



2019 Sustainability Report





Words from our president

“With our successes today and the solutions we will continue to develop for the future, we are creating a legacy toward not only a better company but also a better world.”

— Chris Drees

In my first introduction to the Mercury Marine Sustainability Report as president of the company, I'm delighted to report significant recent successes and to pledge Mercury's continued pursuit of excellence in sustainability. I've had the opportunity to promote sustainable business practices at Mercury for many years and from several different offices. While Mercury has embraced sustainable business practices for decades, the strides we have made in recent years are astounding.

I'm proud of what we've done so far and am eager to help lead us toward continued breakthroughs and improvements in sustainability for years to come. With our successes today and the solutions we will continue to develop for the future, we are creating a legacy toward not only a better company but also a better world.

In 2019, as Mercury Marine celebrates its 80th anniversary, it is also a pivotal year for Mercury's sustainability efforts, as we enter the home stretch in our race to reach several ambitious sustainability benchmarks by year's end. These benchmarks are categorized according to Mercury's four major pillars of sustainability: Energy, Environment, Product, and People.

The good news is Mercury is on pace to achieve those benchmarks. Even with production levels at an all-time high, Mercury has significantly reduced its energy consumption and water usage. We have ramped up recycling and reduced our waste going to landfill. Mercury continually introduces new products that consume less fuel, meet strict emissions standards and require less raw material in their manufacture. We have achieved significant workplace-safety milestones at several Mercury facilities across the globe. And the level of corporate and employee engagement in philanthropic endeavors to improve our world continues to rise.

As this year progresses, we will work not only to meet our year-end goals but also to develop new benchmarks that challenge our company to achieve even more in the years ahead. The world continues to change and present new threats to sustainability. However, Mercury stands ready to develop new ways to define our success, rise to challenges, and lead the way.

Chris Drees
President
Mercury Marine

AWARDS and RECOGNITIONS:

Product and Manufacturing:

- 2018 Manufacturer of the Year: Awarded by Wisconsin Manufacturers and Commerce
- National Marine Manufacturers Association (NMMA, U.S.) 2018 Innovation Award, Outboard Engines Category: Mercury Marine 3.4L V6 FourStroke outboard engines
- Boating Industry Magazine 2018 Top Products: Mercury Marine 3.4L V6 FourStroke outboard engines
- IBEX Innovation Award, Propulsion Parts Category: Mercury Marine tiller handle assembly for portable outboard engines
- North American Die Casting Association (NADCA), 2018 Casting of the Year, Over 10lbs. Category: Mercury Marine V8 engine block
- Most Innovative Product Award, Hutchwilco New Zealand Boat Show: Mercury Marine 4.6L V8 four-stroke outboard engines

Sustainability:

- Best Eco-friendly Company That Is Hiring Now: Mercury Marine. Awarded by Glassdoor.com
- 2018 Sustainable Product of the Year Award: Mercury Marine Active Trim technology. Awarded by Wisconsin Sustainable Business Council
- 2018 Business Friend of the Environment Award: Mercury Marine for its new V6 and V8 outboard engines. Awarded by Wisconsin Manufacturers and Commerce (WMC)
- 2018 Green Masters designation: Mercury Marine (eighth consecutive year). Awarded by Wisconsin Sustainable Business Council

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.

Mercury Marine at a Glance

A division of Brunswick Corporation
 Founded 1939
 2018 Revenue. \$3 billion
 Employees 7,800 worldwide
 Global Manufacturing plants in four countries;
 global distribution networks in approximately
 140 countries

Business Segments

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

Sustainability Time Line

- 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.
- 2011 ► Mercury Marine issues its first Sustainability Report.
- 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.
- 2018 ► Mercury unveils all-new V6 and V8 four-stroke outboards that win Business Friend of the Environment Award for their eco-friendly properties.
- 2018 ► Mercury earns its eighth 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.



2019 Goal:

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

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 improvements.

Environment

Preserving the natural places where 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.



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.

Ongoing Strategies

- Drive process-water conservation through usage reduction and process-water reuse.
- Implement water-conservation practices, including closed-loop wastewater systems, process-water reuse, waste-water control, and elimination of once-through cooling.
- Expand recycling programs at all facilities worldwide for metals, paper, plastic, cardboard, packaging materials, electronics, engine-oil filters and absorbent materials.
- Use sophisticated software to enable virtual product testing to replace physical, on-water testing.

