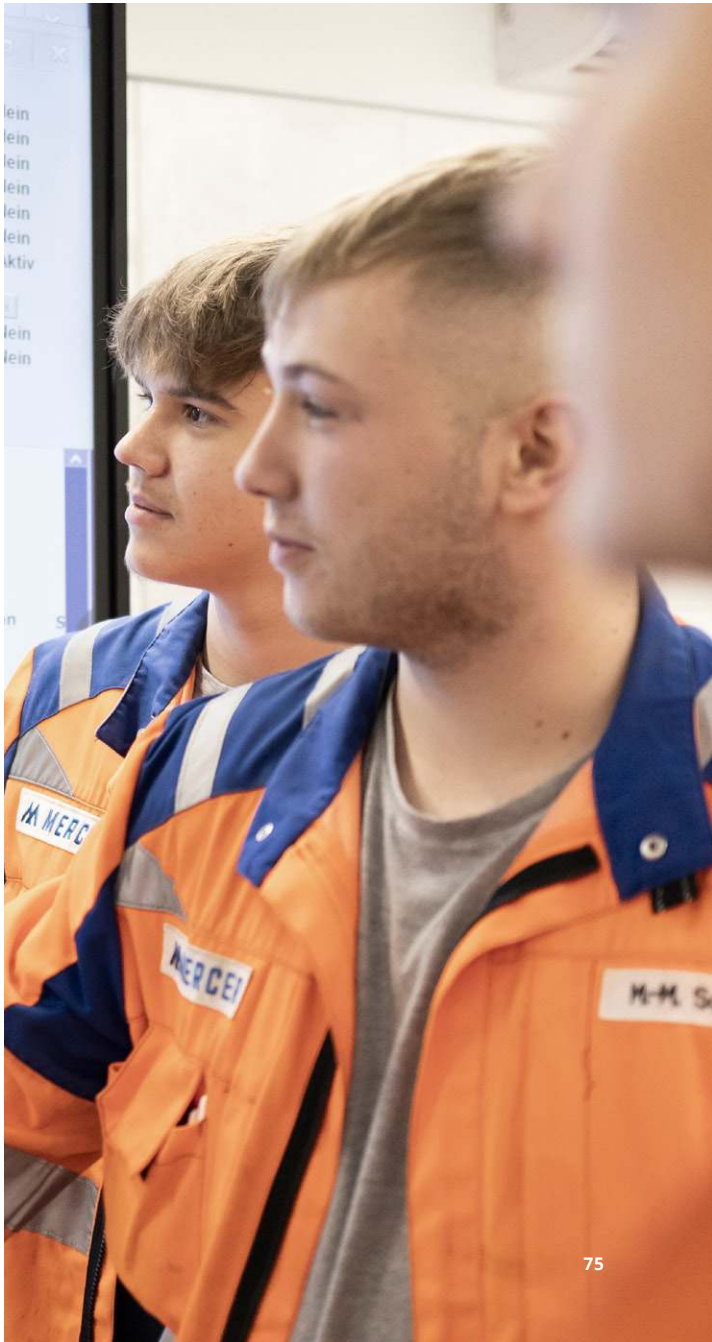
At Mercer, we are committed to ethical business conduct, transparency, and responsible corporate governance. Our approach to business ethics, data security, and ESG risk management ensures we uphold the highest legal, regulatory, and ethical standards across our operations, supply chain, and stakeholder engagements.

Mercer defines business ethics as "doing the right thing" in every aspect of our operations, from complying with laws and regulations to fostering trust, respect, and accountability within our workforce, communities, and partnerships. We expect all employees and leaders to demonstrate integrity, align with our core values, and lead by example.

We adhere to all relevant laws, industry regulations, and governance requirements in the regions where we operate. We maintain open communication with stakeholders, including shareholders, investors, employees, and communities, to ensure ethical decision-making and engage proactively with government agencies, environmental organizations, and certification bodies to maintain our social license to operate.

## COMPANY-WIDE CODE OF BUSINESS CONDUCT AND ETHICS

Mercer's Code of Business Conduct and Ethics provides clear guidelines on ethical behavior, legal compliance, and responsible decision-making. Our Code applies to all officers, directors and employees. Additionally, Mercer maintains a whistleblower hotline and reporting website to ensure employees can report ethical concerns confidentially and without retaliation. Whistleblower resources are prominently displayed at all Mercer facilities. Regular internal communications and training reinforce awareness of reporting mechanisms.



# Responsible Business Conduct and Ethics Continued

## DISCRIMINATION AND HARASSMENT POLICIES

At Mercer, fostering an inclusive, respectful, and equitable workplace is a fundamental part of our corporate culture. We are committed to ensuring that all employees experience a professional environment free from discrimination, harassment, and any form of intimidation. Our policies align with legal frameworks and best practices, reinforcing our dedication to upholding human rights and workplace integrity. We strictly prohibit any form of workplace harassment.

Mercer provides equal employment opportunities regardless of age, race, color, religion, disability, marital status, sex, sexual orientation, national origin, or other legally protected characteristics. We promote a diverse and inclusive work environment where employees are valued for their unique backgrounds and contributions.

## REPORTING AND ENFORCEMENT

Mercer encourages employees to report any concerns in good faith through internal reporting mechanisms, including direct supervisors, HR representatives, or the Integrity Hotline. Complaints are handled confidentially and investigated thoroughly to ensure fairness and protection for all parties involved. Retaliation against individuals who report concerns or cooperate with investigations is strictly prohibited.

### ALL MERCER EMPLOYEES AND LEADERS ARE EXPECTED TO:

Treat colleagues with dignity and respect at all times.

Remain aware of behaviors that may be perceived as harassment or discrimination.

Take prompt action to address and report inappropriate conduct.

By maintaining these high standards, Mercer ensures a workplace where employees can thrive, collaborate, and contribute to a strong and ethical corporate culture.

## DATA PRIVACY AND CYBERSECURITY

As part of our commitment to responsible business conduct, Mercer has strengthened data privacy and cybersecurity policies to protect sensitive corporate, employee, and customer information. This year, we updated supplier terms and conditions to include cybersecurity and data protection requirements. Suppliers are expected to comply with Mercer's security protocols to safeguard data integrity and privacy.

