

External Supplier Procedure

Supplier Guidelines & Requirements

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Kevin Lucht

Director, Procurement Category Management

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Date

Kossi Ayivi

Senior Director, Global Supplier Quality

7/30/2026

Date

Lori Anderson Larvey

Purchasing Manager and LSS Deployment Lead

7/23/2026

Date

Michael Palomaki

Director, Procurement Project Management

8/3/2026

Date

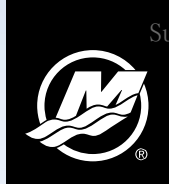
Scott Sorenson

Director, Site Procurement

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Date

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SUPPLIER GUIDELINES & REQUIREMENTS





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BRUNSWICK

Founded in 1845 by John M. Brunswick, Brunswick is the fourth oldest corporation in America. In 1970, Brunswick acquired Mercury Marine® and today is a world-class leader in marine recreation. Brands include SeaRay®, Boston Whaler®, Bayliner®, Lund® and Harris® among many others.

MERCURY MARINE

Mercury Marine is the marine engine division of Brunswick corporation founded in Cedarburg, Wisconsin in 1939 by Carl Kiekhaefer. Production of outboard motors began in 1939, expanded into sterndrives in 1960, and sportjet technologies in 1996. Mercury Marine has long been recognized as a leader in technological innovation and superior performance. Mercury Marine is a world class leader in the marine industry, becoming the first U.S manufacturer of marine motors to have all North American facilities ISO 9001 registered.

PRODUCT OVERVIEW

Mercury Marine is one of the world's leading providers of marine propulsion engines with brands that include Mercury®, Mercury Racing®, MerCruiser® and Mariner® outboards. Outboard motors range from 2.5 to 600 horsepower, with electronic fuel injection, supercharged and jet boat application options.

Mercury Racing produces high-performance outboard and sterndrive engines. Racing outboards produce up to 450 hp, with sterndrives producing up to 1,550 hp. This is used for professional competitions as well as for the customers looking for speed. The racing program serves as the incubator for many of the performance enhancing concepts applied to our production models.

Mercury Marine has won more powerboats races and set more records worldwide than any other marine engine manufacturer.

MerCruiser is the world leader in gas and diesel sterndrive and inboard engines, with a reputation for technological leadership and innovation. The tradition continues with SmartCraft®, the world's most sophisticated fully integrated boat information system.

MerCruiser sterndrive and inboard engines range from 135 to 430 hp and include electronic fuel injection options.

Diesel powered engines range from 115 hp in the 2.0L option up to 550 hp in the 6.7L. Select MerCruiser options are EU- and Bodensee-certified to align with some of the more stringent emission regulations in European countries.

Mercury Marine supports its customers through extensive parts and accessory offerings. Included in our parts and

accessories are propellers, oil, controls, steering cables, boating accessories and more.

SCOPE

This manual describes Mercury Marine's requirements for suppliers who provide materials, products, processing, and other related services, either directly to Mercury Marine plants or to its customers, on behalf of Mercury Marine. This manual specifies additional requirements for Mercury Marine suppliers and does not supersede engineering drawings or specifications, which shall be reviewed and understood completely, in addition to these requirements.

PURPOSE

The purpose of this manual is to inform Mercury Marines suppliers of core expectations regarding their quality management and manufacturing systems. Requirements are defined by the words "shall," "must" or "require." Guidelines are defined by the word "should." After reviewing this manual, a supplier will have a clear understanding of what is expected of them to ensure Mercury Marine requirements and expectations are being met.

If a conflict arises between the requirements of this manual and the purchase order terms and conditions or signed supply agreement, the requirements defined in the purchase order or signed supply agreement shall have precedence.

The Mercury Marine Supplier Quality Representative will work with the supplier to ensure that any deviation from these requirements does not negatively affect the finished part requirements or customer expectations.



1.0 COMMUNICATIONS

Suppliers contracted by Mercury Marine shall communicate in English with all U.S. facilities. For other worldwide locations the preferred language shall be verified with your Mercury site representative. Communications shall be made in the fastest, most accurate means possible. Below are descriptions of some electronic communication tools.

Mercury Marine seeks the fastest, most accurate means of communication with our suppliers. Thus, Mercury Marine is moving to greater use of electronic communication. Following is a description of some of our electronic communication tools.

ENTERPRISE QUALITY MANAGEMENT SYSTEM (EQMS):

EQMS acts as a two-way communication between the supplier and Mercury for the following supplier functions and processes:

- Audits
- Certifications
- Nonconformances
- Supplier Corrective Action Requests (SCAR)
- Deviations
- Change Proposals
- Supplier Scorecard
 - *Scorecard Notification: One email will be sent to four contacts (Quality contact, Top Executive, Sales, and the 1st Materials contact). This email will state the scorecard is ready with a link to EQMS.*
 - *Monthly Delivery Detail: Another email will be the Monthly Delivery Detail that goes to the two Quality contacts and the 1st Material contact.*
- Applicable Supplier Documents
- Ability to schedule and document business reviews

VENDOR DELIVERY RELEASE (VDR):

The Vendor Delivery Release (VDR) is the primary tool used by Mercury Marine to communicate demand requirements and authorize production and material procurement under the blanket Purchase Order.

Forecasting (Planning Only)

- Mercury Marine provides a rolling 12-month forecast via the VDR, updated weekly.
- Forecasts are non-binding and subject to change.
- Supplier is expected to maintain the capacity and capability to support forecasted volumes, including up to +25% increases from awarded volumes.

Firm Orders & Material Authorization

The VDR communicates:

- Delivery schedule (quantities and timing to Mercury Marine's dock)
- Firm production commitments aligned to the Supplier's quoted production lead times
- Raw material authorization aligned to the Supplier's quoted raw material lead times

Any items with lead times exceeding standard quoted lead times must be:

- Identified by Supplier in advance, and
- Managed through mutual agreement on exposure

Supplier Responsibilities

- Use the VDR for production planning, capacity management, and material procurement
- Actively monitor and manage sub-suppliers and internal operations
- Immediately notify Mercury Marine of any risks to delivery timing
- Provide order acknowledgments, including:
 - Confirmation of requested delivery dates, or
 - Proposed alternatives (subject to approval)

Order Acceptance

- All Orders are considered accepted unless Supplier promptly objects
- Shipment against an Order constitutes acceptance of terms
- Changes to delivery dates require Mercury Marine approval.

