















2017 Sustainability Report



Energy

Environment

Product

People

Four pillars — Energy, Environment, Product and People — define Mercury's global sustainability efforts. The company, its employees, customers and the communities that Mercury represents are invigorated when sustainability initiatives focus on these four key initiatives. Mercury Marine pledges to do its part and more — in each of these contexts.

Mercury Marine at a Glance

A division of Brunswick Corporation Founded 1939 2016 Revenue. . . . \$2.4 billion Employees 6,200 worldwide Global Manufacturing plants in four countries, global distribution networks in approximately 140 countries

Business Segments

Marine outboard engines Marine control systems Marine sterndrive/inboard engines Diesel engines Global parts and accessories products and distribution

A message from our President

Since 2009, Mercury Marine has invested more than \$800 million in research and development, as well as manufacturing process and technology. This is foundational to our company and underlines our commitment to growth. As we execute on our product-leadership and manufacturing-excellence goals, we are equally committed to sustainability.

At Mercury, sustainability is one of our core values and part of our growth strategy as we continue to embrace the four pillars that make up the backbone of our sustainability initiative: Energy, Environment, Product and People.



We are committed to manufacturing products that reduce energy consumption, give our consumers improved fuel efficiency, reduce emissions and decrease the use of natural resources. In addition, our manufacturing facilities are committed to sustainable practices. But our company is more than the products we produce — the unique qualities of the Mercury workforce differentiate us from others in and out of the marine space in terms of our dedication to quality and our customers, and our commitment to the community. It is our job to make sound business decisions that are not only good for the company but also good for the planet.

As the market leader in the marine industry, it is imperative that we take a leadership role and develop sustainable solutions that can be applied by not just our business units, but by our partners and stakeholders. In 2014, Mercury set forth a five-year sustainability plan with robust goals. I am proud to say that we are on track to meet and exceed those goals.

Our good work has not gone unnoticed. We are honored to be the recipient of the Green Masters Designation for a seventh straight year (2011-2017).

Our commitment to environmental stewardship has guided us for close to 80 years. It is my firm belief that our future growth will be driven by our continued dedication to be the best corporate citizen and to set an example whereby the sustainable practices of one become the sustainable practices of all.

John C. Pfeifer President Mercury Marine

The Leader in Sustainable Marine Products

Sustainability Policy

Mercury Marine is committed to meeting its fiscal responsibilities while developing and manufacturing products in a manner that is safe, environmentally responsible, protective of the earth's natural resources and conducive to improved quality of life for all of its stakeholders.

Mercury Marine is a leading manufacturer of marine-propulsion systems — products that allow people throughout the world to play and work on the water. Respected as an industry leader in the development of engine technology and manufacturing processes, Mercury Marine is setting the pace and establishing new standards as the marine industry moves forward with contemporary low-emissions outboard, inboard and sterndrive marine-propulsion systems.

Recent Sustainability Achievements

Mercury continues to establish and achieve significant sustainability goals and policies, and remains committed to nurturing a culture of sustainability.

- The installation of approximately 2,000 rooftop solar panels at Mercury Marine's facility in Petit-Rechain, Belgium, has reduced annual electricity costs by more than 30%.
- Major building modifications in the U.S., Europe, and Australia redirect natural light into work areas.
- Mercury continues to develop and improve products that help boaters reduce fuel consumption and emissions, such as the Mercury Joystick Piloting System with Skyhook technology, Active Trim

automated trim controls, Enertia ECO propellers and more.

- Mercury Marine has invested in, and successfully implemented, new systems to redirect and reuse water for multiple purposes, and to more efficiently cool and heat water for industrial applications.
- Mercury implemented significant improvements to HVAC (heating, ventilation and air conditioning) systems, resulting in a reduction of related energy consumption by more than 11 billion BTUs annually and improved indoor air quality.
- Since 2015, Mercury recycled close to 750 tons of mixed paper, corrugated containers, plastic shrink wrap and drinking bottles. Additionally, approximately 950 tons of wood pallets were diverted from landfills and reconditioned for reuse.
- Throughout 2015 and 2016, Mercury Marine's use of manufacturing balers prepared more than 1,200 tons of cardboard for recycling. The recycling of these materials resulted in energy savings of approximately 470,000 kWh, enough to power approximately 30 homes for one year.
- In 2016, 86% of eligible U.S. Mercury Marine employees participated in biometric screenings and health-risk assessments — an increase of 38% since 2014.
- In 2016, approximately 60% of Mercury Marine's employees volunteered at least 10 hours toward philanthropic activities.