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.

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.
- Prioritize the capability to produce engines that run smoothly and quietly.

People

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 overall wellness activities through the Be Your Best program.
- Engage 70% of the workforce in at least 20 hours of community-involved activities.
- Improve employee engagement scores on the biannual Employee Opinion Survey.

Ongoing Strategies

- Provide a global workplace where everyone is aware of, and participates in, upholding the highest standards of safety, ethical behavior and security.
- Promote environmentally conscious behavior.
- 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 opportunities for networking, volunteering and personal development.
- Encourage all Mercury employees to adopt a global perspective on sustainability issues.

New initiatives in 2018

During a year of record growth for Mercury Marine, in 2018 the company made numerous strides in its pursuit of excellence in sustainability. In addition to perpetuating and building on initiatives from previous years, Mercury introduced several new and significant actions in 2018:



Top to bottom: • Joystick piloting helps boaters operate efficiently. • Mercury invested heavily in new precision machines that use less energy to cut and grind gears and shafts. • The chef at Mercury's Fond du Lac facility puts food trimmings into a container designated for organic-waste recycling. • Mercury engineers and representatives of the University of Wisconsin College of Engineering test operate new engine technologies as part of their STEM teaching collaborations.



- Production of more environmentally friendly outboard engines: Mercury's new V6 and V8 four-stroke outboard engines are leaders in sustainability with a combination of fuel-efficiency, conservation of manufacturing materials, low emissions and reduction of noise.
- Expansion of joystick-piloting functionality to a broader range of Mercury outboards: Mercury introduced joystick piloting for a broader range of outboard engines, giving more boaters a tool that makes maneuvering easy and, by minimizing repeated attempts at maneuvers, saves fuel.



- More efficient gear and shaft production: Equipment and process upgrades have allowed Mercury to substantially reduce energy requirements to produce these essential product components.
- HVAC improvements in Belgium and China: Mercury teams at facilities in Belgium and China evaluated HVAC-system usage and discovered ways to significantly reduce energy consumption. Upgrades included reprogramming regulators to reduce power to units without sacrificing comfort.

- Mercury's Belgium headquarters for the Europe, Middle East and Africa region has begun replacing traditional lighting systems with highly efficient, long-lasting and fully recyclable LED lighting technology.
- LED Lighting Fair: In partnership with a Wisconsin energy-conservation initiative, Mercury provided employees at its world-headquarters Fond du Lac campus with discounts on the purchase of energy-saving LED bulbs for their homes.



- Returnable and re-usable crates: In 2018 Mercury considerably expanded its program of using returnable and re-usable shipping crates for its outgoing products and incoming materials.
- Expanded personal recycling in Plant 17: Employees working in the office space supporting Plant 17 foundry operations launched new policies encouraging greater use of centrally located recycling receptacles for various recyclable materials.
- E-Recycling and food drive: Employees at Mercury's Fond du Lac facilities recycled broken and obsolete electronics, and donated food to a local food pantry (supports both the Environment and the People pillars of sustainability).
- Paper shredding and donation of school supplies: Mercury sponsored a day of free paper-shredding and recycling service for employees who donated school supplies for local elementary school students.

- Organic waste recycling: Mercury worked with its food-service provider in Fond du Lac to adopt procedures to ensure that organic waste from food preparation goes into compost or into a biodigester for conversion into renewable energy.
- Mercury's Europe, Middle East and Africa (EMEA) headquarters in Belgium adopted new incentives for employees to select hybrid automobiles with low CO₂ emissions as part of the company's lease program. This action includes the initiation of construction to install electric car-charging stations on the company parking lot there.
- Mercury EMEA also adopted the exclusive use of bamboo cups, replacing expanded polystyrene, in coffee machines at its headquarters.



- Hurricane relief efforts: Mercury responded swiftly to the Hurricane Harvey and Hurricane Michael recovery needs, shipping water and food into the stricken areas, and donating outboard engines and inflatable boats for recovery efforts.
- Expansion of healthful food services: Mercury expanded the number of hot-food outlets located in proximity to work areas in the Fond du Lac plants. The latest addition is an onsite food service at Mercury's Plant 36, the Mercury Racing operation.
- Promotion of STEM (science, technology, engineering, math) learning: Mercury partnered with the University of Wisconsin to share engineering expertise with students. Similarly, Mercury and the University of British Columbia are giving students opportunities to use neuron beams to take direct-stress measurements of Mercury manufacturing materials.