On-Time Shipping Performance

- Supplier is expected to make every reasonable effort to meet requested delivery dates to Mercury Marine's dock
- Proactive communication is required for:
 - Delays
 - Constraints
 - Changes to timing

Priority / Rush Orders

- "Rush" Orders = delivery requested within 10 days of order issuance
- Supplier must:
 - Provide priority handling
 - Perform frequent follow-up
 - Coordinate directly with Mercury Marine on earliest achievable delivery.

General Terms

- The VDR applies only to blanket Purchase Orders
- Spot buy items are excluded from the VDR



ADVANCE SHIPPING NOTICE (ASN):

Suppliers shall use Advanced Shipping Notifications (ASN) to notify Mercury Marine when product is shipped from their warehouse to one of the Mercury Marine facilities. Suppliers shall ensure ASNs are submitted and received to allow for effective planning prior to receipt of the shipment. A third-party service of the supplier's choice may be used to provide electronic communications to Mercury Marine.

The ASN is used to receive material, measure delivery performance, and provide the payment remittance detail. The ASN shall be submitted using a unique serial number that is not repeatable. ASN submission shall include the following:

- Packing slip number
- Carrier
- Tracking number
- Purchase order number
- Ship date
- Part number(s)
- Quantity
- Receiving plan

On-time delivery is established to Mercury Marine delivery schedules. Deliveries for consideration of on-time delivery cannot be more than five days early and zero days late, with a three-way match between the ASN, parts received and applicable paperwork.

1.1 NOTIFICATION OF ORGANIZATIONAL CHANGES

Changes to the supplier's organization that may affect quality, and/or finance, shall be reported in advance to Mercury Marine. These changes may include, but are not limited to, company ownership, company name, manufacturing location, quality approval and significant changes to processes or inspection methods.

1.2 ELECTRONIC DATA INTERCHANGE

Mercury Marine requires suppliers to be capable of exchanging information via EDI using the American National Standards (ANSI X12) format. The standard EDI document format is called a transaction set, commonly referred to as the equivalent of a paper document. Vendor delivery releases (VDR) will be sent through material release transaction set 830. Advanced shipping notices (ASN) will be received using transaction set 856.

Suppliers who are not familiar with EDI, or the ANSI X12 EDI format, should contact their global buyer for additional details and implementation guides.

1.3 I-SUPPLIER PORTAL

Mercury Marine uses a web-based self-service supplier portal (iSupplier) as the framework to communicate secure business transactions between Mercury and the supplier on key business transactions that include:

- Submit changes to supplier profile (*address, contacts and business classifications*)
- View purchase orders and purchase order history
- View receipts and receipt history
- Create invoices (non-ERS suppliers only)
- View invoices
- View payments and payment status
- View and export remittance advice

Suppliers must be provided with access to the portal to access information related to their supplier site. To request access contact isupplier.admin@mercmarine.com. When requesting access, you will need the following information listed below:

- E-mail address
- Phone number
- Supplier name
- Supplier ID (number)

Upon approval registered suppliers will receive an invitation with log-in requirements and applicable contacts for any questions or support that is needed.

1.4 RELATIONSHIP MANAGEMENT

A collaborative process and internet-based system to support Mercury Marine and its supply base was implemented in October 2014. This program initiative has been named Supplier Relationship Management or SRM for short.

A sub system of SRM, called RFx, has capabilities for the exchange of data files including CAD models, prints, presentations and forms to support the procurement and sourcing process replacing the File Transfer Protocol (FTP) method. Our vision for a data exchange event is to support more early supplier design input during the development cycle of critical components as well as capturing supplier PPAP documentation.

Secondly, and vital to Mercury Global Procurement, is the capability for a web-based request for quotations. The RFx quote supports prototype, budgetary and final firm fixed price bid processes. A big benefit to suppliers will be a one-stop shop for all Mercury quote and data exchange events. This should dramatically simplify the supplier's ability to manage and



support the Mercury account, globally. To obtain a supplier user account, please contact your Mercury Marine buyer.

1.5 CONFIDENTIALITY AGREEMENT

To protect and preserve the relationship between Mercury Marine and its suppliers, all suppliers are required to sign a confidentiality agreement. The supplier shall ensure, in every way, the confidentiality of Mercury Marine contracted products and projects under development. All information is considered confidential unless already available in the public domain.

2.0 SUPPLIER QUALIFICATION AND EVALUATION

2.1 AUDITS

Mercury Marine reserves the right to perform virtual or on-site process, product or system audits with advance notification to identify supplier risks and to mitigate those risks, where possible. Self-assessments may also be used for assessment of operational risks and to measure the effectiveness of supplier controls. These audits are performed as supplier development and to assess risk to Mercury Marine requirements.

In case of quality problems, which have been caused by the services and or deliveries by subcontractors of the supplier, the supplier must, on the request of Mercury Marine, carry out an audit at the subcontractor's site (as necessary, with support from Mercury Marine) and disclose the results to Mercury Marine.

Reasonable restrictions imposed by the supplier for proprietary information will be acknowledged during the audit process.

2.1.1 AUDIT ACTION PLAN

The action plan of the audited supplier for nonconformities evidenced during the audit must be submitted to the Mercury Marine Supplier Quality Representative according to audit results. Evidence for the implementation of the proposed actions should be sent to the Supplier Quality Representative within the deadlines set forth in the action plan. The Supplier Quality Representative will evaluate the action plan to validate coherence.

