

To: Mercer International Ltd., FSC® CoC/CW Stakeholders

July 22, 2022

Dear Stakeholder

Stakeholder Consultation

KPMG Forest Certification Services Inc. (KPMG FCSI) to conduct an FSC® Chain and Custody/Controlled Wood Certification Audit of Mercer International Inc (Mercer Peace River Pulp Ltd and Mercer Celgar Limited Partnership)

Purpose and scope of the audit

KPMG Forest Certification Services Inc. (KPMG FCSI) will be conducting a multi-site certification audit of Mercer International Inc. (Mercer) against the requirements of the current Forest Stewardship Council® (FSC) chain of custody (CoC) and controlled wood (CW) standards. A stakeholder consultation process is planned for the summer of 2022, with the main assessment scheduled to begin on August 8, 2022 and conclude on September 9, 2022.

Mercer currently holds single site FSC CoC/CW certificates for the following sites:

- Mercer Peace River Pulp Ltd. (MPR) (KF-COC-001020, KF-CW-001020)
- Mercer Celgar Limited Partnership (MCLP) (KF-COC-001030, KF-CW-001030)

This certification audit will combine the 2 sites into a single multi-site FSC CoC/CW certificate.

The supply area for the above participating sites is described in the summary of the Company's Due Diligence System (DDS) which is included in this consultation package.

The audit will be based on the current FSC CoC (FSC-STD-40-004 V3-3) and CW (FSC-STD-40-005 V3-1) standards.

This letter serves as an invitation to interested and affected stakeholders who wish to provide comments that are pertinent to Mercer's FSC CoC/CW certification. The comments received will be considered by KPMG FCSI in reaching its conclusions regarding Mercer's conformance with the applicable FSC CoC and CW standards.

About FSC and the CoC and CW standards

The FSC is an international non-profit organization founded in 1993 to support environmentally appropriate, socially beneficial, and economically viable management of the world's forests. It supports the development of national and regional standards to be used to evaluate whether a forest is being well-managed.

«Title» «FirstName» «LastName»
«Company»
July 22, 2022
Page 2

It is an association of members consisting of a diverse group of representatives from environmental and social organizations, forest and product industries, Indigenous People's organizations, community forestry groups and certification bodies from around the world. Membership is open to all who are involved in forestry or forest products and share its aims and objectives.

FSC, with its head office in the city of Bonn, Germany, is governed by an elected Board which consists of people from industry, environmental, social and labor groups, Indigenous People's representatives and others.

FSC-STD-40-004 V3-1 was recently released for use by FSC. Organizations holding certifications to the previous version of this standard must be assessed against the current version by December 31, 2022. The current version of FSC-STD-40-005 (V3-1), to which both MPR and MCLP are certified, remains unchanged.

Your role

We would appreciate your comments on issues that are pertinent to Mercer's FSC CoC/CW certification. Such comments may include, but are not necessarily limited to, concerns or observations regarding the Company's due diligence system (i.e., the system of measures and procedures developed by the organization to minimize the risk of sourcing material from unacceptable sources), one component of which is the company risk assessment (which FSC has decided may continue to be used until an approved national risk assessment for Canada is in place). Comments received will be considered by KPMG FCSI in assessing Mercer's performance against the requirements of the applicable FSC CoC and CW standards. A summary of stakeholder comments will also be included in the Mercer FSC CoC/CW certification audit summary report.

A questionnaire is provided with this letter for your comments on issues that are pertinent to Mercer International's FSC CoC/CW certification. However, additional materials and other methods of communication will also be accepted. Upon request, arrangements may also be made to allow stakeholders to meet with members of the audit team prior to or during the on-site portion of the audit.

Access to information

FSC requires that stakeholders be provided access to certain information as part of the consultation process, including:

- A description of the supply area and respective risk designation. This information is included within the body of this letter and the summary of the Mercer Due Diligence System (DDS).
- A written summary of the Mercer DDS. A copy of this document is available in the Mercer FSC CoC stakeholder information package on KPMG FCSI's website at <https://home.kpmg/ca/en/home/services/environmental-social-and-governance/assurance/certification/fsc-stakeholder-consultations.html>.
- Copies of the applicable FSC CoC and CW standards. These can be obtained from FSC International at <https://fsc.org/en/document-centre>.