Our logistics and supplier network is monitored using a third-party risk assessment tool that evaluates cybersecurity threats, ethical risks, and ESG compliance. The system provides real-time monitoring and flags potential vulnerabilities within our value chain.

Employees receive regular training on cybersecurity best practices to minimize risks related to phishing, data breaches, and cyber threats.

# Industry Associations, Memberships, and Partnerships

## At Mercer, our participation in membership associations continues to be a key pillar of our journey toward a more sustainable future.

Through engagement in both national and international networks, we work with trusted partners who share our commitment to environmental stewardship and social responsibility.

These associations provide platforms for exchanging knowledge, advancing sustainable innovation, and alignment on industry best practices. Beyond sustainability, our membership in trade, craft, and agricultural organizations empowers us to engage in collective efforts to guide political developments and collaborate on solutions to industry-specific issues.

## OUR MEMBERSHIPS

**Sustainability Business Practices and Environmental Stewardship**

- Business for Social Responsibility (BSR™)—Global
- UN Global Compact—Global
- Science Based Targets initiative (SBTi)—Global
- Bundesverband der Deutschen Industrie e.V. (BDI / Federal Association of the German Industry)—Germany

**Energy and Power Industry Focus**

- Association of the Industrial Energy and Power Industry (Verband der Industriellen Energie- & Kraftwirtschaft)—Germany

**Woodworking and Raw-Fiber Advocacy**

- German Sawmill and Wood Industry Association (Deutsche Säge- und Holzindustrie Bundesverband e.V.)—Germany
- German Timber Industry Council (Deutscher Holzwirtschaftsrat)—Germany
- Consortium Raw Wood (Arbeitsgemeinschaft Rohholz e.V.)—Germany
- Main Association of the German Wood and Plastics Processing Industries and Related Industries and Businesses (Hauptverband der Deutschen Holzindustrie und Kunststoffe verarbeitenden Industrie und verwandter Industrie- und Wirtschaftszweige e.V.)—Germany
- WoodWorks (Wood Products Council)—North America
- APA – The Engineered Wood Association—United States

**Forest Product Associations**

- Forest Products Association of Canada (FPAC)—Canada
- Alberta Forest Products Association (AFPA)—Alberta, Canada
- BC Council of Forest Industries (COFI)—British Columbia, Canada
- American Wood Council (AWC)—United States
- Canadian Wood Council (CWC)—Canada

**Sustainable Forestry and Wood Use**

- Forestry and Wood Platform (Plattform Forst und Holz)—Germany
- WoodWorks (Wood Products Council)—North America

**Bioproduct Development and Decarbonization**

- BC BioAlliance—British Columbia, Canada
- Renewable Carbon Initiative (RCI)—Europe
- BioEconomy Cluster—Germany

**Pulp and Paper Industry**

- Confederation of European Paper Industries (CEPI)—Europe
- European Pulp Industry Sector (EPIS)—Europe
- German Paper Association (DIE PAPIERINDUSTRIE)—Germany
- Zellcheming—Germany

## INITIATIVES WE PARTNER WITH

FORESTRY FOR THE FUTURE.

GROWING FORESTS GROWING A FUTURE

HOLZ RETTET KLIMA Mission Holz 2030

# APPENDIX

In this section, you will find our reporting standards and framework indexes (GRI, SASB, TCFD, and TNFD). Included in the Appendix is a summary of key performance data, corresponding methodologies, and key terms to enhance clarity and transparency of reporting.

# Performance Data Tables

| | | | Comparatives | | | Targets | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Summary of Key Metrics** | **Unit** | **Scope** | **2023** | **2024** | **Third-party Assurance Over 2024 Figures** | **Baseline Year** | **Baseline Value** | **2030 Target Value** | **2030 Target (% +/-)** | **% 2024 / Base Year** |
| **GHG Emissions** | | | | | | | | | | |
| Scope 1 | $tCO_2e$ | Company-wide[1] | 433,372 | 454,602 | ✔ | - | - | - | - | - |
| Scope 1 intensity | kg $CO_2e$ / ADMT | Pulp mills | 238 | 226 | ✔ | 2019 | 206 | 103 | -50% | 10% |
| Biogenic emissions – Scope 1 | $tCO_2$ | Company-wide[1] | 4,863,904 | 4,811,226 | ✔ | - | - | - | - | - |
| Scope 2 (location-based) | $tCO_2e$ | Company-wide | 46,176[2] | 45,012 | ✔ | 2024 | 45,012 | 15,754 | -35% | n/a |
| Scope 2 (market-based) | $tCO_2e$ | Company-wide | 46,571[2] | 45,106 | - | - | - | - | - | - |
| Scope 3 | $tCO_2e$ | Pulp mills Sawmills | 2,678,480[3] | 2,268,142 | ✔ | 2024 | 2,268,142 | 793,850 | -35% | n/a |
| Category 1 | $tCO_2e$ | | 319,843 | 309,306 | - | - | - | - | - | - |
| Category 2 | $tCO_2e$ | | 88,806 | 51,617 | - | - | - | - | - | - |
| Category 3 | $tCO_2e$ | | 67,862 | 65,036 | - | - | - | - | - | - |
| Category 4 | $tCO_2e$ | | 102,322 | 91,390 | - | - | - | - | - | - |
| Category 9 | $tCO_2e$ | | 194,915 | 168,536 | - | - | - | - | - | - |
| Category 10 | $tCO_2e$ | | 1,159,508[3] | 921,306 | - | - | - | - | - | - |
| Category 12 | $tCO_2e$ | | 745,224[3] | 660,952 | - | - | - | - | - | - |
| Stored carbon | $tCO_2e$ | Mass timber | n/a | 34,000 | - | 2024 | 34,000 | 102,000 | 200% growth | n/a |
| **Energy Consumption: Company-wide** | | | | | | | | | | |
| **Energy Consumption from Fuels** | MWh | Company-wide | n/a | **13,855,495** | - | - | - | - | - | - |
| From Renewable Sources | MWh | | n/a | 11,506,204 | - | - | - | - | - | - |
| | % | | n/a | 83% | ✔ | 2024 | 83% | 90% | - | n/a |
| From Non-Renewable Sources | MWh | | n/a | 2,349,291 | - | - | - | - | - | - |
| | % | | n/a | 17% | - | - | - | - | - | - |
| Electricity purchased from suppliers | MWh | | n/a | 149,838 | - | - | - | - | - | - |
| **Gross Energy Consumption** | MWh | | n/a | **14,005,333** | - | - | - | - | - | - |
| Electricity sales | MWh | | n/a | 923,499 | - | - | - | - | - | - |
| **Net Energy Consumption** | MWh | | n/a | **13,081,834** | ✔ | - | - | - | - | - |