BE SUSTAINABLE:

WE ARE COMMITTED TO THE ENVIRONMENT, OUR EMPLOYEES AND OUR COMMUNITIES.

- 2003 Mercury has more CARB (California Air Resources Board) 3-Star certified outboard engines than any other manufacturer.
- 2004 Verado[®] outboard engines with supercharged, FourStroke technology set new standards for fuel economy and emissions.
- 2005 OptiMax[®] 225 Pro XS[™] is first fuel-efficient, performance outboard built on main assembly line.
- 2006 Mercury leads industry with highest percentage of sales from low-emission outboards. Zeus® pod systems provide up to 30% better fuel economy than inboards.
- 2009 New 8.2L big block engine is first to come standard with catalyst technology and ultra-low emissions.
- 2010 ECO-Screen named Green Product of the Year for helping boaters improve fuel efficiency.
- 2012 Upgraded Mercury 150 FourStroke is launched and achieves improved emissions certification.
- 2014 Mercury Enertia ECO Propeller is globally recognized for delivering significant fuel savings without sacrificing performance. Mercury's new 4.5-liter sterndrive wins IBEX Innovation Award for providing increased fuel economy and a better boating experience. Each is named a Top Product of the Year by Boating Industry magazine.
- 2015 Mercury Marine launches Active Trim, an electronic system that automatically applies optimal trimming to outboard and sterndrive engines, delivering improved engine performance and fuel efficiency.
- 2016 Mercury enhances its SeaPro 40hp and 60hp line to expand its clean and fuel-efficient offerings.
- 2017 Mercury earns its seventh consecutive Green Masters certification from the Wisconsin Sustainable Business Council.

Energy

Achieving greater energy efficiency by implementing energy-reducing projects, promoting best practices in energy management and employing new energy technologies.



Workspace modernization projects make better use of natural light. Reflecting tubes reduce the need for electric lighting.

2019 Goal: Reduce annual energy consumption by 45% (from 2005 levels).

Progress Summary

Mercury pairs lean manufacturing principles with aggressive sustainability goals aimed at reducing its energy footprint across the organization. On-track to meet the 2019 reduced-energy-consumption goal, Mercury Marine and its employees are committed to conserving natural resources and preserving our environment.

A fundamental element of Mercury Marine's effort to improve global energy sustainability involves promoting



Large ducts return air that would otherwise be released as exhaust back to the factory areas after a mist-collection system purifies it.

an energy-smart culture among all Mercury employees. From the factory to the boardroom, workers take responsibility for sustainable practices. By taking simple steps — measures such as turning things off and turning things down, creating and adhering to lists of energy shut-down procedures, and employing the most efficient technology in manufacturing operations and engine design — Mercury is continually seeking to improve and grow its mission. This not only serves the business but also benefits everyone in the world.

Ongoing Strategies

- Continue to employ best-in-class technology, equipment, and design.
- Drive energy efficiency by implementing energy-reducing projects.
- > Change wasteful energy practices.
- > Continue to track and report on progress to goals.
- Develop long-term strategic improvement opportunities.



New yellow speed-roller doors at Mercury's warehouse in Melbourne, Australia, reduce the facility's exposure to outside weather.

Heat recovery project purifies and reuses air warmed by manufacturing processes

As part of the recent manufacturing operation expansions at Mercury's world headquarters in Fond du Lac, Wisconsin, Mercury incorporated a point source mist-collection system that removes machining fluid from laden air and returns clean air to the factory space instead of exhausting it. This process recovers energy that normally would be lost, saving over 5 billion BTUs of natural gas and electrical energy annually.

EMEA installs energy-saving upgrades

Mercury Marine in Europe, Middle East and Asia (EMEA) in 2017 completed a project at its regional headquarters in Petit-Rechain, Belgium, to significantly upgrade the construction and insulation of the facility's roof, and to install approximately 2,000 solar panels. Designed to enhance the facility's environmental sustainability, the upgrades are projected to save Mercury Marine more than \$60,000 per year, or approximately 32% of the company's regional annual electricity expenses.