«Title» «FirstName» «LastName»

«Company»

July 22, 2022

Page 3

- A copy of the latest version of the FSC Canada National Risk Assessment can be found at:
<https://ca.fsc.org/ca-en/controlled-wood/national-risk-assessment>
- A copy of the latest version of the FSC USA National Risk Assessment can be found at:
[Document | Forest Stewardship Council \(fsc.org\)](#)
- The procedure for filing complaints. A copy of KPMG FCSI's dispute resolution procedures are available on KPMG FCSI's website at
<https://home.kpmg/ca/en/home/services/environmental-social-and-governance/assurance/certification/kpmg-forest-certification-services.html>
- Contact information of the person or position responsible for addressing complaints. This can be obtained by visiting the KPMG FCSI website noted above.

KPMG FCSI Contact information

All comments and requests for additional information should be directed to Bodo von Schilling at:

KPMG Forest Certification Services Inc.
PO Box 10426, Pacific Centre
Vancouver, B.C.
V7Y 1K3
Fax: (604) 691-3031
Email: bvonschilling@kpmg.ca

Our commitments

1. The source of specific comments received will remain confidential unless the commenting party specifically indicates to the contrary.
2. We will respond to all stakeholders who provide comments and provide information on how their comments were taken into account.
3. A summary of stakeholder comments and how they were considered by KPMG FCSI will be included in the Mercer FSC CoC/CW certification audit summary report.

Yours very truly,



Sylvi Holmsen, RPF(BC), EP(EMSLA)
KPMG FCSI
(604) 691-3431

Enclosures



Mercer Due Diligence System Public Summary

Scope

Mercer is implementing this Due Diligence System (DDS) to achieve conformance with the Forest Stewardship Council® (FSC®) Standard (FSC STD-40-005 V3.1) – Company Evaluation of Controlled Wood in order to avoid material from unacceptable sources.

This DDS is part of the Chain of Custody Mercer Celgar (MC) (KF-COC-001030) - Controlled Wood (KF-CW-001030) and Mercer Peace River (MPR) (KF-COC-001020) - Controlled Wood (KF-CW-001020) program addressing the procurement of fibre used to manufacture HW (MPR) and SW pulp (MC & MPR).

- Mercer Celgar Pulp Mill is located in Castlegar, British Columbia
- Mercer Peace River Pulp Mill is located near Peace River, Alberta

Additional Information: <https://mercrint.com/sustainability/>

Fibre Supply Area

MC - sources fibre from the Southern Interior of British Columbia, Canada and the Pacific NW of USA (within the states of Washington, Idaho, and Montana). (See Figure 1: Mercer Celgar Fibre Supply Area).

MPR - The Fibre Supply Area consists of both company managed tenures and incidental deciduous fibre generated from other forest operators as well as residual chips from local sawmills located in the NW corner of Alberta (see Figure 2: Mercer Peace River Fibre Supply Area).

