Supplier Handbook

MAN-AQ2601-A

FOREWORD

Arctic Cat Inc., based in Thief River Falls, Minnesota, designs, engineers, manufactures, and markets snowmobiles and off-road vehicles, as well as related parts, garments and accessories. The Arctic Cat brand name has existed since 1962 and is among the most widely recognized and respected names in the recreational vehicle industry.

Arctic Cat is committed to ongoing innovation and to continued improvements in the quality and performance of its products, as well as product diversification. The vehicles are tested in conditions and locations similar to those in which they are used.

For more information visit: www.arcticcat.com.

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1. Purpose

This handbook provides an overview of certain Arctic Cat policies and procedures that affect and relate to our supply base. The handbook provides a summary of the items that employees regularly receive questions on while being concise enough that it is easy to use and adds value. Contents apply to production parts as well as service parts, oil, lubricants, garments and accessories. Certain requirements applicable to Suppliers are set forth in separate documents incorporated by reference, including the Global Trade Compliance Supplement, Purchase Order Terms and Conditions, and Supplier Code of Conduct and Ethics.

■ NOTE: This book is not necessarily all-inclusive. Arctic Cat reserves the right to modify, revoke, amend, or change any or all of these policies or procedures at any time without prior notice.

2. Mission Statement

To establish and manage a network of Suppliers who focus on processes, controls, and continuous improvement of their performance, efficiency, quality, and costs. By focusing on quality, cost, and waste elimination throughout the supply chain, Arctic Cat and the supply base can realize mutual benefits.

3. Safety Statement

The safety of our employees, Suppliers, customers, and guests is of utmost importance to Arctic Cat. All Suppliers, Contractors, and their representatives who enter our site are expected to conduct their activities in a safe, responsible, and professional manner and to comply with all applicable federal, state, and local safety regulations, as well as all site-specific safety rules and procedures. Before and during their visit, Suppliers must familiarize themselves with and follow all posted safety requirements, warnings, and instructions provided by site personnel. This includes, but is not limited to, wearing required personal protective equipment (PPE), following designated walkways, obeying traffic and equipment rules, all applicable personal safety equipment must be worn by anyone entering a manufacturing, fabricating, or testing area. Safety glasses and ear plugs are available at the front desk and at various other locations throughout Arctic Cat's facilities. The disposition of all suspect and nonconforming products will be made with the safety of our customers in mind.

4. Code of Conduct

Arctic Cat is committed to treating all individuals with respect and dignity and protecting the environment. We believe these principles should be reflected throughout our supply chain and embraced by Arctic Cat Suppliers. Suppliers are required to comply with our Code of Conduct policy as a condition of doing business with Arctic Cat.

5. Proprietary and Confidential Information

All Arctic Cat's designs are confidential and proprietary. Suppliers are required to sign Arctic Cat's Non-Disclosure Agreement (NDA). Sharing information is a vital part of doing business, so it is important that all parties involved are aware of the terms and conditions associated with any applicable agreement (including the NDA). Suppliers will be liable for any losses or damages Arctic Cat incurs as a result of the confidentiality agreement not being met.

Jointly designed products and Supplier designed products may also be purchased. The degree to which a Supplier's proprietary information is shared must be agreed upon by Arctic Cat's Engineering, Supply Chain, and Quality Departments. If no agreement is referenced on the PO, the Supplier shall share all design and processing information.

6. Arctic Cat Lean/Sigma Program

As part of the integration of Lean Sigma into Arctic Cat, we will periodically invite key Suppliers to attend on-site training seminars designed to provide mutual involvement in continuous improvement projects. Projects will range from formal Lean Sigma Green Belt Training to Kaizen Events. Lean Sigma concentrates not only on lean manufacturing topics including 5S, waste elimination, process mapping, quality tools, cellular manufacturing, kanban, and safety tools, but also 6 Sigma Methodology. The Arctic Cat's Lean Sigma program uses employee empowerment to achieve common goals in relation to the projects chosen. Projects will range from the execution of Kaizen Events to the completion of DMAIC based Sigma Projects. The results of the program reflect process improvements and cost reductions for both companies.

7. Arctic Cat's Business Processes, Policies, and Requirements

I. New Supplier Approval

Potential Suppliers are required to be approved by the Quality & Supply Chain Departments prior to being awarded production parts. Arctic Cat's Quality Systems Survey (QSS) needs to be completed by the Supplier and submitted to the SQE assigned to the company. An on-site evaluation may be required to determine if the Supplier scores in the "Approved" category. Production volumes of the parts, criticality of the parts, and basic Quality System knowledge of the company are considered when determining if an on-site evaluation is required.

Controlling Supplier Sub-Contractors (Tier Two Suppliers) Purpose: Clarify expectations for Tier Two Supplier control.

Scope: All Tier Two Suppliers affecting the quality of supplied components, accessories and materials.

Process: Suppliers need to ensure the quality of their incoming materials and components. This assurance should be established either through a formal Tier Two (sub-contractor) quality program, receiving inspection, or some combination of these methods. The Supplier is responsible for the quality of their sub-contractors.

Initial correspondence regarding commercial items should be directed to Arctic Cat Sourcing. Initially, a strength, weakness, opportunity, and threats (SWOT) analysis along with a financial background review will be completed. If Arctic Cat Sourcing determines there is potential for doing business, Non-Disclosure and Design Compliance agreement forms will be forwarded to the potential Supplier to be signed and returned. After all required forms are signed, Arctic Cat Sourcing will review the (SWOT) analysis and financial background with the Quality Department's QSS, and other performance requirements such as cost competitiveness, delivery performance, and technology. Once an "Approved" QSS score is achieved and the other performance requirements are confirmed, the Supplier is eligible to participate in Arctic Cat's quoting process.

II. Quality Systems Survey (QSS)

Arctic Cat's Quality Systems Survey is an objective evaluation tool used to aid in the process of awarding work and approving Suppliers. The QSS evaluates Suppliers in 10 areas of their business. Each of the 10 areas has defined objective scoring criteria. The QSS allows Arctic Cat to minimize its supply risk by awarding work to Suppliers who have a comprehensive Quality System which efficiently administers the checks and balances needed to ensure the products delivered fulfill print requirements.

Based on the results of a Supplier's QSS, a pre-defined rating will be given; Approved, Conditionally Approved, and Disapproved are the three ratings a Supplier may receive. Suppliers receiving an Approved rating are eligible to quote on supplying production parts. Suggestions for improvement opportunities may be communicated to the Supplier. Suppliers receiving a Conditionally Approved rating may also quote production parts, but action items will need to be completed within a defined period by the Supplier to bring their rating up to the Approved level. Suppliers receiving a Disapproved rating cannot be selected to supply production parts. Action items will be shared with the Supplier, so the improvements needed to become an Approved or Conditionally Approved Production Supplier can be pursued.

III. Supplier Performance Scorecard & Rating System

The Supplier Performance Scorecard (SPS) is a continuous improvement mechanism to track Supplier progress towards meeting Arctic Cat’s goals and gives feedback to the supply base on their individual performance. The SPS will apply to those Suppliers defined by the Arctic Cat Sourcing team and measure the following critical elements that in turn support our corporate objectives.

Arctic Cat Corporate Objectives

Quality - 550 PPM or less

Supplier Delivery - 98% On time in full delivery

Costs - 5% landed cost reduction (Year Over Year)

Safety - 30% improvement per year (lost time and incidents

Key measures in the 100-point Scorecard are:

1. Quality - 40 Points
2. Delivery/ Service - 50 Points
3. Cost – 10 Points

Supplier Performance Objectives

Preferred - 90-100 Points

Sustaining - 70-89 Points

Probation - 69 and below. If a Supplier obtains a probationary score for two consecutive quarters, no new business will be awarded. To be removed from probation, a corrective action or plan along with improved performance is required.