Melting efficiency in die-casting operations generates energy savings

Aluminum die-casting is one of Mercury Marine's core competencies. It is also highly energy-intensive, using large volumes of natural gas and electricity to manufacture the durable engines for which Mercury is renowned. To reduce natural gas consumption, Mercury Marine installed an aluminum stack-melter furnace, which uses wasted heat from exhaust gases to preheat solid aluminum before melting. Early results show a 20% reduction in natural gas requirements for die-casting operations — a savings of nearly 9 billion BTUs per year.



The Mercury Marine EMEA campus in Petit-Rechain, Belgium, is now home to nearly 2,000 rooftop solar panels.



An employee moves die-cast aluminum engine blocks through the cooling process. Preheating the aluminum with exhaust gases from another manufacturing process saves energy.

Baseline

Mercury Marine makes significant progress Global Energy Improvement toward energy-conservation goals



Throughout the past several years, Mercury Marine has implemented several energy-conservation measures. With solutions as advanced as adopting state-of-the-art technology and as simple as turning off equipment when it is not in use, Mercury has significantly reduced



its energy usage. As a result, Mercury's consumption of both natural gas and electricity has dropped by more than 35% and is on-track to meet the 2019 goal of a 45% reduction. These reductions have occurred even as Mercury's production has more than doubled since 2009.

Preserving the natural places where **Environment** Customers use Mercury products for work and play; decreasing the use of

natural resources through conservation, redeployment and recycling; and returning purified

resources to the planet whenever possible.

Overall Goals: Decrease use of natural resources and minimize waste. 2019 Goals:

- ▶ Reduce annual water usage by 30% (from 2005 levels).
- > Evaluate potential to reduce and/or repurpose waste streams in Mercury's facilities and, where practical, eliminate use of landfills for waste from these facilities.
- > Limit hazardous waste generation to current levels, even as engine production increases. Continue to recycle roughly a third of all hazardous waste.

Progress Summary

Mercury Marine understands that the success of its business depends on the availability of unspoiled streams, rivers, lakes and oceans on which its customers enjoy operating boats powered by Mercury Marine. Mercury audits its buildings and operations for water-saving opportunities by metering all major consumption points separately, checking for and repairing leaks, and examining ways to modify processes to maximize water efficiency. Mercury Marine also continues to implement reforms in both its industrial and employee recycling efforts, realizing annual increases in tons of materials processed for reuse.

Ongoing Strategies

- > Drive process-water conservation through usage reduction and process-water reuse.
- > Develop strategies to reduce water use.
- > Continue to track and report on progress toward 2019 goals.
- Implement water-conservation practices, including closed-loop wastewater systems, process-water reuse, waste-water control, and elimination of once-through cooling.
- > Reduce water usage in the Product Development Test Center.
- > Expand recycling programs at all facilities for metals, paper, plastic, cardboard, packaging materials, electronics, engine-oil filters and absorbent materials.

61%



U.S. Hazardous Waste and Recycling

2016

115 total tons

of hazardous waste.

43 tons recycled

Having reduced total tons of hazardous waste by 61% since 2005, Mercury also continues to recycle more than a third of this waste. Meanwhile. the company has also held its generation of hazardous waste to roughly the same level since 2009, even as production more than doubled in that time frame.

Water Conservation

- Improvements were made to the dynamometer and engine water-cooling systems at Mercury's Product Development and Engineering facility in Fond du Lac, Wisconsin. By implementing a closed-loop water supply system, Mercury significantly reduced the water it uses, resulting in more than 28 million gallons saved annually.
- The company continues to implement a water-saving project to monitor Mercury water usage through the Fond du Lac water department measuring system. City water usage is now monitored and "trended" to alert plant personnel of large variances in consumption.