Figure 1: Mercer Celgar Fibre Supply Area

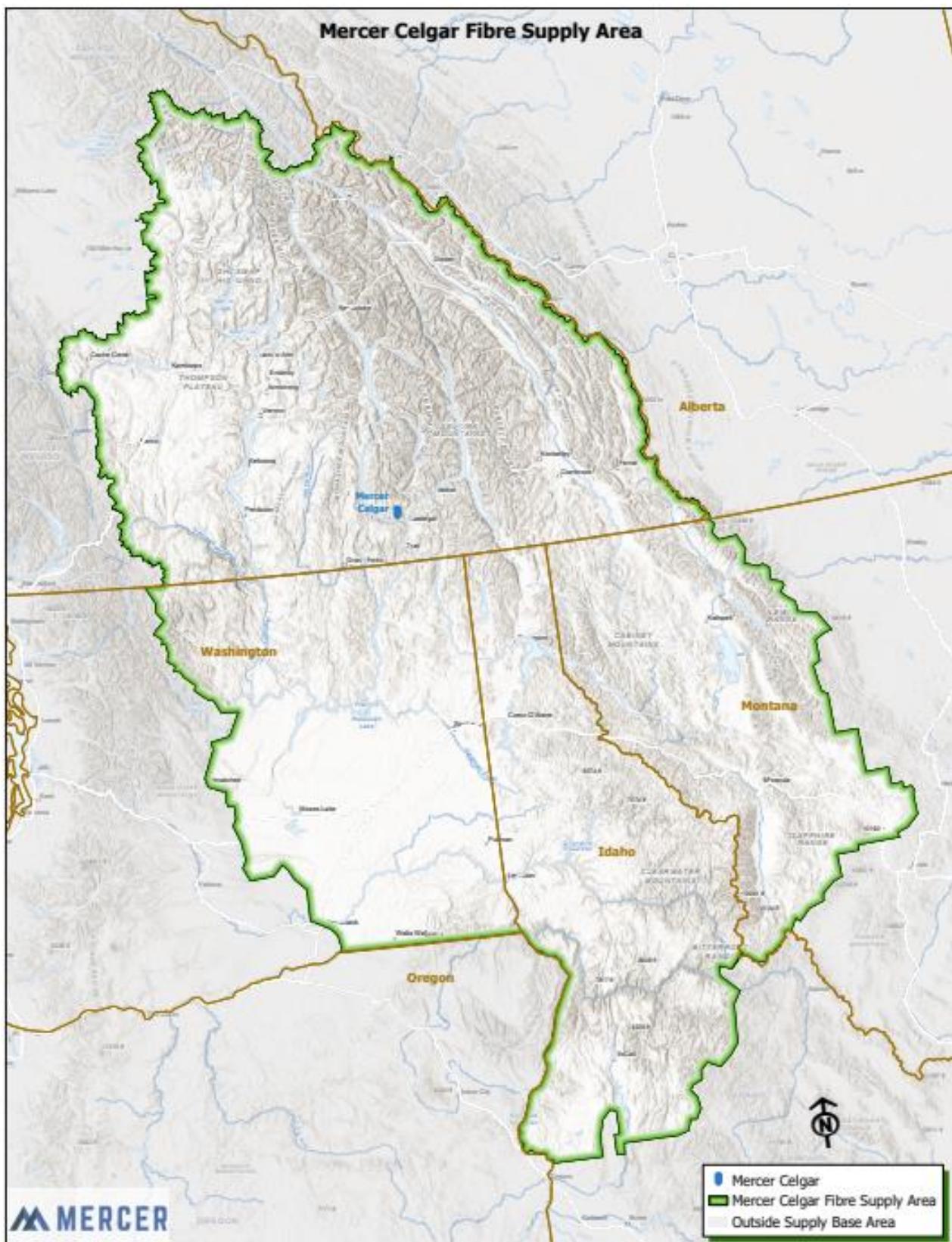