1 Only 2024 scope 1 is company-wide. Refer to GHG emissions methodology below for further details.
2 2023 scope 2 emissions has been restated since prior year reporting due to a methodology change. Refer to the Key Methodologies section for further detail.
3 Fiscal year 2023 scope 3 emissions category 10 and 12 has been restated due to calculation errors identified. For further information, refer to Mercer's GRI Content Index, GRI 2-4 Restatements of information.

# Performance Data Tables Continued

| | | | Comparatives | | | Targets | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Summary of Key Metrics** | **Unit** | **Scope** | **2023** | **2024** | **Third-party Assurance Over 2024 Figures** | **Baseline Year** | **Baseline Value** | **2030 Target Value** | **2030 Target (% +/-)** | **% 2024 / Base Year** |
| Electricity generation through own power plants | MWh | Company-wide | n/a | 2,251,620 | ✔ | - | - | - | - | - |
| **Energy Consumption: Pulp Mill Segment[1]** | | | | | | | | | | |
| Energy Consumption from Fuels | MWh | Pulp mills | 12,680,712 | 13,070,895 | - | - | - | - | - | - |
| From Renewable Sources | MWh | | 10,448,126 | 10,877,309 | - | - | - | - | - | - |
| | % | | 82% | 83% | - | - | - | - | - | - |
| From Non-Renewable Sources | MWh | | 2,232,585 | 2,193,585 | - | - | - | - | - | - |
| | % | | 18% | 17% | - | - | - | - | - | - |
| Electricity purchased from suppliers | MWh | | 40,753 | 34,427 | - | - | - | - | - | - |
| **Gross Energy Consumption** | MWh | | **12,721,465** | **13,105,322** | - | - | - | - | - | - |
| Electricity sales | MWh | | 832,587 | 797,219 | - | - | - | - | - | - |
| **Net Energy Consumption** | MWh | | **11,888,878** | **12,308,103** | - | - | - | - | - | - |
| | | | | | | | | | | |
| Total Gross Energy Intensity | MWh/ADMT | Pulp mills | 7.0 | 7.3 | - | 2024 | 7.3 | 6.9 | -5% | n/a |
| Electricity generation through own power plants | MWh | Pulp mills | 2,141,972 | 2,125,340 | - | - | - | - | - | - |
| **Air Emissions** | | | | | | | | | | |
| $SO_2$ | kg/ADMT | Pulp mills | 0.48 | 0.49 | ✔ | - | - | - | - | - |
| $NO_x$ | kg/ADMT | | 1.71 | 1.70 | ✔ | - | - | - | - | - |
| Particulate | kg/ADMT | | 0.37 | 0.39 | ✔ | - | - | - | - | - |
| **Effluent Emissions** | | | | | | | | | | |
| $AO_x$ | kg/ADMT | Pulp mills | 0.056 | 0.062 | ✔ | - | - | - | - | - |
| BOD | kg/ADMT | | 0.21 | 0.26 | ✔ | - | - | - | - | - |
| COD | kg/ADMT | | 10.14 | 10.46 | ✔ | - | - | - | - | - |
| TSS | kg/ADMT | | 0.75 | 0.86 | ✔ | - | - | - | - | - |

1 2023 energy consumption figures have been restated since prior year reporting due to a change in methodology. Refer to the Key Methodologies section for further detail.

# Performance Data Tables Continued

| | | | Comparatives | | | Targets | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Summary of Key Metrics** | **Unit** | **Scope** | **2023** | **2024** | **Third-party Assurance Over 2024 Figures** | **Baseline Year** | **Baseline Value** | **2030 Target Value** | **2030 Target (% +/-)** | **% 2024 / Base Year** |
| **Water** | | | | | | | | | | |
| Water withdrawal | 1,000 $m^3$ | Pulp mills | 107,748 | 112,262 | - | - | - | - | - | - |
| | $m^3$ / ADMT | | 59.1 | 62.2 | ✔ | 2019 | 61.9 | 55.7 | -10% | 1% |
| Water consumption | 1,000 $m^3$ | | 10,855 | 9,952 | - | - | - | - | - | - |
| Water consumption in areas of high water stress | 1,000 $m^3$ | | 1,833 | 1,864 | - | - | - | - | - | - |
| Treated effluent discharge | 1,000 $m^3$ | | 72,383 | 72,985 | - | - | - | - | - | - |
| | $m^3$ / ADMT | | 39.7 | 40.5 | ✔ | - | - | - | - | - |
| Total water discharge | 1,000 $m^3$ | | 96,894 | 102,311 | - | - | - | - | - | - |
| **Waste** | | | | | | | | | | |
| Waste to landfill | tonnes | Pulp mills | 36,948 | 29,997 | - | - | - | - | - | - |
| | kg/ADMT | | 20.3 | 16.6 | ✔ | 2019 | 21.8 | 15.3 | -30% | -24% |
| **Resource Use** | | | | | | | | | | |
| Certified Fiber | % | Company-wide | 69% | 68% | ✔ | - | - | 75% | - | - |
| Chemical utilization rate | kg/ADMT | Pulp mills | n/a | 141 | - | 2024 | 141 | 134 | -5% | n/a |
| Fiber utilization rate | $m^3$/ADMT | Pulp mills | n/a | 5.17 | - | 2024 | 5.17 | 4.91 | -5% | n/a |