Recycling

- Building on progress from previous years, Mercury recycled close to 750 tons of mixed paper, corrugated containers, plastic shrink wrap and drinking bottles throughout 2015 and 2016. Additionally, approximately 950 tons of wood pallets were diverted from landfills and reconditioned for reuse during this period.
- Mercury operations in Petit-Rechain, Belgium, continue to uphold the "no-landfill" objective, meaning these operations send no trash to landfills or incinerators. The plant established individual collection stations for paper, cardboard, plastic, metal, wood and beverage cans.
- Since 2007, Mercury Marine has implemented the use of 15 balers within its manufacturing facilities. Throughout 2015 and 2016, the use of these balers resulted in the recycling of more than 1,200 tons of cardboard. The recycling of these materials resulted in energy savings of approximately 470,000 kWh, enough to power approximately 30 homes for one year.
- Since having introduced a plastic sprue recycling program at its St. Cloud, Florida, manufacturing facility, Mercury continues to realize a reduction of

waste from plastic-injection molding operations by approximately 80%.

- The Mercury Marine IT department recycled more than 10,000 pounds of company-generated electronic waste in 2016. This recycled waste included televisions, microwaves, computers, monitors, printers, fax machines, etc.
- Within the past two years, Mercury has expanded its recycling-bin locations throughout its facilities, conspicuously marking them for employees' use.

Manufacturing Waste

Mercury cleanses oily wastewater generated as a result of washing engine parts and cooling industrial machines. The cleansing system annually treats more than 650,000 gallons of wastewater that would otherwise be hauled away. This saves roughly 23,000 miles of semi-truck travel on area roadways each year, conserving vehicle fuel and avoiding the environmental impacts of over-the-road hauling.



With hundreds of patents in metallurgy, Mercury Marine has the expertise to purify and reuse scrap in the process of making world-renowned aluminum alloys.



A mission to preserve and protect nature's beauty

Mercury Marine's parent company, Brunswick Corporation, understands the importance of well-preserved and well-protected natural spaces for its business and the world in which it operates. That's why Brunswick Foundation, with the input and participation of Mercury Marine, provides several hundreds of thousands of dollars in grants each year to charitable organizations focusing on clean air and water, and the restoration of both freshwater and saltwater wildlife habitats.

Product

Minimizing engines' impact on water, land and air — recognizing the need for an unspoiled environment in which to live and enjoy Mercury products.

Overall Goal: Manufacture — in an environmentally responsible manner — marine-propulsion products whose fuel efficiency, low emissions, and noise-dampening properties make them environmentally friendly.

2019 Goals

- ▶ Reduce outboard emissions by 76% (from 2005 measurements).
- ➤ Reduce sterndrive emissions by 69% (from 2005 measurements).
- > Continue transition to clean FourStroke engine technology.
- > Offer CARB-emissions-compliant engines.

Progress Summary

Mercury Marine continues to evolve its products toward enhanced environmental responsibility while continuing to make boating safer and more intuitive, reliable and enjoyable. The company continues to develop products that reduce emissions and improve fuel efficiency. For example, by the end of 2016, Mercury completed the migration of all its sterndrive products from carbureted technology to fuel-injected technology. Numerous technological advances have positioned Mercury to exceed its 2019 goals.



Active Trim provides fuel savings by ensuring optimal trim for efficient engine performance.

Backing its commitment to the environment, Mercury has introduced a Sustainability Scorecard as an integral component of its process for new-product development. The scorecard rates newly developed technologies according to how well they promote an engine's fuel economy and emissions controls. It also rates products according to how well they contribute to the longevity of an engine and its components. The scorecard helps Mercury Marine make informed decisions about its products and reflects the company's commitment to product sustainability. It is a commitment that drives the company to accomplish advances in metallurgy, mechanical design, electronics, riggings and controls for more environmentally conscious products in the future.

Ongoing Strategies

- Integrate a product-impact scorecard that outlines areas of customer value that enhance the overall boating experience, including lower emissions and greater fuel efficiency.
- > Develop customer-focused product training that encourages appropriate use and maintenance procedures for each engine.
- Continue cooperation with the California Air Resources Board (CARB), the Environmental Protection Agency (EPA) and international agencies promoting responsible and progressive emissions technology and standards.



- Mercury launched a new family of 15hp and 20hp FourStroke outboard engines in 2017. These engines have electronic fuel injection to replace their carbureted predecessors, improving fuel efficiency and emissions.
- In 2017, Mercury expanded its diesel offering into the midrange category and introduced a new Mercury Diesel 6.7L engine family that is available in 480hp,



Mercury has made its fuel-efficient Enertia ECO propeller available to a broader market.