Mercury's new V6 and V8 engines set new standards in sustainable design

In 2018, Mercury Marine unveiled new V6 and V8 fourstroke outboard engines targeting the 175 to 300 horsepower ranges. The 3.4-liter V6 and 4.6-liter V8 platforms share common engineering and technologies, enabling them to fulfill the dual mandate of exceptional performance combined with sustainability.

Validation-testing results confirmed that these new outboard marine engines set high sustainability standards with regard to the reduced amount of raw materials required for their manufacture as well as their light weight, fuel efficiency, low emissions and noise abatement.

These engines are able to produce among the industry's best torque and acceleration measurements even though they are significantly lighter — as much as 100 pounds lighter — than their predecessors and current competitors in their respective horsepower categories.

Mercury accomplished this using innovative and patented aluminum alloys that weigh less and allow for less material to be used without sacrificing durability.

With their significantly lighter weight and exclusive closed-loop fuel-control system using a wide-band oxygen sensor, these engines have extraordinary fuel-efficiency. In extensive side-by-side lake trials, Mercury's V6 models were 12-16 percent more fuel-efficient at cruising speeds than the corresponding models of their chief competitor, and the V8s were 8-10 percent more fuel-efficient.

The new Mercury engines include Mercury's Advanced Range Optimization, which automates fuel mixture for even greater efficiency. Furthermore, when paired with Mercury Active Trim

technology, the engines' positioning is automatically adjusted to optimize performance and get the most mileage out of every drop of fuel.

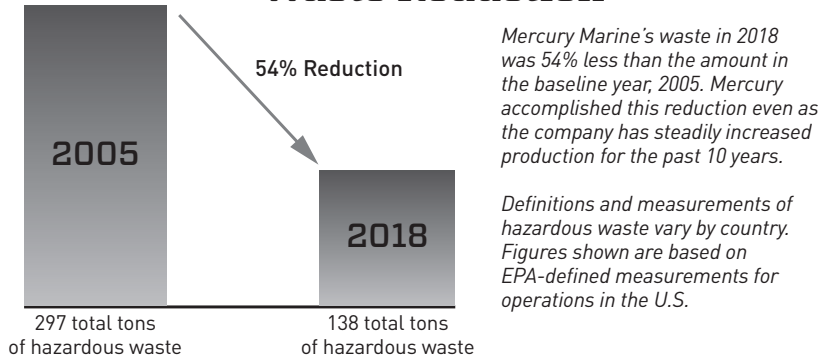
Mercury's new V6 and V8 engines received a three-star rating, "Ultra Low Emissions," from California's Air Resources Board (CARB).

Understanding that the reduction of noise pollution is also an important factor in keeping natural environments pristine, Mercury's engineers developed the world's quietest outboard engines in these horsepower categories. For example, Mercury's 200hp V6 engine demonstrated noise reductions of 17 percent at idle, 22 percent at cruise, and 31 percent at wide-open throttle in comparison to its closest competitor.

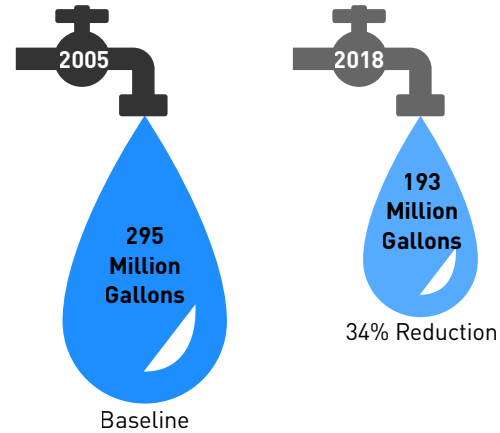


Metrics that matter

Waste Reduction



Global Water Improvement

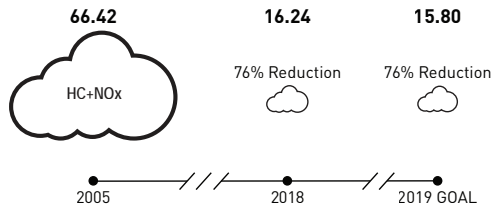


GOAL ACHIEVED:

In 2018, Mercury significantly curtailed its water usage even as the company ramped up production by approximately 15% year over year. By year's end, Mercury had reduced its global water usage to 34% less than the benchmark 2005 water-usage level. The sustainability goal had been to reduce water usage by 30% by the end of 2019. Mercury not only surpassed its goal but also accomplished this one year ahead of schedule.