# Performance Data Tables Continued

| | | | Comparatives | | | Targets | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Summary of Key Metrics** | **Unit** | **Scope** | **2023** | **2024** | **Third-party Assurance Over 2024 Figures** | **Baseline Year** | **Baseline Value** | **2030 Target Value** | **2030 Target (% +/-)** | **% 2024 / Base Year** |
| **Social** | | | | | | | | | | |
| Employees covered by a collective bargaining agreement | % | Company-wide | n/a | 47% | - | - | - | - | - | - |
| Women hired | % | | 18% | 20% | - | - | - | - | - | - |
| Women in the workplace | % | | 17% | 18% | ✔ | - | - | - | - | - |
| Women in top management | % | | 26% | 24% | - | - | - | - | - | - |
| Inclusion index score | Percentile | | 11 | 22 | - | - | - | 60 | - | - |
| Engagement survey response rate | % | | 54% | 60% | - | - | - | 80% | - | - |
| TRIR | # of incidents x 200,000 hours / total hours worked | | 3.68 | 2.76 | ✔ | - | - | <1.7 | - | - |
| Employee fatalities | # incidents | | 0 | 0 | - | - | - | - | - | - |
| Contractor fatalities | # incidents | | 0 | 0 | - | - | - | - | - | - |
| Severity | # of lost work days x by 200,000 / # of hours worked | | 68.3 | 60.6 | - | - | - | - | - | - |
| **Select Production Metrics** | | | | | | | | | | |
| Pulp production | '000 ADMTs | Pulp mills[1] | 1,821.9 | 1,804.3 | ✔ | - | - | - | - | - |

1 Pulp production figures do not include production amounts from our 50% joint venture interest in the Cariboo Pulp & Paper Company ("CPP") disposed of on March 1, 2024. For production figures including CPP, refer to Mercer's annual report on Form 10-K.

# Key Methodologies

## ABOUT THIS REPORT

This report sets out the sustainability-related information on a consolidated basis for Mercer International Inc. and its subsidiaries for the period ending December 31, 2024. To enhance transparency and understandability of this report, key methodologies for data included are outlined below.

## GHG EMISSIONS:

- Mercer's GHG inventory is calculated following the three standards provided by the Greenhouse Gas Protocol of the World Resources Institute and the World Business Council for Sustainable Development: the GHG Corporate Accounting and Reporting Standard, the GHG Protocol Scope 2 Guidance, and the Corporate Value Chain (Scope 3) Accounting and Reporting Standard.
- Mercer reports all relevant GHG emissions, including $CO_2$, $CH_4$, and $N_2O$. HFCs, $SF_6$, $NF_3$, and PFCs are immaterial or not applicable to Mercer's operations.
- Mercer uses the operational control consolidation approach. Scope 1 and 2 emissions includes all Mercer production units across the pulp mill, sawmill, and mass timber segments, including our bioservices segments (harvesting, transportation, logistics). Scope 3 emissions include all pulp and sawmill production units. Corporate offices are assessed to be immaterial.
  - ◊ In 2024, Mercer improved the comprehensiveness of our scope 1 fossil fuel and biogenic emissions, and scope 2 emissions reporting boundary to include our recently acquired sawmill, mass timber, and bioservices segments. Scope 2 prior year (2023) data has been restated according to the new boundary, however, scope 1 fossil fuel and biogenic emissions have not been restated due to data availability challenges. Therefore, 2023 may not be comparable to 2024 for scope 1 fossil fuel and biogenic emissions.
- **Climate Targets:**
  - ◊ In 2021, Mercer set initial climate goals for our pulp mills, committing to a 35% reduction in scope 1 GHG emissions per tonne of pulp by 2030, along with a 35% absolute reduction in scope 2 and 3 emissions from a 2019 baseline. These near-term targets were validated by the Science Based Targets initiative (SBTi). During 2024, to align with a 1.5°C pathway, Mercer increased our ambition to a 50% reduction in pulp mill scope 1 GHG emissions intensity.
  - ◊ Mercer has acquired several additional businesses (e.g. sawmill and mass timber facilities) since our initial scope 2 and scope 3 climate targets were set. As a result, Mercer increased the comprehensiveness of our scope 2 and 3 absolute emissions measurements to account for acquisitions and set a revised baseline year of 2024 with a 35% reduction target.
  - ◊ As we strengthen our climate ambitions to align with a 1.5°C pathway, we recognize the SBTi requirement for land intensive industries to set near-term targets for Forest, Land, and Agriculture (FLAG) emissions. We plan to measure our FLAG emissions in 2025, update our scope 1, 2, and 3 absolute emissions reduction targets accordingly, and obtain SBTi re-validation.
- **200% growth in stored carbon in mass timber products target:** Mercer has set a target of 200% growth in stored carbon in mass timber products sold from a 2024 baseline. This target is based on an expected growth rate of 20% per year in $m^3$ sold. This calculation assumes an industry standard approximate estimate of 1 $tCO_2e$ stored per 1 $m^3$ of wood.
- **Scope 1 emissions** are direct GHG emissions resulting from sources that we control, including fossil fuel (e.g. natural gas, diesel, propane, gasoline) energy consumption from stationary and mobile sources.
- **Biogenic emissions:** Biomass is burned primarily in Mercer's recovery and power boilers which generate biogenic emissions. With reference to the GHG Protocol and GRI 305-1, Mercer reports biogenic emissions separately from fossil fuel emissions.
- **Scope 2 emissions** are indirect GHG emissions associated with the purchase of electricity. Location-based scope 2 emissions reflect the average emissions intensity of the grid in which energy consumption occurs. Location-based emission factors were sourced from the Government of Canada National Inventory Report, the US Environmental Protection Agency, and the European Environmental Agency. Market-based scope 2 emissions reflect emission factors from contractual instruments, which includes power purchase agreements and any energy attribute certificates bought. In the absence of supplier-specific factors, Mercer uses Green-e residual mix emission factors. If residual mix factors were not available for the region, location-based emission factors were used for scope 2 market-based emissions. The applied factors do not separate the percentage of biogenic $CO_2$.
  - ◊ Mercer has restated our fiscal 2023 scope 2 emissions from 28,989 $tCO_2e$ to 46,176 $tCO_2e$ to ensure comparability with current year reporting. Mercer modified our methodology related to Mercer Timber Products' scope 2 emissions to align with the gross emissions calculation approach of the GHG Protocol Scope 2 Guidance, Section 5.4, rather than the mixed approach under 5.6 of the Protocol. This change is more reflective of the nature of the sawmill operation. The methodology change resulted in a 15,450 $tCO_2e$ (53% increase) to 2023 scope 2 emissions. The remaining increase of 1,737 $tCO_2e$ to 2023 scope 2 emissions is due to the inclusion of our mass timber facilities.