IV. Supplier Probation

Suppliers who have ongoing performance issues or have shown a significant deterioration in performance will be put on probation. Removal from probation can be completed either by improving the SPS or approval by the Director of Quality or Director of Supply Chain. Probation allows Suppliers an opportunity to prove they can provide conforming products that meet Arctic Cat's expectations and deserve the opportunity to supply parts. Consequences of Supplier Probation are:

- The Supplier will need to submit a comprehensive action plan with a timeline that details the controls which will be implemented to eliminate all performance issues. The plan should be submitted as a Corrective Action response (8D format).
- New quoting will cease.
- Quotes in process will be terminated.
- A meeting in which the Supplier will present the corrective action measures will need to occur within 90 days.
- Supplier may be required to hire and pay for a 3rd party to inspect parts.
- Business with Arctic Cat will be lost if the performance issues are not resolved to Arctic Cat's satisfaction.

V. Request for Quote (RFQ) Process and Awarding Work

The Arctic Cat Sourcing team will typically send out RFQ to multiple competent Suppliers from the established base of Suppliers for new parts. They will negotiate purchase terms as a part of making the final selection of the Supplier. If the part has been used in a prior model, then multiple Suppliers' quotes will usually be obtained only if there has been a problem with the existing Supplier or a significant change in the price of the part. Based on quality, delivery, cost performance, and other relevant considerations, the Arctic Cat Sourcing team will award the business accordingly.

At minimum RFQs should include tooling, specialty gauging requirements, packaging, unit costs, unit of measure, and any exceptions. Exceptions to the print must be communicated to Arctic Cat Sourcing for review. Exceptions will be forwarded to the Design Engineer to determine if the exceptions will be approved, and the Supplier will be notified through the Sourcing team.

The following chart illustrates the steps in the Supplier Selection and Approval Process. The Supplier Performance Scorecard is in addition to the selection process that allows for continued monitoring and improvement.

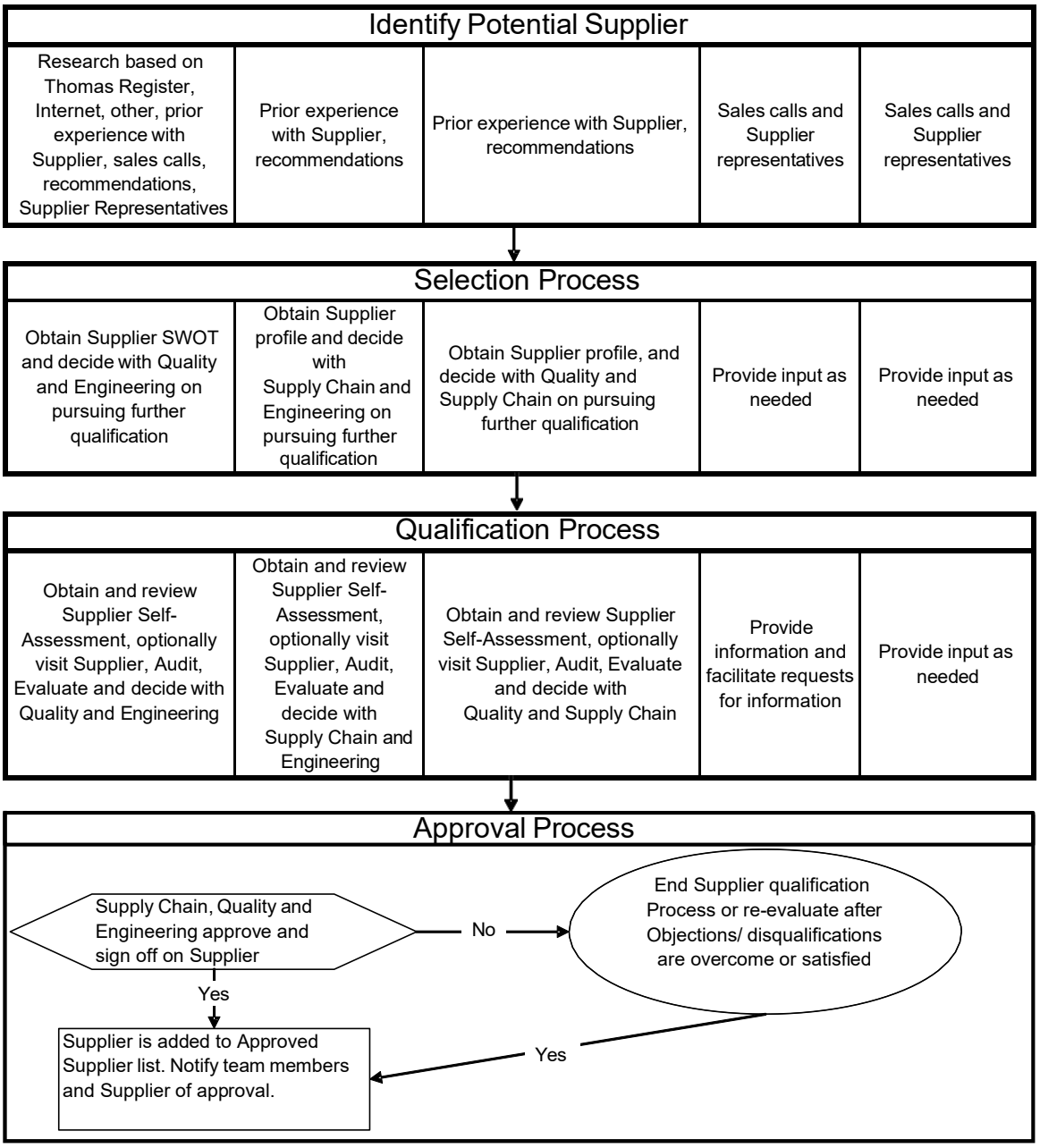


chart1

VI. Purchase Order (PO) Process

Once a Supplier has been chosen to supply a particular part, the following occurs:

If tooling, gauging, packaging or other specific requirements are needed, a tooling purchase order will be issued along with a purchase order or scheduling agreement (blanket PO) for production part requirements. If no tooling is required, then just a purchase order or scheduling agreement will be issued. A copy of all purchase orders will be transmitted through Ariba, mailed, faxed, or e-mailed to the Supplier. An electronic or written acknowledgement indicating the PO has been received is required from the Supplier within 2 business days for all purchase orders being received. Price adjustments require the scheduling agreement or PO to be revised, approved, and acknowledged again before becoming effective.

Two sample parts are required to be submitted to Arctic Cat a minimum of 8 weeks prior to the first Product Validation Build (PVB) that uses a part which requires the PPAP process to be completed. If the part is an engine component, the two parts for PPAP are required to be submitted to Arctic Cat no later than 16 weeks prior to the first engine PVB. Two sample parts are required to be submitted to Arctic Cat a minimum of six weeks prior to the first PVB that uses a part which requires Arctic Cat's FAIR process to be completed. Arctic Cat will specify if PPAP or FAIR requirements are needed for each part by including a line item on its scheduling agreement (blanket PO) which indicates one or the other. PPAP submissions need to be shipped to the assigned SQE's attention, and FAIR samples need to be shipped to the Quality Department using Arctic Cat's pink Sample Submission label.

After a PPAP or FAIR approval has been received by the Supplier, production parts and service parts will be shipped in accordance with the requirement shown on the Supplier Portal.