2.2 QUALITY MANAGEMENT SYSTEM

Suppliers must have an effective quality management system in place with adequate resources to comply with all Mercury Marine requirements. Suppliers for components, services and material must be certified to ISO 9001:2015 or IATF 16949

through an accredited registrar. Upon request, the supplier will provide evidence of certification to their Supplier Quality Representative. Any exceptions to the above requirements shall require written approval from Mercury Marine.

2.3 CODE OF CONDUCT

Brunswick adheres to the highest standards of ethical conduct. We comply with applicable laws and regulations of the countries and regions in which we operate and conduct our activities in an honest and ethical manner. We expect the same commitment to compliance and ethical conduct from our suppliers. A copy of the Brunswick supplier code of conduct is available in EQMS Document # **EXT SUP – PCD – 000002**.

3.0 PRODUCTION PART APPROVAL PROCESS

3.1 ADVANCED PRODUCT QUALITY PLANNING

For product and process development, it is critical that suppliers take a systemic approach and utilize a new product introduction process, such as AIAG's Advanced Product Quality Planning according to customer requirements to ensure all core requirements are met. Cross-functional teams should be formed at the start of development to ensure a full range of input by various team members.

During the planning phases of a product launch, controlled conditions are identified, implemented, and documented for prototype and production phases. It is the supplier's responsibility to use the proper tools to track progress and ensure on-time completion of defined items during the planning process.

Suppliers are expected to conform to the AIAG "core tool" standards (APQP, PPAP, MSA, SPC, FMEA) along with any customer specific requirements, to support planning and ongoing quality control and production requirements.

Mercury Marine follows the AIAG PPAP requirements to safeguard new product launches and other critical changes requiring PPAP submission. Suppliers are required to comply with these standards. The following sections will further define these requirements.

3.2 HIGH PERFORMANCE PRODUCT DEVELOPMENT (New Product Launch)

Mercury Marine utilizes our High-Performance Product Development (HPPD) process to identify, investigate, and introduce new product into the marketplace. Within HPPD are three interdependent processes that operate as one holistic process. These embedded processes are Portfolio Planning



and Management, Technology Development and Product Development.

- **Gate 0** – Program Visibility
- **Gate 1** – Program Definition
- **Gate 2** – Concept Development
- **Gate 3A** – Design Compatibility
- **Gate 3B** – Design Validation
- **Gate 4** – Process Validation
- **Gate 5** – Product Launch

These guidelines define specific events and activities that trigger early supplier involvement, which, if met, help promote timely execution of key actions leading to a successful supplier product launch. Supplier activities may include, but are not limited to, the following:

- Design for Manufacturing (DFM)
- Design for Assembly (DFA)
- System, design, and process FMEA's
- Feasibility assessments
- Design reviews
- Manufacturability reviews
- Product reviews
- Process reviews
- Cost reviews
- Project reviews
- Design validation plan (Testing / Evaluation)
- Capacity planning
- PPAP

3.3 PPAP GUIDELINES

These guidelines define the Mercury Marine PPAP requirements for submission of new production parts or changes to existing parts or processes. Suppliers must follow the PPAP methodology, as defined in the AIAG, PPAP manual for all product launches and change management PPAP submissions. Mercury Marine follows the guidelines set forth in **Appendix A** – specific requirements.

The organization shall use level 3 as the default level for all submissions unless otherwise specified by the authorized Supplier Quality Representative, the contract or the purchase order. PPAP documentation shall be supplied electronically to the Supplier Quality Representative.

Unless exempt through an approved Mercury Marine deviation, suppliers may not ship production parts to Mercury Marine facilities without an approved Part Submission Warrant (PSW) signifying the PPAP has been approved.

Mercury Marine suppliers are required to execute the AIAG PPAP process on all sub-contracted material and

subcomponents integrated into products sold to Mercury to ensure that all sub-contracted suppliers and materials meet all Mercury Marine specifications. Sub-tier supplier PPAP's may be requested as supporting documents to support product sold to Mercury, but in all cases such submissions must be available for review upon request.

Exemptions will be considered on raw materials, where a material certification will serve as the approval document, or on standard catalog items.

3.4 PPAP SAMPLES

The supplier shall provide samples identified with special orange "SAMPLE" tags packaged separately from production shipments. Format for the sample tag can be found in EQMS Document # **PRO SQE - TL - 0000033**. PPAP samples should be sent to the address provided by the associated Mercury Supplier Quality Representative.

3.5 PPAP DOCUMENTATION

PPAP records must be maintained for the life of the production part, plus one year. All records must be made available for review at any time. PPAP documentation must be prepared per the AIAG PPAP requirements and submitted to Mercury Marine for approval prior to shipment of any parts.

3.6 TEST CAPABILITY

Sections of the PPAP elements require testing such as performance, material, and measurement. Suppliers must be capable of performing such tests or, at a minimum, have outsourced resources available to carry out the necessary testing. Suppliers or outsourced suppliers must satisfy the requirement to perform these tests and generate required records of conformance to the PPAP requirements. Complete records must be retained with the PPAP documentation and submitted upon request.

3.7 CONTROL OF KEY PRODUCT CHARACTERISTICS (KPC)

Mercury Marine may identify Key Product Characteristics (KPC) for a specific part. These characteristics indicate that government, safety, environmental regulations or product function is affected. Due to the severity of these defined characteristics, it is a requirement that they are appropriately stated and controlled within the applicable process in alignment with Mercury Marine specification M-251-G.

KPCs are denoted by a full square (■) or one-half square (▣) symbol on the engineering drawing. Suppliers shall identify key



control characteristics (KCC) in their process for which variation must be controlled to ensure that variation in a KPC is maintained or minimized around its target value.

For operations which produce special characteristics the supplier is required to maintain long-term capability of a minimum of 1.33 Cpk and have it readily available for review upon request. Information regarding the proper methods to be used in determining and measuring the capability of a process can be found in the AIAG Statistical Process Control (SPC) Reference Manual. When capability is not demonstrated, alternative control methods such as mistake proofing (preferred) or 100% testing and/or inspection are required.