# Key Methodologies Continued

- **Scope 3 emissions** are indirect GHG emissions from operations in the value chain, covering both upstream and downstream.
  - ◊ Mercer reports on all significant categories of scope 3. Mercer does not report on scope 3 categories 5 (waste generated in operations), 6 (business travel), 7 (employee commuting), 8 (upstream leased assets), 11 (use of sold products), 13 (downstream leased assets), 14 (franchises), 15 (investments). Excluded categories are either not relevant to Mercer's business activities or have been assessed as immaterial.
  - ◊ The accounting policies for the categories in scope are further described below.
    - Category 1: upstream GHG emissions related to raw wood fiber (logs and residual chips) and non-fiber raw materials (e.g. chemicals) purchased and consumed in production by our mills. Both average-data and average-spend based methods are used.
    - Category 2: upstream GHG emissions related to the acquisition, pre-processing, production, and transportation of capital goods purchased. Average spend-based method is used.
    - Category 3: upstream GHG emissions related to extraction, production, and transportation of purchased and consumed fuels, excluding amounts already included in scope 1 and 2. Average-data method is used.
    - Category 4: upstream GHG emissions from the transportation of raw wood fiber and non-raw wood materials purchased and delivered to Mercer's production sites. This includes logs transported both from our managed forests and those sourced externally by our mills. Distance-based method is used.
    - Category 9: downstream GHG emissions from the transportation of sold products (pulp, wood products, biofuels and byproducts) from Mercer's mills to customers. Distance-based method is used.
    - Category 10: downstream GHG emissions from the processing of sold pulp into tissue and paper after the point of sale. Average-data method is used.
    - Category 12: downstream GHG emissions from the waste disposal and treatment of products (pulp, lumber, and pallets) at the end of their life. Sold pellets and briquettes are excluded as end-of-life treatment is combustion for energy. Average-data method is used.
  - ◊ Primary data is used where feasible to obtain. When primary data is unavailable, secondary data sources are used from sources including, but not limited to, the US Environmental Protection Agency (EPA), Athena Sustainable Materials Institute Cradle-to-Gate Life Cycle Assessments, Confederation of European Paper Industries (CEPI), UK Department of Environment, Food & Rural Affairs (DEFRA), CN Rail, and partner environmental product declarations.
  - ◊ Globally, scope 3 accounting and data availability are still emerging areas. A higher degree of measurement uncertainty is present in scope 3 emissions. In particular, Category 10 and Category 12 are subject to a high degree of estimation as Category 10 relies on publicly available emissions intensities of our customers and Category 12 relies heavily on estimates related to the final disposal method of the products sold. Mercer anticipates that the quality of our scope 3 data will improve as regulatory sustainability reporting becomes more widespread and data availability increases.

## ENERGY CONSUMPTION:

- Our energy is primarily generated from renewable sources, such as black liquor and wood waste. Our mills produce all of our electrical energy requirements and generate excess energy which we sell to third-party utilities and to regional electrical markets. We utilize fossil fuels, such as natural gas, primarily in our lime kilns and we use a limited amount for start-up and shut-down operations. Additionally, from time to time, mill process disruptions occur and we consume small quantities of purchased electricity and fossil fuels to maintain operations.
- In line with GRI, net energy consumption reported is calculated as:
  - ◊ Non-renewable and renewable fuels consumed (energy content of the fuel) + electricity purchased - electricity sold.
  - ◊ Electrical energy generation produced via our cogeneration plants is reported separately.
- The scope of energy metrics reported is consistent with scope 1 and 2 emissions.

# Key Methodologies Continued

- In the prior year (2023), energy consumption figures were reported using higher heating values (HHV). To align with anticipated future reporting requirements under CSRD, Mercer has updated its methodology to utilize lower heating values (LHV) and changed presentation from GJ to MWh. Appropriate industry publication conversion factors were used to convert HHV to LHV where necessary. Reporting using HHV or LHV is permitted by GRI.
  - ◊ Pulp mill fiscal 2023 Energy Consumption From Fuels has been restated from 37.9 GJ/ADMT (equivalent to 19,195,049 MWh on an absolute basis) to 25 GJ/ADMT (equivalent to 12,680,712 MWh on an absolute basis) according to the new methodology resulting in a -6,514,338 MWh, 34% decrease in Energy Consumption From Fuels. As a result, pulp mill fiscal 2023 Energy Consumption From Renewable Fuels has been restated from 87.2% to 82.0% (5.2% decrease) and Energy Consumption From Non-Renewable Fuels has been restated from 12.8% to 18.0% (5.2% increase).

## AIR EMISSIONS:

- These non-GHG air emissions are primarily generated from pulp mill production processes related to our boilers and lime kilns. Air emissions are measured through frequent sample testing or continuous emissions monitoring systems. Samples are analyzed in certified internal or third-party labs.
- **$SO_2$:** as part of the chemical recovery process, black liquor is burned in the recovery boiler, releasing $SO_2$ as a by-product of the reaction between the sulfur compounds in the black liquor and oxygen in the air.
- **$NO_x$:** air emissions from our pulp mills predominantly originate from burning fuels in our boilers.
- **Particulate matter:** a mixture of solid and liquid particles that can be released into the atmosphere during various stages of our kraft pulp mill processes.