The various PO types used by Arctic Cat are defined below:

Purchase Orders and Scheduling Agreement (Blanket PO):

Part features must meet print requirements, or an approved temporary deviation for the nonconforming feature(s) needs to be included with the shipment.

The ASN number must be included on the label, packing slip, and invoice. Must have proper label(s) (see XV. Development Stages and Processes).

Standard PO:

Start with a '100' Series Number

Used for tooling and non-production parts (ex. samples, prototypes, etc.).

The PO number is required to be referenced on the packing list and shipping label(s) along with the recipient's names (ex. ATTN: John Doe) (see XV. Development Stages and Processes).

Returns PO:

Start with a '700' Series Number

Used to return items for credit (ex. non-conforming material).

VII. International Shipments

Document Requirements - International shipments to Arctic Cat require specific documentation and reporting requirements specific to each international movement. A full set of the specified documents must be sent to Arctic Cat's designated broker and respective Buyer. Additionally, two full sets of these documents must be provided with physical goods shipments. The documents are to be placed with the shipment in two individual packets clearly stating "Broker/Freight Forwarder" and "Consignee." If multiple containers are present, the containers must be numbered, and documents must be included in container number one.

Advance Shipping Notices (ASN) are required to be processed at the time of shipment in the Arctic Cat Ariba portal

- Please note 9-character max

Please refer to the Global Trade Compliance Supplement for detailed requirements on documentation requirements specific to US import shipments, as well as requirements for shipments destinated to alternative Ultimate Destinations.

Shipping and Routing Guides

- Reference Global Trade Compliance Supplement as well as any applicable Arctic Cat routing guides.

VIII. Supplier Ariba Portal

Arctic Cat has an interactive website available for the supply base to obtain information regarding business procedures, transactions, and view the combined performance between Arctic Cat and the Supplier. It is a complete system in which Suppliers can see their requirements, create compliant bar code labels, and submit ASNs (advanced shipping notices). A Supplier can also contact any member of the Sourcing Team for this information.

Arctic Cat updates the requirements on the Supplier Portal. ASNs are absorbed into the system before the MRP runs. It is expected that Suppliers will review the Supplier Portal every business day. This ensures they have the most current information available from Arctic Cat.

In the event a representative of the Supplier changes or leaves the organization, it is the responsibility of the Supplier to contact the respective Buyer to notify them of the required modification.

IX. Component Producibility Review (CPR) Process

Purpose: To ensure safety, quality, delivery, and cost of newly procured production parts.

Scope: This procedure applies to part numbers at the discretion of the Sourcing and Quality Managers. In addition, this procedure minimally applies to part numbers that meet ALL the following criteria:

- New part numbers & new Suppliers for current production parts
- Requires tooling
- Meet PPAP requirements of Section XIV of the Arctic Cat Supplier Handbook

Team Member Roles:

Sourcing Manager - owns the CPR process.

SQE - facilitator of the CPR meeting & form.

Design Engineer - communicate design intent and specifications.

Manufacturing Engineer - provide packaging requirements/suggestions and container size or weight limitations.

Supplier's Sales - ensure the correct pricing and lead time information is listed

Supplier's Production - ensure the product's features and tolerances are manufacturable

Supplier's Quality - confirm the product requirements are measurable, and control measures will exist to ensure rejects will be detected and contained.

Process:

- The process starts with the engineer, through the creation of a print PDF (un-released) and CAD model (zipped). The engineer also emails the Sourcing Manager with the details.
- The Sourcing Manager is responsible for choosing the Supplier, scheduling the meeting, and notifying CPR participants (Engineering, Quality, Production, and the Supplier). An internal meeting 30 minutes prior to the Supplier meeting is recommended.
- The expectation is that the CPR meeting will be conducted within 15 working days of the PDF being placed in the unreleased directory (2-week quote plus 1-week schedule or per project timeline). Action Items will be given one week for completion after the CPR meeting has been conducted. If CPRs and quoting activity take longer than this 4-week timeframe, the Sourcing Manager will need to consider project deadlines. Attendees should be given at least 2 business days' notice prior to the meeting.
- The Supplier Quality Engineer is responsible for conducting the meeting and ensures thorough completion of the forms. When complete, the forms are forwarded to the QA Administrator.
- If a team member cannot attend the CPR meeting, they are responsible for finding a stand-in for the meeting.
- At the concept phase, sign-off of CPR with open action items is acceptable, at the discretion of the CPR team members. At design freeze & PVB phases, all action items must be completed prior to sign-off.
- The form must be signed by all AC team members and Supplier team members prior to a tooling PO being created. At minimum, AC signatures will include Sourcing Manager, Design Engineer, & Quality Engineer. At minimum the Supplier's signatures will include Sales, Production, and Quality. The Sourcing Manager will monitor the signatures.

■ **NOTE: CPRs may be combined into part families**

X. Current Revision Released Prints

To ensure timely progress it is imperative that Suppliers only use the current revision level of Arctic Cat's released print when they create tooling, measure parts, or complete any other task associated with the print requirements. Today's technology allows Arctic Cat and our Suppliers to communicate very efficiently by sharing electronic files. It is not uncommon for Arctic Cat to share unreleased prints with Suppliers. This is done to procure prototype parts, receive preliminary pricing, ensure print requirements are within the Supplier's capabilities, or for a variety of other reasons. The information below allows Suppliers to determine if the Arctic Cat print, they are viewing is released or not. Non-released prints should be marked as such while they are being evaluated and viewed. Non-released prints (hardcopy or electronic) as well as previous revision levels must be marked obsolete and dated upon receipt of the newly released print and retained according to your company's policies on record retention.

Released Print Revision

REVISION					
SYM.	DESCRIPTION	ECN NO.	DR.	DATE	CK.
A	NEW RELEASE	62688	CF	2/21/05	ME

release1

A released revision will have all fields in the revision block filled in. The example above shows a released REV A revision block.

Un-released Print Revision

REVISION					
SYM.	DESCRIPTION	ECN NO.	DR.	DATE	CK.
A	NEW RELEASE				

release2

The above example would be typical of a prototype part. If all the fields in the revision block are not filled in, the print file is a non-released version, and the released print may not match.

XI. Industry Workmanship Standards

In the absence of defined Arctic Cat Specifications, applicable industry standards may be applied.

XII. Electronic 3D CAD Data Files

All unspecified dimensions for new part number drawings released after August 24, 2009, are to be derived from the 3D CAD model. Since not all Suppliers use Unigraphics as their native CAD software, all models are also created as .stp and Parasolid models as well, with the part number and revision matching the corresponding native Unigraphics file since March 4, 2022.

XIII. Print Change Requests (PCR)

Suppliers may find justification to submit a print change request to Arctic Cat. Such requests should be sent to Arctic Cat Sourcing and the release engineer on the print who will determine if the change is acceptable. The names, phone numbers, and e-mail addresses for the release, project, or design engineer's initials can be obtained from the Quality Engineer or Arctic Cat Sourcing. The initials of the engineer who should be contacted about a part's design are provided in print's title block, which is located on the lower right corner of the drawing. The initials of the "REL ENG.", "PJ ENG.", or "DSGN." are normally provided which will indicate who should be contacted. Effective CPRs should prevent many PCRs because all product requirements should be addressed during the CPR and quoting process. However, cost reduction PCRs are always encouraged. If the PCR is approved, those new requirements do not become active until the ECN for the change is released.

XIV. Development Stages and Processes

In the development process, engineers and Suppliers will work together in designing prototypes and sample parts to be used for research and testing. A Technology transfer agreement must be in place between Arctic Cat and Supplier prior to the exchange of technical information.