The supplier shall conduct Gauge R&R studies on all KPCs referenced in the engineering drawings. The AIAG Measurement Systems Analysis (MSA) standard to ensure that the measurement system is capable. Mercury Marine gauge R&R requirement is < 10% by the ANOVA method unless agreed upon by the supplier quality engineer approving the PPAP. Gauge R&R acceptance will be determined utilizing the MSA recommendations.

3.8 CUSTOMER PROPERTY

The supplier shall exercise care with the property of Mercury Marine while it is under their control or being used by the supplier. If any property is lost, damaged, worn or otherwise found to be unsuitable for use, this must be reported in writing to Mercury Marine and records maintained.

Mercury Marine owned gauges, equipment and tooling shall be permanently marked so that the ownership is visible and can be determined.

A supplier is expected to maintain all tooling for the life of the program. All repairs, calibration, maintenance, and storage are the responsibility of the supplier unless otherwise agreed upon in writing. An annual report of the tooling status shall be provided to the Mercury Marine buyer to assess the need for tooling refurbishment or replacement. This report should be provided with sufficient time to assess, obtain funding authorization, refurbish, or replace tooling, and obtain validation authorization without risk or disruption to product supply.

Tooling and gauges supplied by Mercury Marine shall not be disposed of without written authorization.

4.0 MANUFACTURING UNDER CONTROLLED CONDITIONS

4.1 IDENTIFICATION AND TRACEABILITY

The supplier must identify Mercury Marine throughout the manufacturing process in all stages and inventory locations. Products must have positive identification to mitigate risk of suspect, non-conforming or unapproved product from being shipped to Mercury Marine or our customers.

Traceability of each part is necessary to identify phases of birth history of the production process. This includes date of manufacture, lot codes, revision level and records of conformance. Placards, tags, lot numbers and bar codes are a few acceptable means of identification.

4.2 BAR CODE LABELING

Parts or containers must be labeled in an appropriate way using bar code (B10) shipping labels, in accordance with the AIAG standards on incoming materials. A summary of Mercury Marine packaging and labeling guidelines can be found within EQMS Document # **EXT SUP – PCD – 000004**.

Suppliers must have controls in place to ensure that label information is correct. Shipments that are in noncompliance with the standard may be placed on quality hold or rejected. Supplier cost recovery may be initiated when it has been determined the supplier is responsible for the nonconformity. Additionally, the entire quantity of parts may be used in calculating PPM for supplier performance.

4.3 REWORK / SORTING

Rework or sorting of nonconforming that are noticed during our production or as part of a complaint will be carried out in agreement with the Mercury Marine Supplier Quality Representative. Suppliers will be notified when rework/sorting activities are required as well as when there is potential impact for the nonconformance to cause production down time.

Rework/sorting that is determined to be an immediate need to support production will be initiated by Mercury personnel and/or a third-party source. The supplier will have an opportunity to rework/sort the parts on-site at Mercury Marine or utilize our on-site third-party containment/inspection source.

All associated costs will be the responsibility of the supplier and will be reflected in PPM calculations.



4.4 MERCURY MARINE INVENTORY

There may be instances in which Mercury Marine inventory is sent to the supplier for secondary processing. When this happens, inventory management is imperative in maintaining inventory integrity between Mercury Marine facilities and the vendor locations.

Suppliers are required to verify materials upon receipt and report any discrepancies to their respective contact so that appropriate corrective actions can be taken and any adjustments in inventory can be addressed. Shipments of Mercury owned inventory from a third party require the shipping and receiving supplier to submit the signed packing slip from the receiver confirming receipt to

MMMAV@mercmarine.com

4.5 LEAN MANUFACTURING

A lean thinking approach is a daily business practice in which activities are evaluated with the goal of being more flexible to customer demand fluctuations and delivering product at a lower cost. Suppliers are expected to continuously support efforts with Mercury Marine facilities. Support may include the implementation of:

- Kanban systems
- Returnable dunnage
- Poke Yoke
- Increasing operational efficiencies (*manufacturing, material handling, etc.*)
- Quality improvements
- Standardized work
- Reduction of WIP, (*work in process*)
- Reduction of raw material
- One-piece flow
- 5S (*Self-discipline, Neatness, Cleanliness, Orderliness, Organization*)
- TPM (*Total productive maintenance*)

Suppliers should implement programs to continually combat the existence of waste. All employees should be empowered to address areas that may need improvement, while monitoring very specific, well-developed and measurable goals and objectives. The supplier should also continuously identify nonvalue-added activities and develop methods to eliminate wasteful activities that drive up costs. This is accomplished through the recommendation and implementation of product improvements and commonsense business practices that enhance productivity.

If assistance or guidance is needed for any of these activities, contact your buyer.

5.0 CHANGE POINT CONTROL (CPC)

There are many reasons that a product or process may require a change during the post launch/ production phase. Some reasons may include design improvements, corrective action implementation due to quality concern, improvements to process efficiency, cost savings, change in supplier location, change in sub-tier supplier, etc. Though all these reasons may be acceptable conditions for change, they must be communicated, validated, and approved by Mercury Marine.

To obtain authorization, the supplier must follow the "Supplier Change Proposal" (SCP) process. Request for supplier change proposal can be submitted through the Mercury Marine Enterprise Quality Management System (EQMS). Supplier contact must be provided access to the system to access information related to their supplier site. Supporting documentation, such as change rationale, proposed validation plan, PPAP submission timing or other applicable documents may be required by Mercury Marine to assist with potential approval. Suppliers who are not familiar with the SCP can contact their category buyer for additional details and assistance.

Guidelines for determining which types of changes can be found in table 3.1 of the AIAG PPAP manual. At a minimum, changes requiring approval include, but are not limited to, the following:

DESIGN CHANGES:

- Construction changes
- Tolerance changes
- Material changes
- Sourcing changes

PROCESS CHANGES:

- Inspection and product testing
- Production line relocation
- Machine / equipment and tooling changes
- Manufacturing site relocation
- Tool transfer
- New tools
- Tool refurbishment or replacement

Suppliers may be required to re-submit PPAP to support the change point control process including changes in sub-tier suppliers or their processes.