## EFFLUENT EMISSIONS:

- Effluent emission concentrations are measured through frequent sample testing. Samples are analyzed in certified internal or third-party labs.
- **$AO_x$ (Absorbable Organic Halogens):** a measure of halogens bound to the organic compounds present in the effluent discharged from a mill.
- **BOD (Biochemical Oxygen Demand):** a measure of the amount of oxygen required by microorganisms to break down organic matter in water. At Mercer, we use it to assess the amount of organic matter present in the effluent discharged from our mills and the short-term impact on the oxygen levels of the receiving water.
- **COD (Chemical Oxygen Demand):** a measure of the amount of organic compounds that can be oxidized by a strong oxidizing agent under acidic conditions. At Mercer, we use it to assess the amount of organic matter present in the effluent discharged from the mills.
- **TSS (Total Suspended Solids):** a measure of the amount of suspended solids in the effluent discharged from the mills.

## WATER:

- Water data is primarily sourced from flow meters. It is estimated that 87% of water consumption is derived from direct measurements. Following an assessment of materiality, the scope of water metrics include all pulp mills.
- **Water withdrawal:** includes the withdrawal of process and cooling water.
- **Treated effluent discharge:** includes water that has been used in the pulping process that requires treatment in the mill's effluent treatment plant through a mechanical and biological process prior to discharge.
- **Water discharge:** includes treated effluent and cooling water discharged to the environment.
- **Water consumption:** calculated as total volume of water withdrawn less total water discharged.
- **Water consumption in areas of high water stress:** includes water consumption for areas of high water stress as identified by conducting a detailed water risk assessment using the World Wildlife Fund Water Risk Filter and World Resources Institute Aqueduct Water Risk Atlas. The most recent assessment was conducted in 2024. Results indicate Mercer Rosenthal pulp mill is in an area of high water stress.

## WASTE:

- **Waste to landfill:** includes all material sources of process waste (wood ash, recausticizing dregs, and lime waste) generated at pulp mills deposited in Mercer landfills.
  - ◊ Key estimates: Dry tonnes are estimated by applying conversion factors based on sampling to account for moisture content in waste.
  - ◊ Hazardous waste is immaterial for Mercer's operations.

# Key Methodologies Continued

## RESOURCE USE:

- **Percentage of certified fiber:** fiber that has been certified through a third-party assessment (PEFC, SFI, FSC) that the forest management practices used to produce it meet specific environmental, social, and economic standards.
  - ◊ Excludes certified logs that are purchased and sold and do not enter production.
- **Responsibly sourced fiber:** defined as fiber that is:
  - ◊ Certified forest fiber; or
  - ◊ Controlled wood:
    - Not from illegally harvested or traded wood
    - Not from wood harvested in violation of traditional and human rights
    - Not from wood harvested in forests where high conservation and ecological values are threatened by management activities
    - Not from wood harvested in forests being converted to plantations or non-forest use
    - Not from wood from forests in which genetically modified trees are planted
  - ◊ Refer to Mercer's Wood and Fibre Procurement Policy here.
- **Chemical utilization rate:** calculated as the weight of primary chemicals purchased in the reporting year divided by pulp production.
- **Fiber utilization rate:** calculated as the weight of wood chips consumed in the reporting year divided by pulp production.

## SOCIAL:

- **Percentage of women in top management:** Top management is defined as executive leadership, managing directors, general managers, and employees that report directly to managing directors, excluding the Board of Directors.
- **Inclusion index score percentile:** A score as measured by a third-party administered employee survey to measure the extent to which employees feel included and belong at work as benchmarked against other manufacturing companies.
- **Engagement survey response rate:** The portion of employees responding to Mercer's third-party administered annual engagement survey.
- **Total Recordable Incident Rate (TRIR):** calculated as the number of recordable incidents multiplied by 200,000 hours divided by total number of hours worked by all employees. Recordable incidents and TRIR reporting boundary does not include the 50% joint venture interest in the Cariboo Pulp & Paper Company ("CPP") that Mercer disposed of in March 2024.
- **Severity rate:** calculated as the total number of lost work days multiplied by 200,000 divided by the total number of hours worked by all employees.

# Report of Independent Accountants

**To the Board of Directors of Mercer International Inc.**

We have reviewed the select performance metrics included in the accompanying Appendix I (the subject matter) within Mercer International Inc.'s 2024 Sustainability Report, as of and for the year ended December 31, 2024. 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*, and International Standard on Assurance Engagements (ISAE) 3410, *Assurance Engagements on Greenhouse Gas Statements*. 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 independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standard Board for Accountants (IESBA Code) and of 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 Canadian Standard on Quality Management 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements*, or *Other Assurance or Related Services Engagements*, which requires the firm to design, implement and operate a system of quality management including policies or 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 select performance 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.

As discussed in the "Key Methodologies" Appendix of Mercer's 2024 Sustainability Report, in 2023, Mercer International Inc. applied a different measurement method for Greenhouse Gas Emissions Scope 2 (Location based), Net energy consumption and Gross energy consumption from renewable sources.

Based on our review, we are not aware of any material modifications that should be made to the subject matter, included in Mercer International Inc.'s 2024 Sustainability Report, as of and for the year ended December 31, 2024, in order for it to be in accordance with the criteria described in the Appendix I.

Our report has been prepared solely for the Board of Directors of Mercer International Inc. for the purpose of assisting management in reporting to the directors on its select performance metrics. The subject matter therefore may not be suitable, and is not to be used, for any other purpose. Our report is intended solely for Mercer International Inc.

We neither assume nor accept any responsibility or liability to any third party in respect of this report.