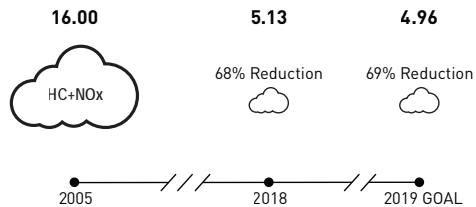
Decreases in outboard engine emissions

in grams per kilowatt hour (g/kWh)

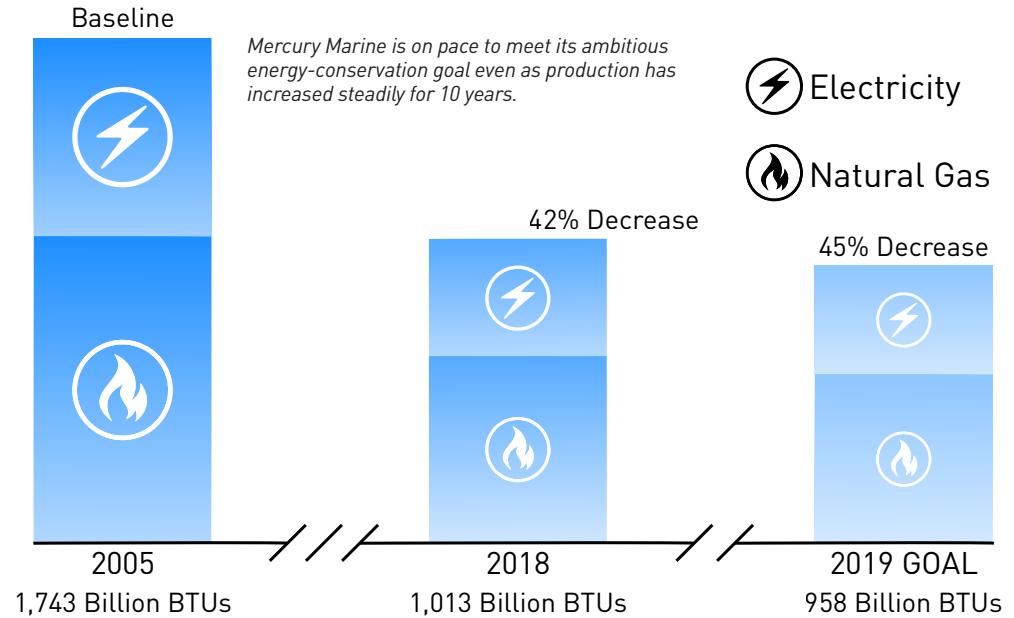


Decreases in sterndrive engine emissions

in grams per kilowatt hour (g/kWh)



Global Energy Improvement



Ongoing initiatives

In addition to launching the new actions and initiatives reported on preceding pages, Mercury continued to carry forward many initiatives whose success will be largely determined by their staying power. These include the following:



Mercury Marine continues to develop and refine technologies that provide clean and efficient boat propulsion (see box, page 7) and that allow boaters to maneuver their vessels more efficiently, effectively, and safely. Technologies such as Active Trim and Advanced Range Optimization continue to deliver significant improvements in fuel efficiency. Digital controls such as Joystick Piloting, Skyhook, Drifthook, Bowhook and Heading Adjust help boaters maneuver their craft successfully on the first attempts, thereby saving fuel.



In the past year, Mercury reduced its energy consumption by five percent — that is, by 64 billion BTUs, or the energy consumed by 1,507 average homes for one year — even as the company's personnel and facilities footprint have grown, and as year-over-year production increased by approximately 15 percent. Continued reductions have resulted from initiatives involving the use of solar energy, LED lighting, natural lighting, heat recovery and re-use, prevention and repair of compressed-air leaks, installation of double-door systems and storm doors, and more.