Mercury reserves the right to debit or otherwise recover expenses related to validating and approving changes not solicited by Mercury.



6.0 SUPPLIER PROGRESS REVIEW

Communication is an integral part of a supplier/ customer relationship, which is why Mercury Marine is committed to providing ongoing feedback. Mercury Marine has implemented EQMS, which is intended to provide feedback to a supplier's performance and to identify opportunities for improvement. The supplier scorecard within EQMS is available to select suppliers monthly to keep them informed of how Mercury Marine views their performance.

Some items in categories on the supplier scorecard may not affect all suppliers (i.e., Certificate of Origin – applies to suppliers importing to the U.S.). Suppliers are underperforming when the scorecard points are below 50 and may be placed on new business hold or may be required to participate in reviews to critically assess the suppliers action plan to improve performance to acceptable levels. Reviews are typically conducted onsite at the applicable Mercury Marine facility.

EQMS focuses on performance in four key categories:

- Supplier relationship management
- Cost management
- Quality
- On-time shipping

Suppliers are evaluated according to each of the four categories based on the evaluation criteria below. The maximum score a supplier can achieve is 100 total points.

6.1 SUPPLIER RELATIONSHIP MANAGEMENT

SUPPLIER RELATIONSHIP MANAGEMENT (16 POINTS MINIMUM FOR PREFERRED)		
DESCRIPTION	SCORING CRITERIA	MAX POINTS (23 points)
Long Term Agreement (LTA) or Pricing Agreement	Next due date communicated	3
Business Review	Last Review & Next Review dates determined	4
Electronic Communication (7 Points total, all 7 required for preferred status)	Vendor Delivery Release EDI-VDR	2
	Advance Shipping Notice EDI- ASN	2
	Certificate of Origin Next COO due date communicated	3
RFQ Effectiveness for previous 12 months	On-Time	2
	Cost Breakdown Transparency	2
	Reliability	2
New Product Performance	Extra Credit	3

6.2 COST MANAGEMENT

COST MANAGEMENT (16 POINTS MINIMUM FOR PREFERRED)		
DESCRIPTION	SCORING CRITERIA	MAX POINTS (20 Points)
Payment	Evaluated Receipt Settlement (ERS)	2
Continuous improvement/Lean Manufacturing Six Sigma program	Preferred Terms, See Payment Terms section in Appendix	3
	Supplier Identified Cost Reductions	5
	Verifiable Improvements Implemented	5
Price Variance	Percent Current/Frozen Cost, See Price Variance (PPV) Scoring in Appendix or signed active supply agreement	5



6.3 QUALITY

QUALITY <i>(34 POINTS MINIMUM FOR PREFERRED)</i>		
DESCRIPTION	SCORING CRITERIA	MAX POINTS (40 points)
Parts per million, 12 Month Rolling	See Quality Scoring section in Appendix	30
Parts per million, 3 Month Rolling	See Quality Scoring section in Appendix	10
PPAP Requirements Not Met	Points deducted for each occurrence	-5
Late/Ineffective CA	Points deducted for each occurrence	-5
Quality Incident	Points deducted for each occurrence	-7

Note: Quality scoring is a roll up of all Mercury North American Sites. See Quality Scoring section in Appendix.

6.4 ON-TIME SHIPPING

ON-TIME SHIPPING <i>(16 POINTS MINIMUM FOR PREFERRED)</i>		
DESCRIPTION	SCORING CRITERIA	MAX POINTS
		<i>(20 Points)</i>
Previous 12 Months Shipping Performance	See On-Time Shipping section in Appendix	10
Previous 3 Months Shipping Performance	See On-Time Shipping section in Appendix	4
Current Month Performance	See On-Time Shipping section in Appendix	1
Shipping Accuracy Performance	See On-Time Shipping section in Appendix	5
Operational Shutdowns	Points deducted for each occurrence	-5

Note: On-Time Shipping scoring is a roll up of all Mercury North American Sites. See On-Time Shipping section in Appendix.

6.5 PREFERRED SUPPLIER

Mercury Marine greatly values those suppliers whose performance meets their stringent and ever-increasing expectations. Preferred Supplier recognition is awarded annually to suppliers who reach or exceed Mercury Marine's expectations. To qualify the supplier must meet the minimum performance requirements in the four supplier scorecard quadrants for preferred suppliers. Please refer to the table below for the minimum preferred supplier requirements for each quadrant.

The Preferred Supplier evaluation considers the supplier's performance with all affected Mercury plants. Along with the SUPPLIER SCORECARD score, Mercury also considers those items listed below as an element of selection for preferred suppliers.

- a) Service performance (warranty)
- b) Manufacturing support (line shutdowns)
- c) New product development support
- d) Maintaining globally competitive technology
- e) Maintaining globally competitive cost structure

Please refer to the appendix for details on the supplier scorecard scoring table.

7.0 CONTROL OF NON-CONFORMING MATERIAL

As with any manufacturing process, problems are bound to occur. It is how a problem is contained, communicated and reacted to that is most important. Suppliers are expected to have a strong written procedure for containment and control of nonconforming material. All levels of management and employees must be trained and understand the procedure and its importance.

The supplier must immediately contain any known issue and notify Mercury Marine as soon as the concern is identified.

When a problem is identified at a Mercury Marine facility, the supplier will be notified immediately and all suspect materials must be contained at all locations including supplier/sub-supplier facilities, warehouses, parts in transit, and parts at all Mercury Marine facilities. Mercury Marine may initiate sorting/rework/ replacement activities immediately to minimize or eliminate downtime or any risk to quality standards.

It is the responsibility of the supplier to coordinate all aspects of the containment process including identification and quarantine of suspect material such as serial numbers for each suspect part, record of containment results, identification of a clean point with specific traceability information of the first known good part. All the above information must be communicated to the appropriate Mercury Marine supplier quality representative as it is received.