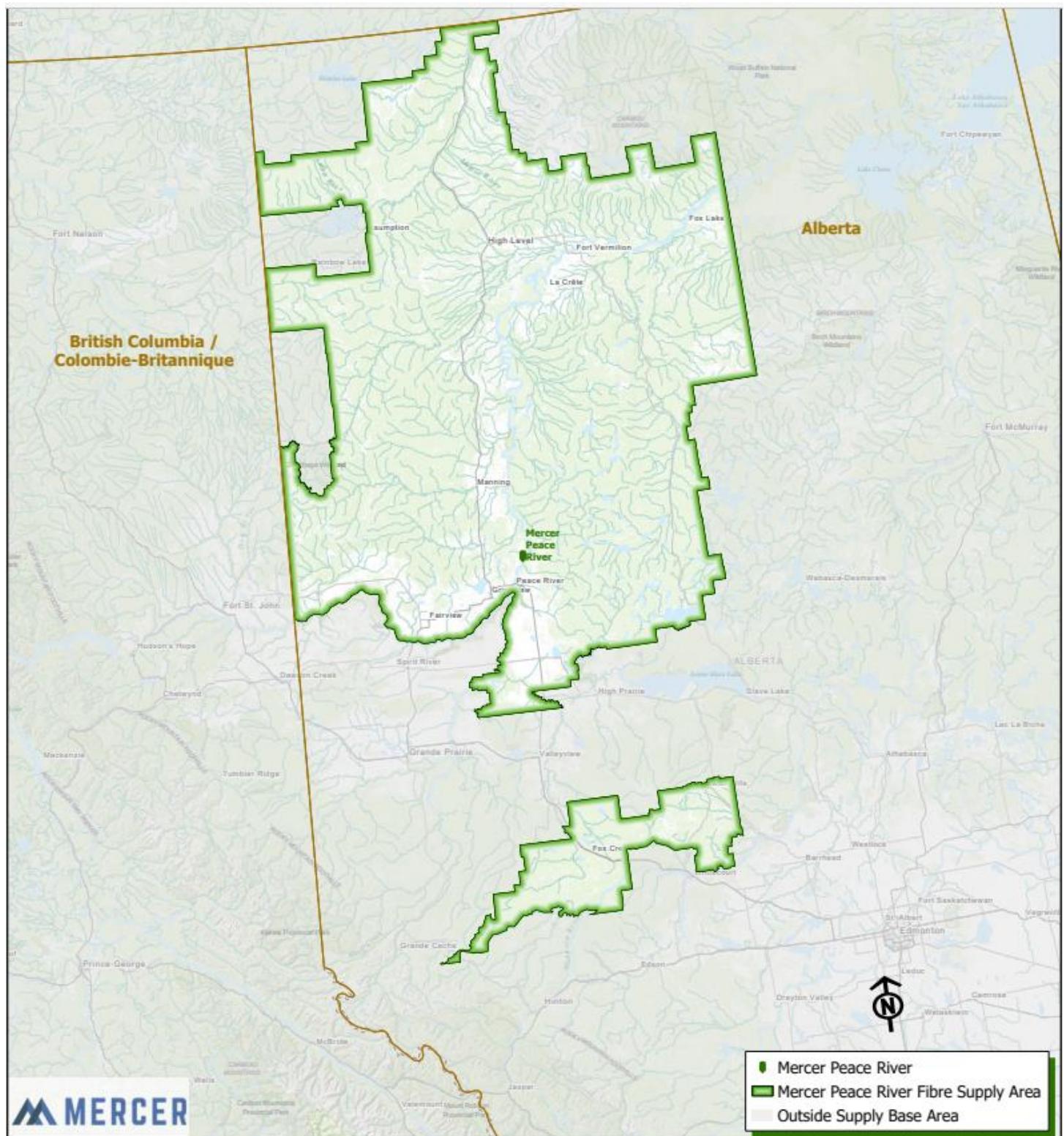