Proper procedures must be followed to ensure accurate delivery, quality, timely payments, and sample shipments. A Standard Purchase order will be placed for PPAP/ FAIR components. Arctic Cat will include a line item that specifies if Production Part Approval Process (PPAP) or First Article Inspection Report (FAIR) part submission requirements apply.

Special pink-colored adhesive labels are to be used as a visual indicator on packages containing PPAP, FAIR, and other not-for-production-inventory parts. The label includes information fields regarding what type of part, the part number, revision level, Supplier, an area designated for the recipient of the goods, and a field for the date that the part was to be shipped. The packing slip should

accompany the package and reflect the standard PO, part number, quantity, and recipient.

To not confuse sample submissions with production parts, Arctic Cat requires sample submissions to be sent in through UPS or other similar expedited means.

PPAPTAG

The definitions for prototype, sample, and production parts are listed below:

Prototype - based off design specifications to test form, fit, or function. Depending on requirements, there may be nonconformance in materials, dimensions, and/or processes.

Sample - a part of, or selection from something, that shows the quality, style, or nature of the whole.

Production - a part of our selection from something that was shipped with the intention of being used to manufacture a production vehicle, engineering confirmation vehicle, or product validation vehicle.

XV. PPAP and FAIR Requirements

If the PPAP or FAIR requirements cannot be met for an interim period, a temporary deviation must be submitted and approved prior to scheduling agreement for parts being shipped. Additional submission requirements are as follows:

PPAP

- A PPAP submission shall be completed for all new products (new part numbers, new Suppliers, revision changes, etc.) that fall under any of the following categories:
    1. Engine components - All parts which make up the engines Arctic Cat manufactures.
    2. Steering components - Suspension arms, ball joints, bell cranks, spindles, knuckles, hubs, steering posts, handlebars, steering wheels, shock absorbers, springs, skis, tires, wheels, tie rods, tilt steering column, rack and pinion steering gear, and associated hardware.
    3. Brake components - Master cylinders, calipers, brake hoses, rotors, tracks, drop case assemblies, brake levers, emergency brakes, and associated hardware.
    4. Speed control components - Throttle lever, throttle cable, emergency stop switch, and ignition switch.
    5. Fuel - Fuel tank, fuel pumps, fuel hoses, fuel filters, fuel caps, and clamps.
    6. Miscellaneous - Seat belts, canopy, electrical harnesses, and sway bar.

    ■NOTE: The items above are subject to change. Arctic Cat reserves the right to modify the list or require PPAPs for parts not listed when it is deemed appropriate. Contact your respective SQE if additional questions arise.
- PPAP parts shall be produced using the intended production equipment and processes.
- PPAP shall be submitted as soon as reasonable, but no later than 8 weeks prior to the first scheduling agreement demand. This includes the first Production Validation Build (PVB). Engine components must be submitted no later than 16 weeks prior to the first engine PVB.
- PPAP shall be submitted with 2 marked (ex. A & B or 1 & 2) and measured parts per mold, die, cavity, fixture, etc.
- PPAP shall include a copy of Arctic Cat's print that has all the features and requirements numbered (i.e., ballooned). The number marked on the print must correlate with the inspection line number used on the Supplier's inspection report to audit that feature or requirement.
- The PPAP inspection report shall include a column that indicates what type of measurement tool was used to measure the feature or requirement.
- PPAP shall comply with Level 3 requirements unless otherwise approved by the SQE.
- PFMEA RPN over 100 should be addressed through a documented process.
- General rules and guidelines are per AIAG.
- See the PPAP Process Flow diagram.
- A FAIR submission will not be an acceptable substitute.

FAIR

- FAIRs are required for all production intent products that do not fall under PPAP above. Suppliers that already provide PPAP under their normal system may follow the PPAP rules at their discretion.
- FAIR samples shall be produced using equipment intended for production and processes.
- FAIRs shall be submitted with 2 marked and measured parts per mold, die, cavity, fixture, etc.
- FAIR shall include a copy of Arctic Cat's print that has all of the features and requirements numbered (i.e., ballooned). The number marked on the print must correlate with the inspection line number used on the Supplier's inspection report to audit that feature or requirement.
- The inspection reports for the FAIR shall be submitted with the samples.
- FAIRs shall be submitted as soon as reasonable, but no later than 6 weeks prior to the first scheduling agreement demand. This includes the first Production Validation Build (PVB).
- See the FAIR Process Flow diagram.

Engineering Samples

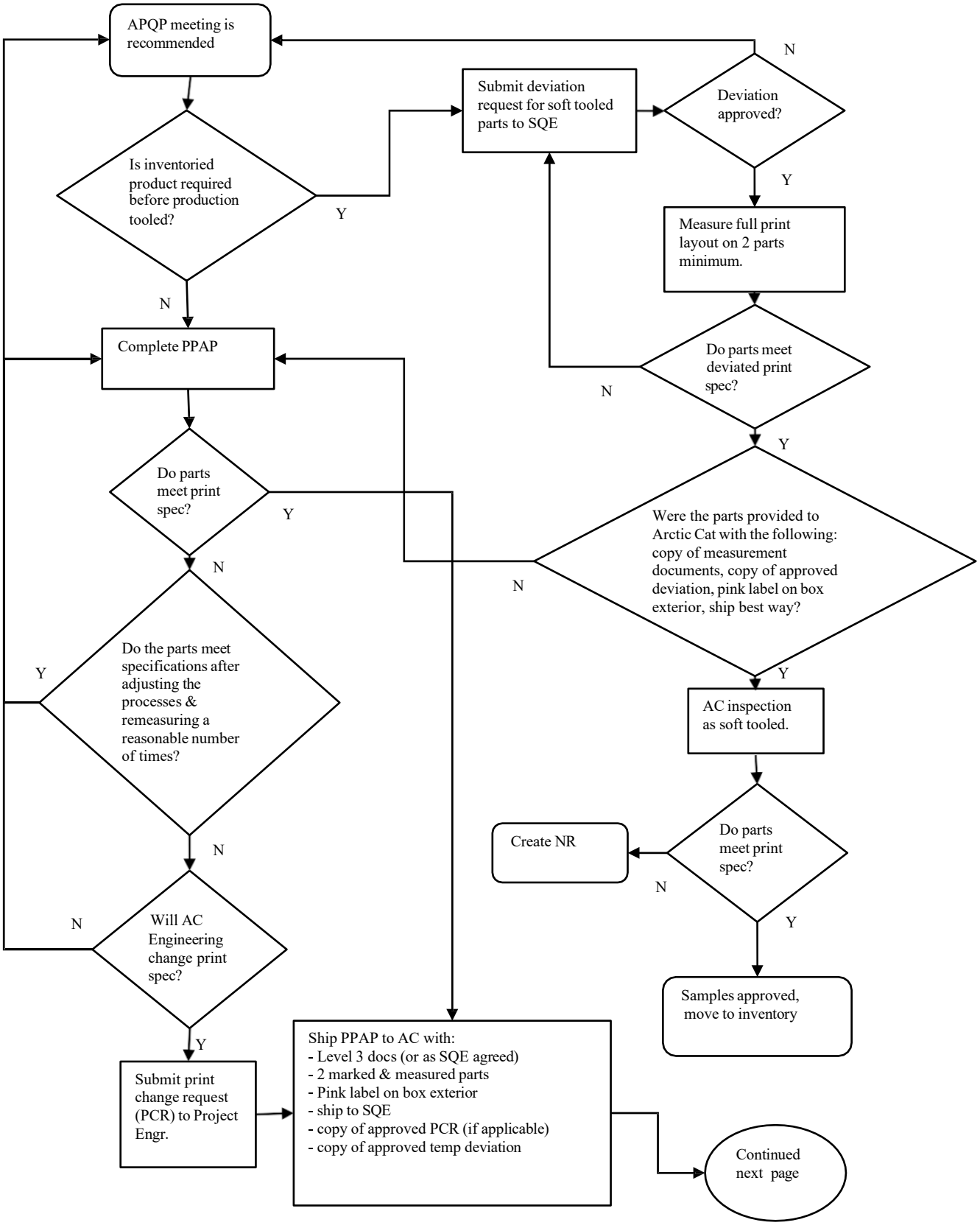
Engineering samples should be sent as follows:

1. Pink label on box to Engineer's attention.
2. DO NOT ship against an ASN (parts not inventoried).
3. Ship against the standard PO number provided by Arctic Cat's Buyer.
4. Please contact your Buyer for shipping instructions.