It is expected that suppliers will perform all actions needed to return and replace suspect material and avoid, wherever possible, any interruptions at the facilities. The supplier quality engineer or buyer will request a Return Material Authorization (RMA) when non-conforming material requires it to be returned. Suppliers should respond in writing within twenty-



four hours confirming/acknowledgement of the RMA request. In the event there is no response the nonconforming material may be returned at the supplier's expense.

Mercury Marine reserves the right to charge back all costs associated with supplier caused non-conforming material, including expedited freight, replacement parts, third party activities, return of material, repeated non-conformances, and loss of production where applicable.

7.1 COST OF POOR QUALITY

There will be a minimum Cost of Poor-Quality administrative fee of **\$500** that may be assessed for each occurrence of non-conforming material. The supplier is entitled to dispute any charges with the Mercury Marine Category Buyer. Disputes must be submitted in writing.

7.2 CONTROLLED SHIPPING

Suppliers are expected to consistently deliver conforming parts and maintain effective communication with Mercury Marine, taking all necessary actions—including allocating additional resources—to prevent production disruption. Mercury Marine reserves the right to initiate controlled shipping in the event of any adverse impact to production.

Controlled shipping may be initiated under any of the following conditions:

- Repeat occurrences of nonconforming material
- Loss of containment
- Uncertainty of root cause to implement permanent corrective actions to resolve a defined nonconformance
- Safety concern

7.1.1 CONTROLLED SHIPPING LEVEL 1 (CS1)

Controlled Shipping Level 1 or CS1, requires that the supplier 100% certify material at their facility through an offline inspection process, separate to any existing process inspection. After product has run through its intended process, parts shall be contained in a designated CS1 quarantined area where a defined inspection process will be performed by additional personnel. Records must be maintained from each shift and reported to Mercury Marine daily. The supplier will be responsible for all costs associated with the CS1 activities.

7.1.2 CONTROLLED SHIPPING LEVEL 2 (CS2)

In some cases, the supplier's CS 1 arrangement will prove to be ineffective whereby suspect parts will continue to reach

Mercury Marine or our customer. In this case, the supplier will be on Controlled Shipping Level 2 (CS 2). Like CS 1, the supplier is required to 100% certify material at their facility through an offline inspection process, separate from any existing process inspection. CS2 is a secondary 100% inspection conducted by a third-party impartial source on site at Mercury Marine to ensure "defect free" product. Parts shall be placed in a designated quarantine area which will be set up for inspection/sorting and certification through a third-party impartial source. The impartial source must be acceptable to the Mercury Marine Supplier Quality Representative.

7.1.3 CONTROLLED SHIPPING LEVEL 3 (CS3)

At any time during CS2, should Mercury Marine or the third-party find non-conforming material in the "certified" shipments, CS3 may be initiated. CS3 is a secondary 100% inspection conducted by a Third-Party impartial source on site at the supplier's manufacturing location or independent site to ensure "defect free" product. The impartial source must be acceptable to the Mercury Marine Supplier Quality Representative.

7.1.4 CONTROLLED SHIPPING EXIT CRITERIA

Controlled shipping exit criteria shall include:

1. Zero defect shipments – Supplier Quality Representative will determine requirements based on risk
2. Corrective action closure
 - a. Verification and approval by Mercury Marine Supplier Quality Representative
3. Records of inspection (each shipment)
4. Documented evidence of error-proofing considerations
5. APQP document updates (as applicable)
6. Incoming lot Inspections (Mercury Marine – as applicable)
7. Written approval from the Mercury Marine Supplier Quality representative.

8.0 DEVIATIONS

There may be circumstances in which materials may not meet requirements and may be considered for use depending on its affects towards form, fit or function. In such cases, a request for deviation may be submitted for review through the Mercury Marine Enterprise Quality Management System (EQMS). Suppliers must be provided with access to the system to access information related to their supplier site. E-mail your Mercury Marine buyer to request access.

Deviation requests must be submitted and approved prior to the shipment of any materials. All deviation approvals will be



made in writing through e-mail communications. At no time can a deviation be approved through verbal communications. Authorization of a deviation is conditional; the product or process under deviation must not affect form, fit or function, nor violate any contractual or regulatory agreements.

Supporting documentation, such as dimensional reports, test reports or other applicable documents may be required by Mercury Marine to assist in potential approval. Materials shipped under deviation must be clearly identified on each shipment with certified shipment tag indicating the deviation number on each container. Certified shipment tag format can be found in EQMS Document # **PRO SQE - TL - 0000035**.

Mercury Marine reserves the right to debit or otherwise recover reasonable expenses related to validating and approving supplier requests for deviation, and/or ask for price adjustments on nonconforming or otherwise sub-standard parts/assemblies that are used under the authority of a deviation.

9.0 SUPPLIER CORRECTIVE ACTION REQUEST (SCAR)

There are various problem-solving methodologies from which to choose. In cases when a supplier concern is identified, Mercury Marine will require a supplier corrective action request (8-D) be submitted. SCARs may be issued for items that include, but are not limited to, quality issues, delivery issues, capacity issues and audit findings. SCARs will be issued through the Mercury Marine Enterprise Quality Management System (EQMS).

When a SCAR is requested, suppliers are required to take immediate action to ensure that no additional non-conforming materials reach Mercury Marine facilities. The supplier response requirements for the SCAR are outlined below:

- **Containment Plan** – within 24 hours
 - *Supplier / sub-tier supplier facilities*
 - *Material in transit*
 - *Material at Mercury Marine facilities*
- **Completed 8-D** – 30 days

Mercury Marine is aware that there may be instances when an 8-D will not meet the requirements for closure within the targeted 30 days. In these instances, a supplier is required to provide a formal action plan including due dates and responsibilities to their Supplier Quality Representative. The action plan will be used to communicate on-going actions until

the 8-D is formally approved for closure by the Mercury Marine Supplier Quality Representative.

It is the responsibility of the supplier to pursue root cause and implement appropriate actions internal to their operations and with sub-tier suppliers is applicable.