Figure 2: Mercer Peace River Fibre Supply Area



Risk Assessment

Mercer Celgar defines these districts of origin as British Columbia, Washington, Idaho and Montana and identifies all risks in the supply area in Canada based on the FSC-NRA-CA V2.1 [National Risk Assessment | Forest Stewardship Council \(fsc.org\)](#) and in the United States (US) based on the FSC-NRA-US V1.0 [Document | Forest Stewardship Council \(fsc.org\)](#)

The FSC-NRA-CAN V2-1 National Risk Assessment (NRA) was also applied to MPR's Fibre Supply Area.

The NRA for Canada has determined a specified risk designation for the following CW Categories and Indicators relevant to Mercer's Fibre Supply Areas:

Table 1 – Specified Risk Assessment for MC & MPR and Control Measures

NRA for Canada	
Controlled Wood Indicator	Selected Control Measures (CM's)
2. Wood harvested in violation of traditional and human rights – Specified Risk for 2.3 The rights of Indigenous and Traditional Peoples are upheld.	1, 4, 5
CM #1 - Indigenous Peoples with legal and/or customary rights within the Forest Management Unit do not oppose* the Forest Management Plan. CM #4 - Best efforts to engage with Indigenous Peoples with legal and customary rights within the Forest Management Unit to understand if/how these rights are violated as a result of forest management activities, is demonstrated. CM #5 - For non-primary producers (applicable for sources of material not originating directly from the forest of origin): 5. A dispute resolution process is established specifically to address issues arising from violations of the right of Indigenous People related to forest management activities. The dispute resolution process is implemented in the event a dispute of substantial magnitude arises with the supply area.	
3. Wood from forests in which high conservation values are threatened by management activities - Specified Risk for 3.1 – Species at Risk – Woodland Caribou, 3.2 – Intact Forest Landscapes	
3.1 – Species at Risk – Woodland Caribou	1, 8, 9
CM #1 - Evidence demonstrates that: <ul style="list-style-type: none">• harvesting does not take place in critical habitats* for Specified Risk species identified; OR• harvesting activities are consistent with the federally-approved Action Plan or Range Plan; OR• harvesting is permitted through SARA (section 73 permit). CM #8 - Evidence demonstrates that forests in the sourcing area have a management plan1 that contributes to the recovery of woodland caribou critical habitat*, as identified in the Federal Recovery Strategy. The management plan identifies and implements: a) Best Management Practices (BMPs) that reduce disturbance to and restore critical habitat* including, but not limited to: <ul style="list-style-type: none">• access management (e.g. road decommissioning, integrated access plans, restoration of linear features); OR• aggregate harvesting (i.e. harvest scheduling to minimize disturbance footprint). OR b) Harvest deferrals, set	

asides, and/or protection areas² within areas of critical habitat*, where forest operations are not permitted. Rationale is provided as to how such actions will contribute to reducing the level of disturbance over time in critical habitat*, in support of meeting the threshold³ requirements in the Federal Recovery Strategy.

CM #9 - The Organization implements a strategy to reduce sourcing over the next 5 years from areas of woodland caribou critical habitat* where management plans do not meet the Federal Recovery Strategy. AND The Organization acts within their sphere of influence to publicly advocate to the relevant decision makers at the government level and other relevant forest industry partners about the need to finalize and implement legal requirements that meet the Federal Recovery Strategy.

3.2 – Intact Forest Landscapes

1,2,5,7

CM #1 - Forest operations do not occur within IFLs.

CM #2 - Forest operations do not reduce an IFL below 50,000 ha, AND all meet applicable options below: a) For an IFL between 50,000 and 62,500 ha, cumulative impacts forest operations do not affect more than 10% of the IFL. b) For an IFL between 62,501 and 75,000 ha, cumulative impacts forest operations do not affect more than 20% of the IFL. c) For an IFL between 75,001 and 200,000 ha, cumulative impacts forest operations do not affect more than 30% of the IFL. d) For an IFL between 200,001 and 500,000 ha, cumulative impacts forest operations do not affect more than 35% of the IFL. e) For an IFL larger than 500,001 ha, cumulative impacts forest operations do not affect more than 45% of the IFL.

CM #5 - Evidence demonstrates that a minimum of 80% of the IFL is not threatened¹ by forest management operations in the long-term². AND The cumulative impacts of forest harvesting will not reduce the IFL to below 50,000 ha

CM #7 - The Organization implements a strategy to continually and progressively reduce sourcing over the next 5 years from IFLs. AND The Organization acts within their sphere of influence to publicly advocate for the management and enhancement of HCV² values to relevant decision makers at the government level and other relevant forest industry partners.