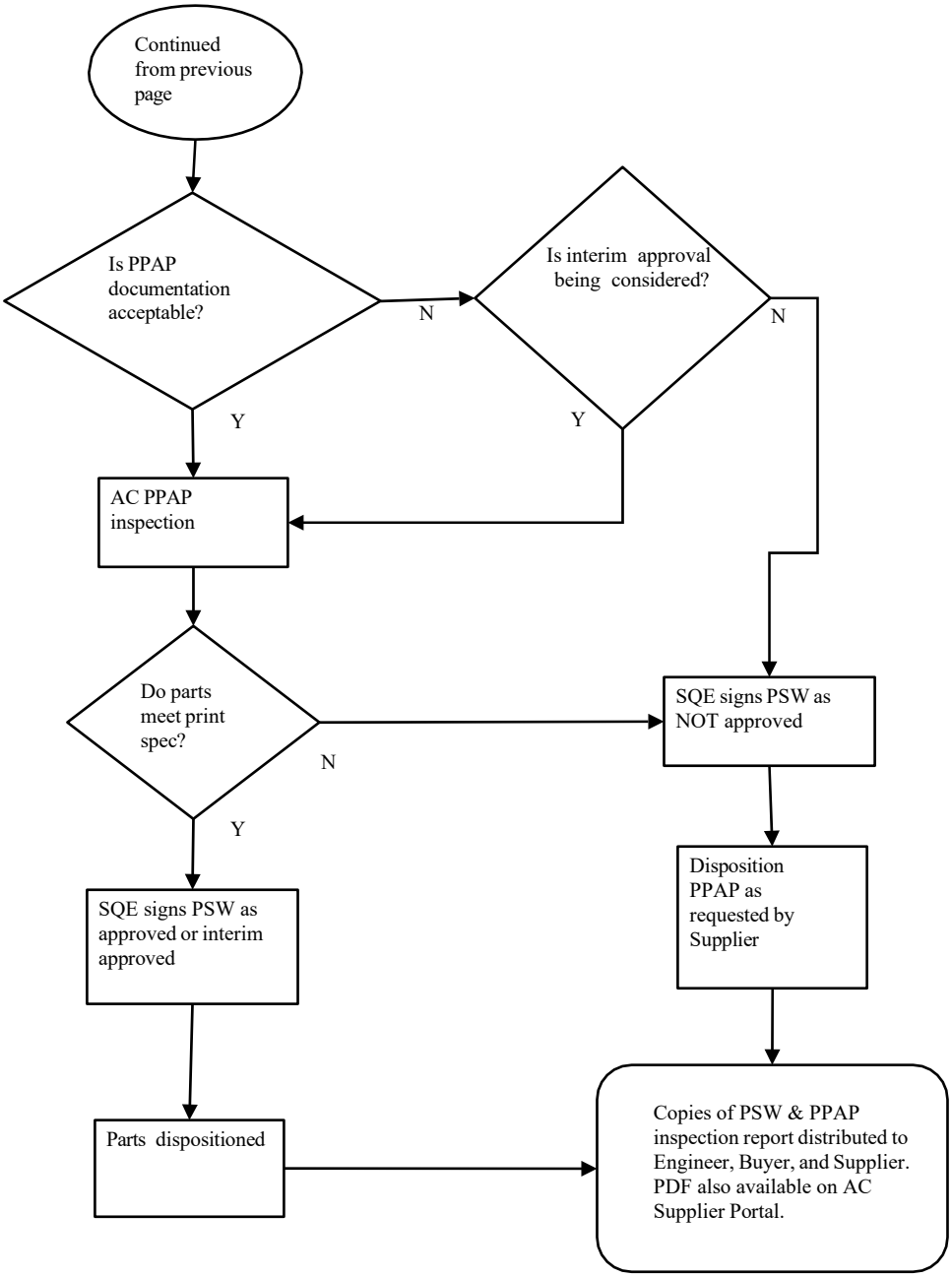
Below is a table indicating additional information about the PO type, label requirement, shipping method, and person who should receive samples. This is intended to be a guideline. Specifics should be agreed upon with Buyer.

	Charge Account		Supplier Portal Inventory Trans.		Product Label	Carrier - Note as agreed on with the Buyer		Attention To			
	ASN/ Purchase Order & Scheduling Agreement	Std./ Misc. PO/ 100 PO	Inventory	Non-Inventory	Pink Label	STD Truck (LLC)	Small Package Delivery	Quality Assurance	Supplier Quality Engineer	Engr. CTR	Product Development Coordinator (POGA)
1st Shot/ Proto ('T' Builds)		X		X	X	X	X			X	
Engr. Approval Test Samples		X		X	X	X	X			X	
PPAP		X		X	X	X	X		X		X
FAIR		X		X	X	X	X	X			X
Show/ PVB/ Pilot			X			X	X	X			
Limited Production Run			X			X	X	X			
Production			X			X	X	X			
Accessory & Samples		X		X		X	X	X			X

PPAP Flowchart below:

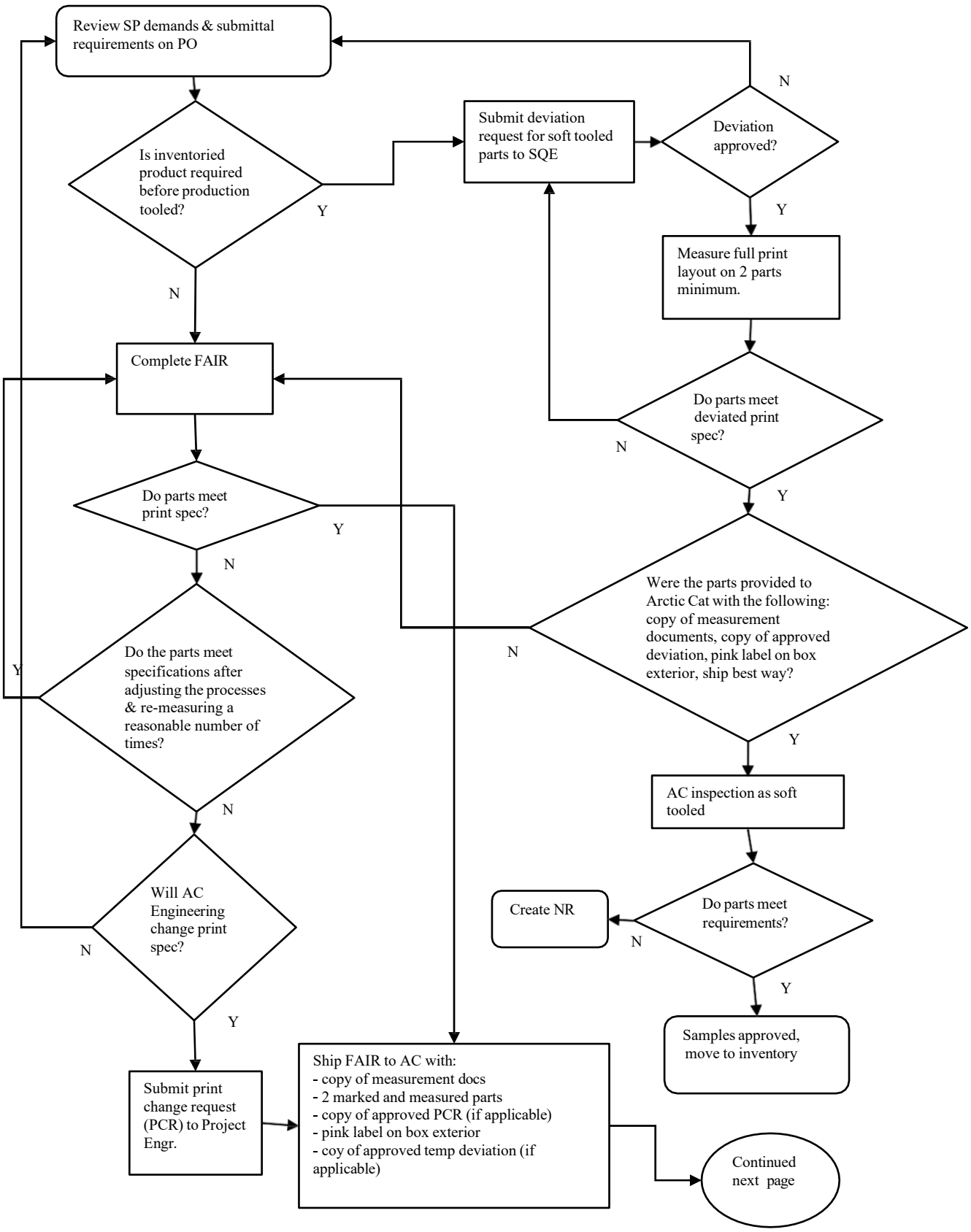


PPAP1

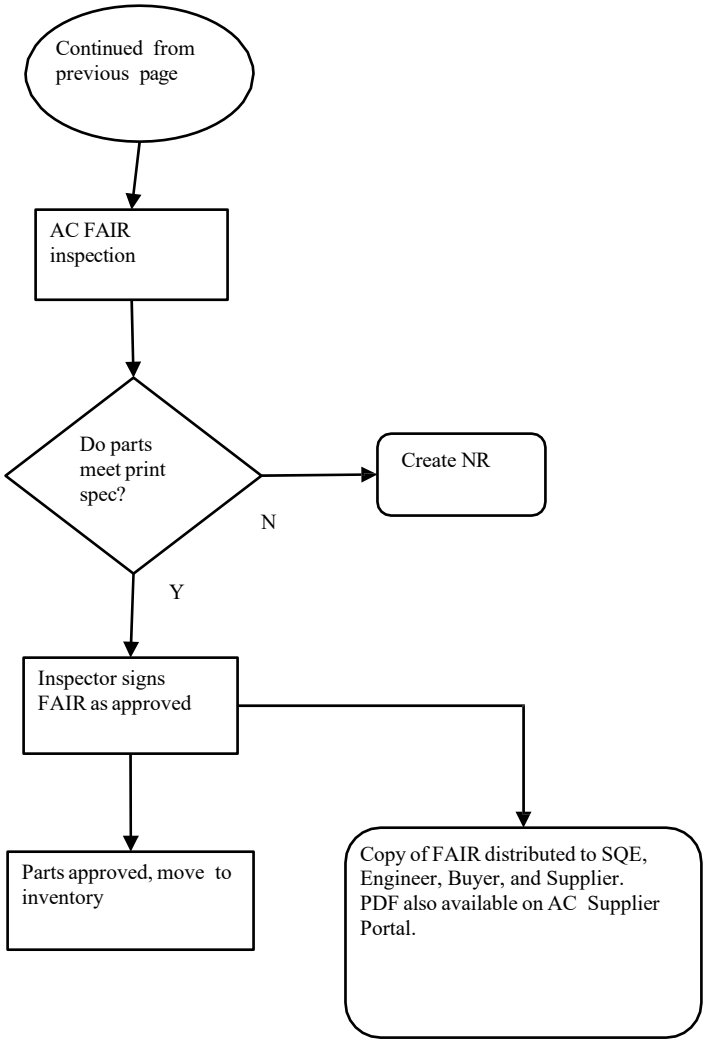

Continued from previous page
Is PPAP documentation acceptable?
N
Is interim approval being considered?
N
Y
Y
AC PPAP inspection
Do parts meet print spec?
N
SQE signs PSW as NOT approved
Y
SQE signs PSW as approved or interim approved
Disposition PPAP as requested by Supplier
Parts dispositioned
Copies of PSW & PPAP inspection report distributed to Engineer, Buyer, and Supplier. PDF also available on AC Supplier Portal.

PPAP2

FAIR Flowchart below:



FAIR1



FAIR2

XVI. Statistical Process Control (SPC) and Continuous Improvement Projects

Arctic Cat understands that continuous improvement needs to be a part of all successful businesses. Arctic Cat expects all Suppliers to practice continuous improvement methodologies in their facilities to allow us jointly to stay competitive.

SPC data and results may be required for any Supplier's product which has a history of poor part quality. This is separate from what is needed for the PPAP submission (if applicable) prior to the launch of production. Arctic Cat's SQE will determine when and if this is necessary. Any labor or resources needed to satisfy the SPC requirements will be the Supplier's responsibility since poor part quality caused the need. When Supplier parts demonstrate continued problems with conformance the Supplier may be required to certify shipments of parts as being 100% inspected and have documentation signed by the Production and/or Quality Manager stating all parts meet Arctic Cat specifications.

XVII. Temporary Deviations (DEV)

Temporary deviation requests may also be submitted in certain situations. The temporary deviation form must be submitted to the Supplier Quality Engineer, Design Engineer, Global Trade Compliance department and Buyer for assessment. The form needs to include the Arctic Cat part number affected, the feature(s) involved, range limits of the nonconformance, and requested acceptance criteria. The temporary deviation will need to have approval signatures from those three parties before being reviewed for approval by the Manager of Quality or their designee before a deviation number (ex. D00123) is assigned and marked on the form to become effective. There can only be one part number on a deviation, and a feature can only be deviated 2 times. Life-of-part deviations and deviations occurring 3 times or more for the same feature/s will not be allowed without Arctic Cat Management approval.

To avoid unneeded expenses for both the Supplier and Arctic Cat, Suppliers should inform Arctic Cat of any issues as soon as they are known.

XVIII. Notices of Rejection (NR) and Costs

NRs are created for FAIR, PPAP, PVB, Pilot, and production parts that are found to be nonconforming. The MRB team receives and dispositions all NRs. Supply Chain contacts Suppliers about NRs, receives the Supplier's disposition preference, receives the RGA # from the Supplier, and creates the Returns PO (if applicable). Engineering evaluates if the nonconforming product is fit for use. The Quality Engineer will investigate measurement concerns or technique differences brought to Arctic Cat's attention by the Supplier.

If the product is found to be nonconforming and rejectable, the information from the NR along with the MRB team's disposition will be used to create a Notice of Rejection (NR) which is sent to the Supplier. NRs are typically emailed to 2 or 3 representatives of that Supplier. Due to the need for having a quick short term CA response, it is beneficial that multiple people are in place to react promptly. If e-mail addresses are not available, the NR gets faxed to the Supplier.