500hp and 550hp configurations. These diesel engines provide excellent fuel efficiency and light weight.

- In 2016, Mercury expanded its SeaPro 40hp and 60hp offerings to continue a trend toward cleaner and more fuel-efficient technologies.
- Mercury Marine launched Active Trim in 2015. This electronic system automatically applies optimal trimming to outboard and sterndrive engines. Active Trim not only makes boating easier and more enjoyable, but also improves engine performance and fuel-efficiency. The system uses both boat speed and engine rpm to calculate the ideal trim setting for the most efficient configuration.
- In 2015, Mercury Marine expanded its environmentally responsible Enertia ECO line of propellers. The initial launch of the Enertia ECO propeller in 2014 was a success as it provided boaters of high-horsepower vessels 10% fuel economy gains at cruising speeds. This success drove Mercury's expansion of the line in December 2015 to include 18-, 20-, and 22-pitch models, thus making the fuel savings accessible to more customers. The Enertia ECO propeller is

designed with Mercury's proprietary X7® Alloy, which is 30% stronger than, and four times as durable as, conventional stainless steel.

- The Flo-Torq SSR HD propeller hub system, introduced in July 2015, significantly improves noise and vibration on Mercury outboards with 1.25" propeller shafts, such as Mercury's 225-250hp ProXS and 350 Verado engines.
- Mercury designed and implemented a more

efficient gearcase in its new 75hp, 90hp and 115hp FourStroke engines introduced in 2014. The new gearcase features a distinctive design that reduces drag and improves fuel efficiency.

- In 2014, Mercury introduced a new line of SeaPro FourStroke outboard engines designed for use in global commercial markets historically dominated by conventional (less fuel-efficient) two-stroke engines. The 75hp, 90hp, 115hp and 150hp SeaPro FourStroke engines offer commercial users a more durable, reliable, low-emissions engine and the ability to save up to 30% on fuel usage (compared to conventional two-stroke engines).
- Launched in 2014, the lightweight 370hp Mercury Diesel 4.2L engine established a new benchmark for low noise, low vibration and higher efficiency. At cruise, the engine offers fuel savings of up to 50%, compared with the equivalent performance of a gasoline engine in a similar vessel. In addition, the 4.2L engine is 600 pounds lighter than comparable engines.
- Mercury's patented Eco-Screen functionality was added in 2014 to the brand's VesselView[®] 4 and VesselView[®] 7 digital information displays. Eco-Screen technology, which serves as an onboard "fuel calculator," enables boaters to achieve higher fuel economy by providing recommendations for optimal trim and rpm adjustments to improve fuel efficiency by up to 20%.
- Mercury gauges (SC1000 Tach, Speed, MercMonitor) and VesselView (4 and 7) are now reflashable, meaning software that powers the technology can be updated electronically, without replacing or discarding the existing technical equipment.
- Purpose-built for marine use, Mercury's new 4.5-liter 250hp sterndrive engine provides maximum fuel efficiency and exceptionally quiet operation. Its newly designed rear-facing throttle body, anti-whistle throttle plate, engine cover and mounts, lightweight flywheel, fuel supply module and structural oil pan all work together to deliver superior idle and smoothness, as well as low noise and vibration.

Decreases in sterndrive engine emissions

in grams per kilowatt hour (g/kWh)



People



Wisconsin employees donated food and funds to the hungry with their annual "Fill the Boat" event.

Helping people who relate with Mercury Marine employees, partners, customers and the communities where Mercury operates — to enjoy happier, healthier and more fulfilling lives.

2019 Goals

- Have more than 80% of employees participate in wellness activities.
- Engage 70% of the workforce in at least 20 hours of community-involvement activities each calendar year.
- Improve employee engagement scores on the biannual Employee Opinion Survey.
- Provide more environmentally friendly employee-commuting options, including carpooling, bike racks and public transportation.

Progress Summary

The talent, dedication and commitment of Mercury Marine employees form the foundation for its success. The safety and well-being of employees remain vital components of the business, and Mercury continues to work toward a goal of zero lost-time incidents. Additionally, Mercury Marine maintains its commitment to enhance the quality of life of its employees, both in and out of the workplace.