Material shipments after implementation of a corrective action must be clearly identified on each shipment with certified shipment tag on each container. Certified shipment tag format can be found in EQMS Document # **PRO SQE - TL - 0000035**. Subsequent shipments may be inspected to verify the effectiveness of the corrective action.

10.0 SHIPPING

10.1 PACKAGING REQUIREMENTS

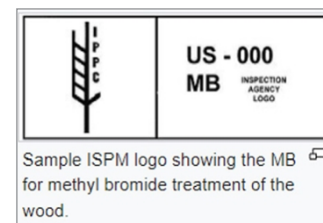
General guidelines for the labeling, packaging and shipment of materials are defined in EQMS Document # **EXT SUP - PCD - 000004**. All shipments shall follow applicable Mercury Marine standards; however, it remains the supplier's responsibility to provide parts that are free from shipping and handling damage.

In compliance with U.S. Customs requirements, any packaging not included in the piece price must be noted as a separate line item on the invoice.

10.2 ISPM 15 COMPLIANCE (Wood Packaging)

ISPM 15 was adopted by the World Trade Organization (WTO) in March 2003. It mandates all internationally shipped solid wood packaging material is required to be heat treated (HT) or fumigated (MB). The IPPC stamp is required to be applied to at least two opposite sides of the wood packaging unit. In compliance with ISPM 15, Mercury Marine requires from all suppliers that the packaging be:

- Heat treated or fumigated
- Debarked (Free of Bark) - (European Union 2009)
- Stamped / Branded with a mark of compliance



Sample ISPM logo showing the MB for methyl bromide treatment of the wood.

Mercury also requires written confirmation from each supplier, verifying their compliance with these requirements to be kept on file. *More information regarding ISPM15 can be found at:* <https://www.ippc.int> and <http://www.aphis.usda.gov>



10.3 TRANSPORTATION

Routing methods and transportation carriers are provided to suppliers as specified on the purchase order, contract, or by the buyer, from each Mercury Marine facility. Any changes will be communicated accordingly to the supplier by the appropriate Mercury Marine buyer, or by the Mercury Marine transportation department. Suppliers are responsible for shipping in consistent box quantities which meet the weight requirements. Suppliers may be required to provide copies of shipping documentation including a signed bill of lading with the signature of a Mercury Marine employee.

10.4 SHIPPING DISCREPANCIES

Shipping discrepancies for whatever reason have the potential to negatively impact customer relations, create processing delays, create inventory errors, disrupt production, and may negatively impact financial transactions. It is how shipping discrepancies are managed, communicated and reacted to that is most important to mitigate risk to Mercury Marine.

E-mail notifications are sent to suppliers when shipping discrepancies involving their materials are identified at one of our facilities. The purpose of the e-mail is to alert the supplier and provide details of the discrepancy so appropriate corrective actions can be taken to minimize impact to Mercury Marine facilities.

A discrepancy charge-back fee of **\$400** may be assessed for each shipping discrepancy. Shipping discrepancies subject to administrative fees include, but are not limited to the following:

DESCRIPTION	DISCREPANCIES
Advanced Shipping Notice (ASN)	Missing Incorrect Manual receipt vs. electronic receipt
Shipping Paperwork	Missing Incorrect Incomplete
Shipping Labels (B-10)	Missing Incorrect Incomplete
Material Receipts	Short Shipment Over Shipment Incorrect Shipment
Mercury Marine Packaging	Non-Compliance
Transportation	Routing Errors

The supplier is entitled to dispute any charges. Disputes must be submitted in writing with the applicable discrepancy number and sent to their respective supply chain analyst via e-mail. Disputes must be submitted within 90 days of the debit posting to the supplier's account. Mercury Marine will not research debits that are older than 90 days.

11.0 WARRANTY

Suppliers shall warrant all materials and services provided to Mercury Marine and ensure that they comply with all specifications and requirements. All supplied materials and services furnished through Mercury Marine, or the supplier shall be free from defects in workmanship and material.

Failure analysis to determine root cause may be completed on returned materials. Non-conformances deemed to be the responsibility of the supplier may be debited for the recovery of material and labor costs incurred by Mercury Marine.

12.0 REGULATORY

Mercury Marine products are variously certified for sale and use in the global marketplace. To achieve and maintain these certifications, Mercury Marine must comply with many regulatory guidelines and our ability to achieve this is directly affected by the components provided by our suppliers. When components are required to be compliant with any of these regulatory requirements, the supplier will be made aware of those requirements. However, Mercury Marine expects its suppliers to be knowledgeable about how the suppliers' products will be used, and to be proactive in assisting Mercury Marine in meeting these various regulatory requirements.

All purchased materials shall satisfy current governmental and safety constraints on restricted, toxic and hazardous materials; as well as environmental, electrical and electromagnetic considerations applicable to the country of manufacture and sale. The supplier must follow U.S. Customs security regulations if involved in importing goods to the United States.

Suppliers are responsible for complying with all applicable transportation, shipping and packaging laws, and regulations in accordance with the goods being shipped, both domestically and internationally. This includes, but is not limited to, United States Department of Transportation (USDOT), International Air Transportation Association (IATA), and International Maritime Dangerous Goods Code (IMDG) laws and regulations.

All hazardous material shipped to Mercury Marine shall be accompanied by an SDS to be written in a 16 Part format following the ANSI Standard Z400.1 / 2129.1 2010.

12.1 CUSTOMS – TRADE PARTNERSHIP AGAINST TERRORISM (C-TPAT)

This section applies only to suppliers that import product into the United States. The C-TPAT program is U.S. Customs and



Border Protection's premier trade security program. The purpose of C-TPAT is to partner with the trade community for the purpose of securing the U.S. and international supply chain from possible intrusion by terrorist organizations. More information on C-TPAT can be found on the C-TPAT website: <https://www.cbp.gov/border-security/ports-entry/cargo-security/ctpat>

Mercury Marine strives to work in conjunction with its international suppliers to make the supply chain more secure. To that end, Mercury Marine requires suppliers to:

- Complete and return the C-TPAT annual questionnaire
- Assist the appointed Mercury Marine employee with a site visit
- Refine security as the site visit may require, and as directed by U.S Customs and Border Protection (*USCBP*)

It is our goal to demonstrate C-TPAT compliance to USCBP. C-TPAT is an ongoing process, and Mercury Marine will continually strive to maintain its certification.