A $100 processing fee will be charged to the Supplier. The Supplier will also be responsible for all rework or sorting operations that need to occur because of nonconforming products delivered by a Supplier. The Supplier should lead the efforts required to address all non-conforming products. If Arctic Cat is forced to address these nonconformances, manual rework or sort operations will be charged back to the Supplier at Arctic Cat's current shop rate. Rework or sort operations that need to be completed using Arctic Cat's mill, lathe, CMM, or Gear CMM will be charged back to the Supplier at an additional $75/hour rate on top of the shop rate.

All Suppliers will be subject to a $15,000/hour production shutdown fee if their part caused the work stoppage. The shutdown could be caused by nonconforming product being at Arctic Cat's facility, or it could be due to a late delivery or failure to ship. These fees are used to help recoup a portion of expense Arctic Cat incurred due to lost revenue, overtime paid, efficiency reduction, and increased shipping charges caused by Suppliers' nonconforming products. Arctic Cat will work with the Supplier to determine an effective cost and quality focused solution when nonconforming products force print requirements to be deviated.

XIX. Low Cost and Frequency Program

Purpose: To speed up dispositioning infrequent and/or low dollar value rejected material efficiently. This process is meant to address those parts/components that have not caused any collateral damage, and it is clear that the issue belongs to the Supplier.

Scope: This process will affect rejected product quantities based upon dollar value and frequencies. Part(s) qualifying will be eliminated from inventory without involvement in the NR process (no administrative fee, request for SCAR, NIR or PPM against the Supplier). The practice of scrapping parts where the cause of the nonconformance is Arctic Cat will not change.

Part Value	Frequency	Action	Maintain Spreadsheet	Debit Supplier
</= $1.00	<50/day	Scrap	Yes	Yes
$1.01-$99.99	Any frequency accumulation </= $99.99/day	Scrap	Yes	Yes
>/= $100.00	1/day	NR Generated	Yes	Follow NR Arctic Cat Process

■ **NOTE: Parts causing rework or line down will be evaluated by the SQE for inclusion or exclusion from this process.**

XX. Corrective Action (CA) Requirements

All CA's need to be submitted to the SQE, following the 8D format. The containment portion of the CA is required to be submitted within 48 hours. The remainder of the CA is required to be submitted within 2 weeks. The CA needs to identify how the root cause was determined, what the root cause was, how the root cause is being eliminated, and what measures have been implemented to ensure the nonconformance will be detected and contained in the future. Extensions may be granted if they are requested in advance of the due date and pertinent justification is provided.

XXI. Shipping Production and Service Parts

Production and Service Parts orders should be shipped per the Supplier Portal.

Production and Service parts being shipped to Arctic Cat should be packaged according to the 0891-005 Supplier Packaging Specification. A packing slip must accompany all shipments and include the following information.

- Arctic Cat Part Number
- Arctic Cat Part Description
- Quantity
- Scheduling Agreement Number
- Date
- ASN Number – No more than 9 Characters

Suppliers must also apply Arctic Cat bar code labels to the packages, pallets, and packing slips. Suppliers should follow instructions for labeling according to the bar code specifications.

The receiving department at Arctic Cat will review and verify documentation with each shipment delivered. If an error or discrepancy is found during the receiving process, the Supplier will be contacted to address the issue. Internally, at Arctic Cat, a Supplier Evaluation Form will be submitted and filed with specific details pertaining to the issue and notes regarding communication. A label having the wrong PO #, no packing list, no part number, wrong quantity, or a bar code that won't scan are all examples of issues that will be noted on the form.

Suppliers must create one master bill of lading (BOL) for each shipment and send two copies with the driver/carriers. It is not acceptable to ship multiple shipments on the same day on separate BOLs. If a blank BOL is needed to be provided, the Third-Party Logistics (3PL) can provide that at the Supplier's request. In the event additional costs are incurred due to the lack of proper shipping documents, the Supplier will be charged back for the costs.

3PL provided load/tracking number must be included on the BOL provided to the carrier at time of pick up, LTL or truckload alike. 3PL is required to provide instructions back to Supplier on shipping method and load/tracking number for each shipment.

Notification that a shipment needs to be scheduled must be made to the 3PL. For those Suppliers utilizing the 3PL, the preference is to have the shipment ready by noon.

Variances due to pop-ins and drop-ins are acceptable and acknowledged. As a result, total shipment quantities may vary based on original projection supplied to the 3PL, as long as the 3PL is made aware of the change timely arrangements will be made and processed.

XXII. Returnable Containers, Dunnage, and Their Cleanliness

Arctic Cat encourages the use of returnable containers for the purpose of shipping production parts whenever it is cost effective. Contact Arctic Cat ME Manager or Packaging Engineer for information regarding eligibility and availability. Additional requirements and further details are contained in the Global Trade Compliance Supplement.

Once a returnable packaging plan is in place, it is the Supplier's responsibility to:

- Contact Arctic Cat's PCL Coordinator and order the required returnable containers 3 weeks prior to their production needs. This allows for communication, fulfillment, and logistics time.
- To provide an expendable packaging alternative if the returnable containers are not ordered in the 3-week fulfillment window or they have been notified that the returnable containers requested are not in stock. All alternative packaging must be approved with a deviation prior to implementation.

If the returnable delivered does not allow the Supplier's part to meet cleanliness requirements, the situation needs to be documented and shared with the Arctic Cat ME Manager or Buyer. Special arrangements will need to be made to deal with the situation if it arises.

XXIII. In-House Activities

Arctic Cat enjoys hosting visits by our Suppliers at our facility. It is imperative that Arctic Cat's rules be followed so these visits can continue. The main items that need to be followed are:

- No cameras, cell phones with cameras, or any other recording devices are allowed in the manufacturing and assembly areas. Any deviation from this as business needs may occasionally demand must be reviewed, approved and overseen by the Arctic Cat Site Facility Security Officer (FSO).
- All visitors must be escorted by an Arctic Cat employee trained and authorized as an escort.
- Personal safety equipment must always be worn. Safety glasses must be always worn in the plant in areas designated as requiring PPE. Earplugs are also available for those who will be in areas requiring hearing protection.
- Visitors must stay in the allowed areas (i.e., meeting rooms or between the yellow lines of the walking lanes). These areas may change at any time.
- Smoking and tobacco use on Arctic Cat property is prohibited.
- No drugs or alcohol are allowed on Arctic Cat property.
- No firearms are allowed.

- Visitors may be required to submit proof of approved Person's status and other personal and organizational details as the nature of the work and Know Your Customer screening requirements apply.
- Harassment and/or unsafe behavior will not be allowed.

XXIV. Gifts and Gratuities

Arctic Cat requires that the decisions of its employees not be affected or influenced by having received a business courtesy from a current or prospective Supplier. As such, it is Arctic Cat's policy to discourage receipt of business gifts from Suppliers. Arctic Cat recognizes that, in certain situations, the exchange of limited, non-cash business courtesies may be appropriate. In such situations, any business gift offered should be of token value, typically defined as not exceeding $25.

Regarding meals and entertainment, the offer or receipt of infrequent, reasonable and appropriate meals or simple entertainment may be allowed, if business is discussed and that the activity has a clear business purpose. Such activity shall not involve travel or overnight lodging paid for by the Supplier. Any activity that is considered lavish or extravagant is not permitted.

Common sense and good judgment must be exercised, even when involving business-related meals or anything of token value, to avoid any perception of impropriety or conflict of interest.

- **Note additional specifics regarding this can be found under the Supplier Code of Conduct and Ethics, Global Trade Compliance Supplement, and elsewhere related to ethics and corruption related controls.**

If there are questions, please contact Arctic Cat's legal and/or Global Trade Compliance functions.