Habitat for Humanity is a popular choice to which Mercury Marine employees donate their time and money.



Mercury Marine fields its large team of participants for the American Cancer Society's 2017 Relay For Life event.

Ongoing Strategies

- Provide a global workplace where everyone is aware of, and participates in, upholding the highest standards of safety and security.
- Promote environmentally conscious behavior among all employees at all of Mercury's worldwide locations.
- Improve the health and lifestyle of employees through a variety of wellness activities and healthy choices for diet and exercise.
- Engage with organizations in the communities where employees live and work, creating a workplace that provides opportunities for networking, volunteering and personal development.
- Develop among all Mercury Marine employees a global worldview, fostering an understanding and appreciation of how the sustainable practices of individuals in one corner of the globe can affect the well-being of those in other parts of the world.



Mercury Marine's operations in Suzhou, China, recently received the Brunswick Corporation Chairman's Safety Award for excellence in safety and employee engagement.

Wellness

- In 2016, 86% of eligible U.S. Mercury Marine employees participated in biometric screenings and health-risk assessments to understand focus areas for personal wellness — an increase of almost 40% from 2014.
- Mercury Marine strives to manage ergonomic challenges through a combination of process design and employee conditioning. Automation is increasingly used to assist employees with physically demanding operations. By the end of 2016, nearly 500 employees received a stand-up desk. Mercury's focus on a safe work environment and process improvement drives its sustainable health and safety culture.
- United Way is a key organization in which Mercury Marine participates, through the coordination and guidance of an employee committee. In addition to the annual pledge drive, the committee held a kickball tournament. It not only encouraged health and wellness but also raised over \$1,000 for the Fond du Lac area United Way. Roughly 200 employees participated on 20 teams in this tournament.

Community Partnership and Development

- Mercury Marine rallied immediate support to the Texas and Florida areas ravaged by 2017 hurricanes Harvey and Irma. In addition to employees' volunteer efforts, Mercury and Brunswick Corporation donated more than a dozen outboard engines and a variety of boats to assist with rescue and recovery efforts.
- The United Way in 2017 confirmed that Mercury Marine and its employees are the largest workplace contributor to the charitable organization's Fond du Lac area campaign. With a matching grant from Mercury's parent company, Brunswick Corporation, this contribution represents 20% of the campaign's total donations.
- In October 2017, Mercury Marine employees at the company's headquarters in Fond du Lac donated approximately 5,500 food items and over \$15,000 to the Fondy Food Pantry during the 7th Annual "Fill the Boat to Cast out Hunger" food drive.
- The Mercury Relay For Life team raised over \$16,000 in 2017, using various fundraisers, including food-based events, flower sales, inside-the-fence parking, and Wear Pink for October activities. All proceeds benefited the American Cancer Society.
- In 2016, nearly 60% of Mercury Marine's employees volunteered 10 or more hours of their time engaged in philanthropic activity. Organizations and activities benefiting from these volunteer efforts included Habitat for Humanity, Relay For Life, United Way, food drives, highway cleanup, waterway cleanup and more.

- Mercury Marine and the Fond du Lac School District's STEM Academy and STEM Institute charter schools jointly received the 2016 Manufacturing Partnership Award from Wisconsin's New Manufacturing Alliance. The award recognized this partnership's work to provide enhanced education and training to young people in the disciplines of science, technology, engineering and mathematics.
- To encourage environmentally friendly life habits, including reducing one's carbon footprint, Mercury continued to offer preferred parking spaces for participants in its carpooling program.
- Women's Leadership Council partnered with Fond du Lac High School to host events focused on leadership and career guidance. A design-thinking workshop was held to develop critical thinking skills. Activities also included a tour of Mercury facilities and a career-development day.
- Employees in Mercury Marine China pooled resources and gathered more than 200 pre-loved books for donation to the local community in June 2016. The community project was called, "Hand in Hand, Let's Do Public Service Together." This donation enabled more children to be involved in arts, reduced operating costs for families and fulfilled children's art dreams.



An emphasis on employees' health and safety is a hallmark of Mercury Marine's culture.



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