**PricewaterhouseCoopers LLP**

PricewaterhouseCoopers LLP

**Chartered Professional Accountants**
**Vancouver, BC, Canada**
**May 27, 2025**

# Report of Independent Accountants Continued

| APPENDIX I | | | | | |
|---|---|---|---|---|---|
| **Subject Matter** | **Value** | **Unit** | **Criteria** (prepared with reference to) | **Reporting Period** | **Scope** |
| **Water Management** | | | | | |
| Treated Effluent | 40.5 | m/ADMT | GRI (2018) 303-4: Water Discharge | January 1, 2024 – December 31, 2024 | Pulp mills |
| Water Withdrawal | 62.2 | | GRI (2018) 303-3: Water Withdrawal | | |
| **Effluent Emissions** | | | | | |
| AOX | 0.062 | kg/ADMT | GRI (2018) 303-4: Water Discharge | January 1, 2024 – December 31, 2024 | Pulp mills |
| BOD | 0.26 | | | | |
| COD | 10.46 | | | | |
| TSS | 0.86 | | | | |
| **Air Emissions** | | | | | |
| $SO_2$ | 0.49 | kg/ADMT | GRI (2016) 305-7: Nitrogen oxides ($NO_x$), sulfur oxides ($SO_x$), and other significant air emissions | January 1, 2024 – December 31, 2024 | Pulp mills |
| $NO_x$ | 1.70 | | | | |
| Particulates | 0.39 | | | | |
| **Waste** | | | | | |
| Total Waste to Landfill (Wood Ash, Recaust Waste, Lime Waste) | 16.6 | kg/ADMT | GRI (2020) 306-5: Waste Directed to Disposal | January 1, 2024 – December 31, 2024 | Pulp mills |
| **Select Production Metrics** | | | | | |
| Total Pulp Production | 1,804.3 | '000 ADMTs | SASB-RR-PP-000.A | January 1, 2024 – December 31, 2024 | Pulp mills |
| **Greenhouse Gas Emissions** | | | | | |
| Scope 1 | 454,602 | tonnes $CO_2e$ Fossil Fuels | GRI (2016) 305-1a: Direct (Scope 1) GHG emissions | January 1, 2024 – December 31, 2024 | Company-wide |
| | 4,811,226 | tonnes $CO_2$ Biogenic | GRI (2016) 305-1c: Direct (Scope 1) GHG emissions | | Company-wide |
| | 226 | kg/ADMT Fossil Fuels | GRI (2016) 305-4a: GHG emissions intensity | | Pulp mills |
| Scope 2 (location-based) | 45,012 | tonnes $CO_2e$ | GRI (2016) 305-2a: Energy indirect (Scope 2) GHG emissions | | Company-wide |
| Scope 3 | 2,268,142 | tonnes $CO_2e$ | GRI (2016) 305-3a: Other indirect (Scope 3) GHG emissions | | Pulp mills, Sawmills |
| **Energy Consumption** | | | | | |
| Electricity generation through own power plants | 2,251,620 | MWh | GRI (2016) 302-1: Energy consumption within the organization | January 1, 2024 – December 31, 2024 | Company-wide |
| Net energy consumption | 13,081,834 | MWh | GRI (2016) 302-1: Energy consumption within the organization | | |
| Gross energy consumption from renewable sources | 83 | % | GRI (2016) 302-3: Energy Intensity | | |
| **Social** | | | | | |
| Total Recordable Incident Rate (TRIR) | 2.76 | # recordable incidents per 200,000 work hours | GRI (2018) 403-9a: Work- Related Injuries | January 1, 2024 – December 31, 2024 | Company-wide |
| Percentage of Women in the Workplace | 18 | % | GRI (2016) 405-1: Diversity of Governance Bodies and Employees | | |
| **Resource Use** | | | | | |
| Percentage of Certified Sourced Wood Fiber | 68 | % | SASB-RR-PP-430a.1 | January 1, 2024 – December 31, 2024 | Company-wide |

# Frameworks

### GRI CONTENT INDEX

Mercer follows the Global Reporting Initiative (GRI) Sustainability Reporting Standards in its corporate sustainability reporting. The reporting has been prepared with reference to the GRI Standards. Our GRI index provides the location of the disclosures of material topics and general disclosures that are addressed in the Sustainability Report, our financial reports and on Mercer's website. This document is available on the Mercer webpage mercerint.com/sustainability.

### SASB CONTENT INDEX

Mercer's report of the SASB's Sustainability Accounting Standards includes the full standards for Pulp and Paper Products, Forestry Management, and Building Products & Furnishings. In this Mercer SASB Disclosure Index, the specific standard indicators are listed with references to the locations of these disclosures. Specific material Key Performance Indicators in the Sustainability Report have been assured by an independent third party, PricewaterhouseCoopers LLP (PWC); refer to page 87. This document is available on the Mercer webpage mercerint.com/sustainability.

### TCFD CONTENT INDEX

Mercer's report of 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 indicators are listed with references to the location of these disclosures. This document is available on the Mercer webpage mercerint.com/sustainability.

### TNFD CONTENT INDEX

Mercer's report of the Taskforce on Nature-related Financial Disclosures (TNFD) incorporates the Taskforce's recommendations on nature-related financial disclosures and is structured around four thematic pillars that represent core elements of how nature is managed through Mercer's governance, strategy, risk management, and metrics and targets. The indicators are listed with references to the location of these disclosures. This document is available on the Mercer webpage mercerint.com/sustainability.

# Glossary

**Bioenergy**
Energy derived from the burning and conversion of organic matter, such as wood, agricultural waste, and other biomass, into fuel. It is considered a renewable energy source.

**Biofuel**
A fuel that is derived from plant biomass by chemical or geological processes.

**Biogenic Emissions**
Biogenic emissions are greenhouse gas emissions, mainly CO2, released from biological sources like wood fiber and other organic matter. Burning biomass emits carbon that is part of the biogenic carbon cycle. Biomass combustion returns to the atmosphere the carbon that was absorbed as the plants grew.

**Biomass**
Organic matter (cellulose and lignin) produced by plants.

**Biomaterials**
A range of materials made from forest biomass and typically used in industrial applications.

**Bioproduct**
A product derived from biomass and made from biomaterials. Bioproducts offer renewable and sustainable alternatives to traditional products made from fossil fuels and other non-renewable resources. Bioproducts may include bioenergy, biofuels, biochemicals or biomaterials.