12.2 FREE TRADE AGREEMENT (FTA) /COUNTRY OF ORIGIN REQUIREMENTS

To support Mercury Marine's compliance with U.S. and international trade regulations, suppliers must provide accurate country-of-origin data and tariff classification details for all supplied parts. This information is required to support Mercury Marine's import/export activities and regulatory compliance.

Supplier Requirements:

- Suppliers must provide the country of origin and the six-digit Harmonized Tariff Schedule (HTS) code for every part number supplied.
- Country of Origin (CoO) Certificate, or
- USMCA Certificate of Origin (for qualifying goods)

Submission and Maintenance:

- Annually, Mercury Marine will request origin and FTA certificates via Thompson Reuters, One Source. A request will come from FTA Solicitation - gtm_fta@thomsonreuters.com to collect origin/FTA information. All certificates must be entered, maintained, and updated in Thomson Reuters OneSource for supplier scorecard points.
- Certificates of Origin as well as USMCA certificates are valid for one (1) year and must be renewed annually.

Change Management:

- Suppliers must provide written notification to Mercury Marine of any changes, including:
 - Country of manufacture
 - Qualification status under USMCA
 - Any other data impacting the certificate

12.3 IMPORT DOCUMENTATION REQUIREMENTS

Where applicable, foreign suppliers are required to provide all necessary documentation necessary to facilitate customs entries or transactions. This includes but is not limited to:

- Packing list
- Commercial invoices; which must include
 - Country of origin statement
 - Quantities
 - Part numbers and descriptions
 - Values, specifications, and quantities
- Other documents as required

Upon occasion, additional documents are required to support other government agencies. Such documents are also required to be submitted with each shipment. Examples include LACEY forms(wood), EPA or emissions forms, mill certificates (copper, steel, and aluminum articles) or other forms required by US CBP.

13.0 FINANCIAL

13.1 SUSTAINABILITY

Mercury Marine is committed, and expects equal commitment from Suppliers, to meeting 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 stakeholders.

13.2 PAYMENT PROCESS

The following items define Mercury Marine's process for Payment:

13.2.1 EVALUATED RECEIPT SETTLEMENT (ERS)

Mercury Marine's strategy is to implement programs to continuously improve processes and cost that are mutually beneficial to Mercury Marine and its suppliers. It is Mercury Marine's belief that Evaluated Receipts Settlement (ERS) will significantly improve the efficiency of the payment process. This process for settlement of goods is preferred for suppliers providing production materials. ERS eliminates the need for suppliers to prepare and furnish an invoice in settlement of the sale of goods to Mercury Marine. Suppliers will be paid based on the quantities received using the supplier provided ASN or packing slip number at the unit price established on the purchase order agreements with Mercury Marine. It will remain the suppliers' responsibility to audit payments against confirmed shipments. The elimination of invoices (both paper and electronic) represents significant cost savings for both Mercury Marine and suppliers. For suppliers who are unfamiliar with ERS, additional details and implementation



guides are available from Mercury Marine. Any ERS payment issues need to be resolved with the Buyer in a timely manner.

13.2.2 ELECTRONIC FUNDS TRANSFER

Mercury Marine prefers suppliers to utilize electronic fund transfer (EFT) as a means of receiving payments and remittance details. EFT dramatically improves the efficiency of the payment and remittance process. Mercury Marine's EFT payment process offered to suppliers consists of the following:

- I. Funds transfer via the National Automated Clearing House Association (NACHA) standards. This is sent to the bank designated by the supplier.
- II. Funds transfer by electronic wire transfer via SWIFT standards. This is sent to the bank designated by the supplier and could include an intermediary bank designated by the supplier.
- III. Options exist for suppliers to receive remittance detail and is dependent upon the suppliers needs and / or capabilities:

ANSI X12 Remittance Advice (EDI transaction set 820). This data can be sent to a Value-Added Network (VAN) designated by the supplier or to a bank designated by the supplier.

Email sent directly to a supplier's specified email address.

For suppliers who are unfamiliar with EFT, additional details and implementation guides are available from Mercury Marine.

13.2.3 PAY ON CONSUMPTION

Suppliers are encouraged to utilize Mercury Marine's Pay on Consumption program in settlement of the sale of goods, which means that Mercury shall enter payment into its cash term payment cycle on the fabrication of Mercury Marine's finished goods, or when such products are shipped to another of Mercury Marine's facilities.

Suppliers participating in this program will benefit from daily transmitted inventory levels, in transit inventory not yet recorded when utilizing electronic ASN's and consumption activity on products supplied, which will make possible collaborative planning between Mercury Marine and supplier and a resultant reduction of total supply chain inventory and cost.

13.2.4 ASSISTS

Mercury Marine was accepted by U.S. Customs into the Reconciliation program. Suppliers are no longer required to include a statement detailing the value of any assist provided on the first production invoice and the method of payment of such assist.

RECORD RETENTION REQUIREMENTS

Mercury Marine requires as a minimum, that suppliers retain the following records for the time specified.

Calibration Records	Superseded + 10 Years
Corrective Action Records	Resolution + 5 Years
Inspection Records	Current Year + 3 Years
Internal Audit Records	Current + 2 Prior Audits
KPC/KCC Records	Current Year + 5 Years
Management Review Records	Current Year + 5 Years
Non-conformance Records	Final Resolution + 5 Years
PPAP Documentation (Both submitted and retained)	Life of Product + 1 Year
Product Specifications & Drawings	Life of Product + 20 Years
Certificates of origin	Current Year + 6 Years
Sub-tier Purchase Orders	Current Year + 6 Years or 9 years from import/export data (if subject to duty drawback), whichever is longer
Tooling Specification & Drawings	Life of Part + 5 Years
Training Records	Duration of Employment



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