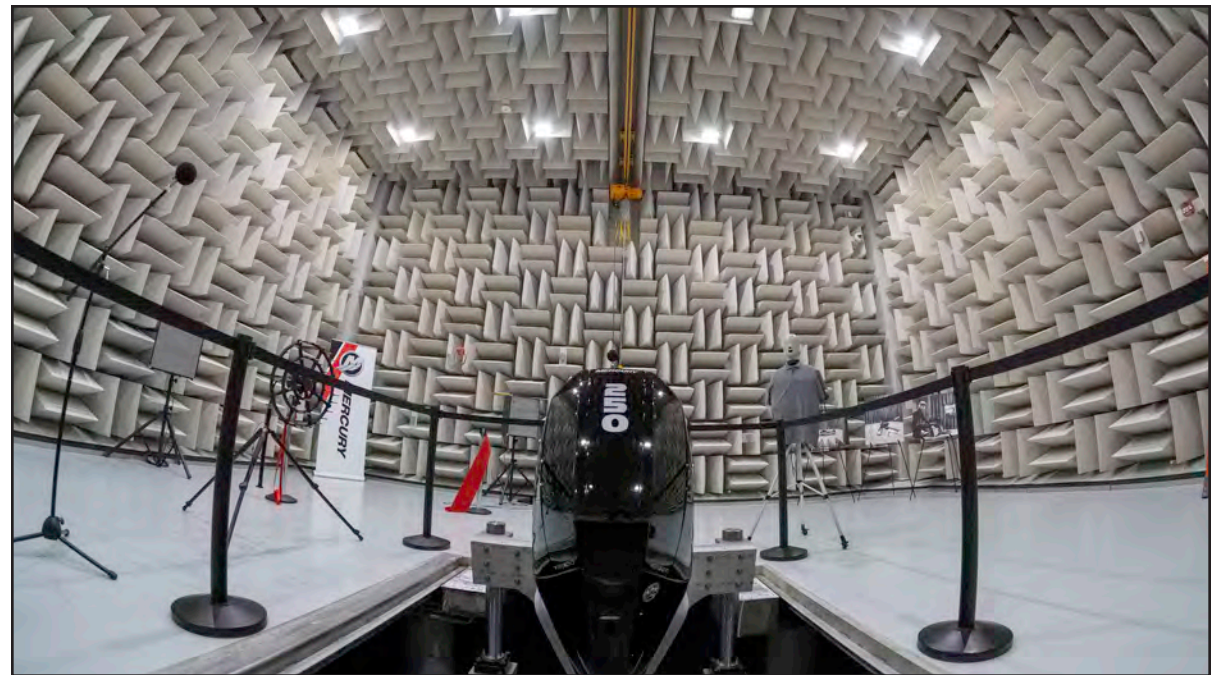
Mercury Marine is a growing company that is committed to adopting modern energy-saving designs and technologies as it renovates existing facilities and increases its footprint with expansions and new

construction. Energy-saving strategies include using LED and natural lighting, installing double-door vestibules to combat extremes in the outdoor climate, and using insulated and weather-stripped doors, overhead doors and windows.

Mercury continues to use the heat exhaust generated from melting aluminum, directing it into a stack heating device that preheats solid aluminum scrap before it is also melted in the furnace. This preheating process has saved Mercury 20 percent of the natural gas it would otherwise use to melt scrap aluminum. This equates to approximately nine billion BTUs of energy saved.



This stack heating device uses heat exhaust to preheat aluminum before it is melted, thereby conserving natural gas.



Minimizing sound pollution is an important part of Mercury's work to create products that are kind to the environment. In 2018, Mercury constructed an all-new, \$10 million technical center for the study way to further reduce the sound generated by marine engines. Shown above is the facility's hemi-anechoic chamber.

Energy Environment Product People



Mercury audits its buildings and operations for water-saving opportunities by metering all major consumption points separately, 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 the quantity of materials processed for reuse.

Mercury continues to practice water conservation in its high-quality paint process, giving considerable attention to reducing water use by right-sizing equipment and reusing water for subsequent operations. The company has also made improvements in cooling water systems used in testing and manufacturing.