**Biogenic Carbon**
Carbon that is stored in, or derived from, biological sources such as trees and plants.

**Carbon Intensity**
The relative amount of carbon emitted per unit of some other variable, often per unit of product weight, energy or quantity of fuel consumed.

**CDP**
Formerly known as the Carbon Disclosure Project. A voluntary framework created by an international nonprofit organization of the same name, the focus of the CDP is on disclosing environmental information to ESG stakeholders.

**Circular (Bio)economy**
An economic system in which the value of products, materials, and other resources in the economy is maintained for as long as possible, enhancing their efficient use in production and consumption, thereby reducing the environmental impact of their use and minimizing waste and the release of hazardous substances at all stages of their life cycle, including through the application of the waste hierarchy.

**Climate-smart Forestry**
Forest management that enhances the resilience and adaptive capacity of forests to climate change, while maximizing their carbon storage and sequestration potential.

**Climate Transition Plan**
A targeted plan that outlines a company's strategy and specific actions to shift its business model and operations towards a low-carbon and climate-resilient future, contributing to the goals of the Paris Agreement.

**Corporate Sustainability Reporting Directive (CSRD)**
A landmark European Union legislation mandating public reporting for in-scope companies on their detailed environmental, social, and governance (ESG) impacts and risks. Mercer International is not yet required to comply with CSRD.

**Double Materiality**
Double materiality is a reporting principle that requires companies to identify both their impacts on people and environment (impact materiality) as well as the sustainability matters that financially impact the undertaking (financial materiality).

**European Union Deforestation Regulation (EUDR)**
An EU regulation aimed at reducing global deforestation and forest degradation, particularly related to agricultural activities and products imported into the European Union. The EUDR requires businesses to demonstrate that the products they are selling within the EU are free from deforestation and forest degradation.

**European Sustainability Reporting Standards (ESRS)**
Mandatory disclosure standards for companies within the scope of the Corporate Sustainability Reporting Directive (CSRD) in the EU.

**European Financial Reporting Advisory Group (EFRAG)**
An association founded in 2001 with the endorsement of the European Commission and the aim of "serving the public interest in financial and sustainability reporting". EFRAG was tasked with developing reporting standards in line with the CSRD.

**Financial Materiality**
Under the framework of the Corporate Sustainability Reporting Directive (CSRD), financial materiality focuses on how sustainability matters (environmental, social, and governance factors) create financial risks or opportunities that could reasonably affect a company's financial performance.

**Greenhouse Gas (GHG)**
A gas that contributes to the greenhouse effect by absorbing infrared radiation.

# Glossary Continued

**Global Reporting Initiative (GRI)**
The Global Reporting Initiative Standards. GRI is an international, independent standards organization that helps businesses, governments, and other organizations understand and communicate their impacts on environmental, social, and governance (ESG) matters.

**Impact Materiality**
Under the framework of the Corporate Sustainability Reporting Directive (CSRD), impact materiality focuses on the actual or potential effects of a company's operations on the environment and society.

**Lieferkettensorgfaltspflichtengesetz – LkSG/ German Supply Chain Due Diligence Act – SCDDA**
A German law that came into effect on January 1, 2023. It mandates that companies take appropriate steps to prevent human rights and environmental abuses in their supply chains.

**Low-carbon**
Refers to processes, products, and activities that result in a minimal release of greenhouse gas emissions, particularly carbon dioxide, into the atmosphere. The term generally refers to materials with lower GHG emissions, as compared to similar materials. Low-carbon initiatives are crucial in mitigating climate change by reducing the reliance on fossil fuels and transitioning to more sustainable alternatives.

**Network for Greening the Financial System (NGFS)**
A group of central banks and supervisors working to understand and manage the financial risks associated with climate change. NGFS has published a set of climate scenarios that are used by companies in conducting climate scenario analysis. The NGFS scenarios were developed to provide a common starting point for analyzing climate risks to the economy and financial system. They represent a global, harmonized set of transition pathways, physical climate impacts, and economic indicators.

**Paris Agreement**
A legally binding international treaty on climate change adopted in 2015. Its central goal is to limit global warming to well below 2, preferably to 1.5 degrees Celsius, compared to pre-industrial levels.

**Science Based Targets Initiative (SBTi)**
A globally recognized framework that empowers companies and financial institutions to set ambitious greenhouse gas emissions reduction targets aligned with the latest climate science and the goals of the Paris Agreement.

**Sustainability Accounting Standards Board (SASB)**
A non-profit which was founded to develop the sustainability accounting standards.

**Scope 1 Emissions**
Direct GHG emissions resulting from sources that we control, including fossil fuel (e.g. natural gas, diesel, propane, gas) energy consumption from stationary and mobile sources.

**Scope 2 Emissions**
Indirect GHG emissions associated with the purchase of electricity.

**Scope 3 Emissions**
Indirect GHG emissions from operations in the value chain, covering both upstream and downstream.

**Responsibly Sourced (Fiber)**
Wood fiber that is either certified or controlled wood, meaning it does not come from illegally harvested or traded wood, from wood harvested in violation of tradition and human rights, from forests where high conservation and ecological values are threatened by management activities, from wood harvested in forests being converted plantations or non-forest use, or from forests in which genetically modified trees are planted.

**Sustainable Forest Management**
Forest management that ensures the long-term health, resilience, and productivity of forest ecosystems, providing a continuous supply of timber and other forest products while balancing environmental, economic, social and cultural benefits for present and future generations.

**Sustainability Matters**
Under the CSRD, sustainability matters are the environmental, social, and governance issues that significantly impact a company and its stakeholders. These are identified through a "double materiality assessment" and reported on according to the ESRS standards.

**The Task Force on Climate-Related Financial Disclosures (TCFD)**
A framework that provides guidance for companies and financial institutions on disclosing climate-related risks and opportunities to investors, shareholders, and the public.

**The Taskforce on Nature-related Financial Disclosures (TNFD)**
A global initiative that provides guidance for businesses and financial institutions to assess, report, and manage their nature-related risks and opportunities.

**United Nations Sustainable Development Goals (UN SDGs)**
A set of 17 interlinked global goals developed by the United Nations to achieve a better and more sustainable future for all.

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