4. Wood from forests being converted to plantations or non-forest use

4.1 – Conversion of Forests

1,2,3 & Recommended 1

CM #1 - Evidence demonstrates that supplied material does not originate from areas converted to non-forest. Verifier: A valid Forest Management Plan is in place and covers Specified Risk areas. This does not apply to areas excised from a FMP

CM #2 - Evidence demonstrates that supplied material originates from acceptable sources of conversion, including:

- Conversion that results in conservation benefits (e.g. ecological restoration, species at risk protection)
- Publicly approved changes in zoning within urban areas Verifier: Evidence demonstrates that changes in zoning designation from forest to non-forest land use has been approved by the appropriate authority

CM #3 - The Organization demonstrates support for existing integrated land management processes designed to reduce the cumulative impact of changes to non-forest landscapes. Verifiers:

- Documented support promoting integrated land management processes that aim to reduce the cumulative impact of conversion of forests to non-forest uses;
- Participation in integrated land management discussions;

- Working within their sphere of influence to enact mitigation strategies designed to reduce the impact of conversion to non-forest uses.

Recommended CM #1 - The Organization raises the profile of deforestation in the region and advocates for options to reduce conversion rates (e.g. afforestation policies, incentives for conservation and no net deforestation policies)

The NRA for USA has determined a specified risk designation for the following CW Categories and Indicators relevant to MC's Fibre Supply Area:

Table 2 – Specified Risk Assessment for MC and Control Measures

NRA for USA	
Controlled Wood Indicator	Selected Control Measures (CM's)
HCV 3: Rare Ecosystems – Old Growth Forest	3.1.a, 3.1.b
CM #3.1.a.i - A representative of the Organization attends FSC US-coordinated Controlled Wood Regional Meetings when they occur. The meetings will include the following elements:	
<ul style="list-style-type: none"> • Collaborative dialogues including both certificate holders and stakeholders that result in identification of a focused set of actions for each specified risk issue in the region that if implemented by certificate holders will reduce the risk of sourcing materials from lands where the HCV(s) is being threatened by forest management activities and that, when appropriate, includes a range in the level of resource investment required for implementation • Sharing information, as requested by FSC US, to augment effectiveness verification of actions implemented as part of CM 3.1.b. 	
OR	
CM #3.1.a.ii - The Organization reviews the Controlled Wood Regional Meeting Report(s) and associated information and provides the information requested in the Report.	
AND	
CM #3.1.b - For each area of specified risk from which the Organization sources materials, the Organization implements one or more of the actions identified during the collaborative dialogue at the Controlled Wood Regional Meeting, as detailed in the Controlled Wood Regional Meeting Report. When options for action with differential levels of resource investment required for implementation are identified, the action(s) implemented shall be commensurate with the scale and intensity of the Organization's potential impact on the HCV.	

The remaining categories and indicators are considered to be low risk. The Risk Mitigation requirement is only applicable when results of the Risk Assessment do not have a low risk determination.

Mercer reserves the right to exclude material that cannot be confirmed as low risk from its supply

Procedure for Filing Complaints

- Acknowledgement of the complaint and the complaint procedure is communicated to the complainant within 2 weeks
- Conduct a preliminary assessment to determine whether evidence provided in the complaint is or is not substantial, by assessing the evidence provided against the risk of using material from unacceptable sources
- Engage in dialogue with the complainant(s) that aims to solve complaints assessed as being substantial before further action is taken
- Substantial complaints will be communicated to the Certification Body and FSC Canada within 2 weeks of receipt of the complaint along with information on the steps to be taken to resolve the complaint, as well as how a precautionary approach will be used
- The precautionary approach will be implemented while the complaint is pending
- Investigate a complaint assessed as substantial within two (2) months of its receipt and determine corrective actions to be taken by suppliers and the means to enforce its implementation by a supplier. If a corrective action cannot be determined and/ or enforced the relevant material and/ or suppliers shall be excluded from the Mercer controlled wood supply chain.
- Corrective Actions will be verified to be working as intended
- Exclude the relevant material and suppliers from the Mercer controlled wood supply chain if no corrective action is taken
- The complainant, Certification Body and FSC Canada will be informed of the actions taken and the results of those actions to ensure the issue has been rectified
- All relevant records and correspondence will be retained