Additionally, the environment continues to benefit from improvements Mercury made to the dynamometer and engine water-cooling systems at its 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 in these operations. All together, these changes have resulted in savings of more than 25 million gallons.

Mercury also filters and 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 noise, emissions and other environmental impacts of over-the-road hauling.



The talent, dedication and commitment of Mercury Marine employees form the foundation of the company's 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.

Health and Well-being

- ▶ The 2018 Be Your Best wellness program increased opportunities for employees to reach their wellness goals. The program offered an expanded selection of



Energy Environment Product People

incentive options. Mercury employees' participation in the Be Your Best program rose to 71% in 2018.

- In November, 2018 Mercury held its 8th Annual Safety Summit. This event is a way to celebrate safety-related accomplishments as well as share best practices and successes from the past year. A high point of the Summit is the presentation of the Safety Award for Excellence, which celebrates projects, teams and initiatives that meaningfully reduce risks, engage employees and drive Mercury's safety culture. A record 18 nominations from across the globe were received and four employees earned the honor.

Employee Events and Community Partnership

- The 2018 installment of the Mercury employees' Fill the Boat to Cast Out Hunger food drive took place at Mercury headquarters in June. Food donations weighed in at 2,642 pounds and employees further provided more than \$12,000 in cash donations.
- In April 2018, employees were encouraged to bring in their obsolete electronics for proper recycling. The service was free of charge, saving employees the considerable costs that recycling centers charge for accepting electronics. Event organizers encouraged employees to donate nonperishable food items to give to a local food pantry in return for this free recycling service. Participation was substantial: approximately 1200 electronic items were dropped off and a donation of more than one ton of food items was given to the food pantry.
- In partnership with Wisconsin's Focus on Energy initiative, the Fond du Lac campus hosted an ENERGY STAR LED Lighting Fair. Employees had the opportunity to realize savings on energy-efficient light bulbs for their homes. Employees purchased approximately 7,500 bulbs, which will save those employees' households an average of approximately 84 percent of their electricity costs for lighting.
- In 2018, for the second year in a row, the Mercury Marine team in Relay For Life, an organization and event that support the American Cancer Society, had the highest-earning fundraising campaign among all Fond du Lac-area participant groups. The team raised more than \$21,000. Fundraising events throughout the year included: sales of baked goods, food items, flowers and other items; sale of preferred parking spots; and sponsorships of the Relay for Life event.
- The Mercury Marine Women's Leadership Council sponsored a room renovation Solutions Center Shelter in Fond du Lac. The Solutions Center mission is to provide safety and support to those affected by domestic abuse and homelessness. The volunteers dedicated a weekend to painting, replacing tiles, hanging window treatments, assembling shelves and other maintenance work.
- Nineteen children of Mercury Marine employees received a Brunswick scholarship of up to \$3000 each. This is a great benefit for employee's family members to assist with their education.
- In early October, Hurricane Michael made landfall in the Florida Panhandle as a Category 4 storm. Many Plant 37 test-facility employees and their families suffered property damage and a suspension of utilities and other services. Brunswick and Mercury rallied to aid those employees devastated by the hurricane. Supplies came from all across Florida, including truckloads of supplies from Land 'N' Sea and supplies sourced from Fond du Lac to help repair the facility and aid the families in rebuilding.
- The MerCafé on the Fond du Lac campus provides healthful "Wellness Wednesday" lunches. In



Mercury employees at several global locations annually hold a "Fill the Boat" food drive to help stock food pantries.

January 2018, the company reduced the cost of these lunch options by subsidizing their purchase. Since the implementation of the price change, the average number of wellness lunches purchased has nearly doubled. Additionally, Mercury has added another Avenue C open-market food location to its Fond du Lac campus. These open-market food outlets make nutritious food options available to employees working in manufacturing plant locations that are not in proximity to the MerCafé.

- As an added health benefit, the company provided flu vaccinations for employees and their spouses at various locations on the Fond du Lac campus. Over 600 flu shots were distributed in both 2017 and 2018.
- Mercury held three blood drives in 2018 and collected over 130 pints of blood.
- Employees raised approximately \$85,000 for the Fond du Lac Area United Way in 2018, with Brunswick Foundation contributing an additional \$78,000.



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