Complaints are to be addressed to:

Name: Lee Rueb

Title: Forest Certification Coordinator

Address: #2 Pulp Mill Site Road, Postal Bag 6500, Pulp Mill Site, Peace River, AB, Canada T8S 1V5

Phone: (780) 624-7435

Email: lee.rueb@mercerint.com

Stakeholder Questionnaire – 2022 Mercer International Inc. (Mercer Peace River Pulp Ltd and Mercer Celgar Limited Partnership) FSC® Chain of Custody/Controlled Wood Certification Audit

To: **Bodo von Schilling, KPMG FCSI** **Fax #:** 604-691-3031
From: _____ **Phone #:** _____
Organization (if applicable): _____

KPMG Forest Certification Services Inc. (KPMG FCSI) will be conducting a multi-site certification audit of Mercer international Inc. (Mercer Peace River Pulp Ltd (MPR) and Mercer Celgar Limited Partnership (MCLP)) against the requirements of the current Forest Stewardship Council® (FSC) chain of custody (CoC) and controlled wood (CW) standards. A stakeholder consultation process is planned for the late summer of 2022, with the main assessment scheduled to begin on August 8, 2022 and conclude on September 9, 2022. This questionnaire is intended to obtain information from interested and affected stakeholders regarding issues that are pertinent to Mercer's FSC CoC/CW certification. Such comments may include, but are not necessarily limited to, concerns or observation's regarding the Company's due diligence system (i.e., the system of measures and procedures developed by the organization to minimize the risk of sourcing material from unacceptable sources), one component of which is the company risk assessment (which FSC has decided may continue to be used until an approved national risk assessment for Canada is in place). Comments received will be considered by KPMG FCSI in assessing Mercer's performance against the requirements of the applicable FSC CoC and CW standards. A summary of stakeholder comments will also be included in the Mercer FSC certification report. However, the identity of individuals/organizations providing comments will be kept confidential by KPMG FCSI unless the party providing comments specifically indicates in writing to the contrary.

NB: In order to be considered during the 2022 audit, comments must be received no later than August 31, 2022.

<p>1. Do you have any specific concerns regarding the Mercer due diligence system (DDS), implementation of control measures or other issues that are pertinent to the Company's FSC CoC/CW certification?</p> <p><u>Comments:</u></p>	<p>YES</p> <p>NO</p> <p>NA</p>
---	---

Stakeholder Questionnaire – 2022 Mercer International Inc (Mercer Peace River Pulp Ltd and Mercer Celgar Limited Partnership) FSC® Chain of Custody/Controlled Wood Re-certification Audit

To: **Bodo von Schilling, KPMG FCSI** **Fax #:** 604-691-3031

From: _____ **Phone #:** _____

Organization (if applicable): _____

<p>2. If you answered yes to question 1 above, have you communicated your concerns to Mercer?</p> <p><u>Comments:</u></p>	<p>YES</p> <p>NO</p> <p>NA</p>
<p>3. If you answered yes to question 2 above, in your opinion, has Mercer made a reasonable attempt to address your specific concerns?</p> <p><u>Comments:</u></p>	<p>YES</p> <p>NO</p> <p>NA</p>

Stakeholder Questionnaire – 2022 Mercer International Inc (Mercer Peace River Pulp Ltd and Mercer Celgar Limited Partnership) FSC® Chain of Custody/Controlled Wood Re-certification Audit

To: **Bodo von Schilling, KPMG FCSI** **Fax #:** 604-691-3031

From: _____ **Phone #:** _____

Organization (if applicable): _____

4. Do you have any other concerns regarding Mercer's FSC CoC/CW certification that have not been addressed in the above questions?

Comments:

YES

NO

NA

5. Are there any specific issues or requirements of the FSC CoC or CW standard (FSC-STD-40-004 V3-1 and FSC-STD-40-005 V3-1) that you believe merit special attention during the 2022 Mercer FSC CoC/CW audit?

Comments:

YES

NO

NA