APPENDIX: Common Acronyms, Abbreviations, and Industry Terms

■ **NOTE: Other meanings may also exist, but these are commonly used in the Powersports Industry.**

AC = Arctic Cat
ACAT = Arctic Cat
AQL = Acceptable Quality Level
ANOVA = Analysis of Variance
ANSI = American National Standards Institute
AOQ = Average Outgoing Quality
APICS = American Production and Inventory Control Society (i.e., now The Association for Operations Management)
APQP = Advanced Product Quality Planning
ASME = American Society of Mechanical Engineers
ASN = Advance Shipping Notice
ASQ = American Society for Quality
ASTM = American Society for Testing and Materials
ATV = All-Terrain Vehicle

BB = Black Belt (i.e., Six Sigma)
BoK = Body of Knowledge
BOM = Bill of Material
CA = Corrective Action
CAD = Computer Aided Drafting or Computer Aided Design
CAE = Computer Aided Engineering
CAM = Computational and Applied Mathematics or Computer Aided Manufacturing
Cal = Calibration
CAR = Corrective Action Report
CBP = Customs and Border Protection (i.e., US Customs)
CBSA = Canada Border Services Agency (i.e., Canadian Customs)
CE = Concurrent Engineering
CFR = Cost and Freight (i.e., Shipping Industry)
CI = Continuous Improvement
CMM = Coordinate Measuring Machine or Computerized Measuring Machine
CMQ/OE = Certified Manager of Quality & Organization Excellence (previously CQM)
CNC = Computerized Numerical Control
COPQ = Cost of Poor-Quality
COQ = Cost of Quality
CP = Control Plan
CPR = Component Producibility Review
CPI = Consumer Price Index or Cost Performance Indicator
Cp = Capability index for stability
Cpk = Capability index for stability and as it relates to the specification limits
CPL = Lower capability index
CPT = Carriage Paid To (i.e., Shipping Industry)
CPU = Upper Capability Index
CQA = Certified Quality Auditor
CQE = Certified Quality Engineer
CQI = Continuous Quality Improvement
CQIA = Certified Quality Improvement Associate
CRM = Customer Relationship Management
CS = Customer Satisfaction
CTL = Cut to Length
C-TPAT = Customs-Trade Partnership Against Terrorism
CUSUM = Cumulative Sum
CY = Calendar Year
DE = Design Engineer
DEV = Temporary Deviation
DFA = Design for Assembly
DFM = Design for Manufacturing
DFT = Demand Flow Technology (note: replaced by Arctic Cat's Supplier Portal)
DFMEA = Design Failure Mode and Effects Analysis
DIN = Deutsches Institut für Normung (i.e., the German Institute for Standardization)
DMADV = Define, Measure, Analyze, Design, and Verify
DMAIC = Define, Measure, Analyze, Improve, and Control
DOD = Department of Defense

EAU = Estimated Annual Usage
ECB = Engineering Confirmation Build (being replaced by PVB)
ECN = Engineering Change Notice
EIN = Employer Identification Number
ENG = Engineer or Engineering
EPAT = Engineering, Supply Chain, Assembly, and Test (pre-PVB)
ERP = Enterprise Resource Planning
EVOP = Evolutionary Operation
EXW = Ex-Works.Incoterm)

FAIR = First Article Inspection Report
FCL = Full Container Load
FEA = Finite Element Analysis
FFA = Force Field Analysis
FIM = Full Indicator Movement
FMEA = Failure Mode and Effects Analysis
FOB = Free on Board Incorerm and UCC Term
*Arctic Cat uses INCOTERMS FTA = Fault-Tree Analysis
FTZ = Free Trade Zone
FY = Fiscal Year

G & A = Garments and Accessories
GB = Green Belt (i.e., Six Sigma)
GD&T = Geometric Dimensioning and Tolerancing
GIGO = Garbage-In Garbage-Out
GMP = Good Manufacturing Practice
GR = Goods Receipt
GRR or GR&R = Gage Repeatability and Reproducibility
GST = Goods and Services Tax

HTS = Harmonized Tariff Schedule

KCC = Key Control Characteristic
KPC = Key Product Characteristic
KPI = Key Performance Indicator

NR = Inspection & Disposition Report
IFI = Industrial Fastener Institute
IPPC = International Plant Protection Convention
IR = Inspection Required
IRS = Internal Revenue Service (US Government)
ISF = Import Security Filing
ISIR = Initial Sample Inspection Report
ISM = Institute for Supply Management
ISO = International Organization for Standardization
ISO 9000 = Fundamentals and vocabulary of the Quality Management System
ISO 9001 = Requirements of the Quality Management System
ISO 9004 = Guidelines for performance improvements of the Quality Management System

JIS = Japanese Industrial Standard
JIT = Just in Time

LCL = Lower Control Limit
LCL = Less than Container Load
LMC = Least Material Condition
LSL = Lower Specification Limit
LTL = Lower Tolerance Limit
LTL = Less Than Load (Partial Truckload)
LTPD = Lot Tolerance Percent Defective

Mil-Std = Military Standard
MMC = Maximum Material Condition
MPS = Master Production Schedule
MRB = Material Review Board
MRP = Material Requirements Planning
MSA = Measurement Systems Analysis
MTBF = Mean Time Between Failures
MY = Model Year

n = Sample Size
N = Lot Size
NAFTA = North American Free Trade Agreement
NC = Nonconformance or Nonconforming
NDA = Non-Disclosure Agreement
NDT = Non-Destructive Testing
NIR = No Inspection Required (ship-to-stock)
NIST = National Institute of Standards and Technology
NPI = New Product Introduction
NR = Notice of Rejection

OC = Operating Characteristics (i.e., OC curve)
OEM = Original Equipment Manufacturer

PC = Percent Complete
PC = Personal Computer
PC = Politically Correct
PCR = Print Change Request
PDCA = Plan Do Check Act
PDF = Portable Document Format (i.e., viewable drawing format)
PDSA = Plan Do Study Act
PE = Professional Engineer (US License)
P Eng = Professional Engineer (Canadian License)
PERT = Program Evaluation and Review Technique
PFMEA = Process Failure Mode and Effects Analysis
PG&A = Parts, Garments, & Accessories
PJ ENG = Project Engineer
PM = Preventative Maintenance
PM = Program Manager
PM = Project Manager/Management
PN = Part Number
PO = Purchase Order
Poka Yoke = Fool-Proofing
PPAP = Production Part Approval Process
PPI = Process Performance Indices
PPL = Lower Performance Index
PPM = Parts Per Million. PPM is the quantity of defects per million parts received (PPM = % defective X 10000; ex. 750 PPM = 0.075% defective X 10000).
PPU = Upper Performance Index
PRAT = Process Review and Action Team
PSW = Part Submission Warrant
PVB = Product Validation Build (replaces ECB)

QA = Quality Assurance
QC = Quality Control
QE = Quality Engineer
QFD = Quality Function Deployment
QM = Quality Manager or Quality Management
QMS = Quality Management System
QIS = Quality Information System
QS 9000 = Quality System Requirements (US automotive)
QSS = Quality Systems Survey
Qty = Quantity

R = Range
Ra = Surface Roughness average
RAB = Registrar Accreditation Board
RBS = Resource Breakdown Structure
REID = Re-Identify
REL ENG = Release Engineer
REV = Revision
RFI = Request for Information
RFP = Request for Proposal
RFQ = Request for Quote
RFS = Regardless of Feature Size
RGA = Return Goods Authorization
RMA = Return Materials Authorization
RPO = Returns Purchase Order
RPN = Risk Priority Number
RQL = Rejectable Quality Level
Rt = Surface Roughness total
RTV = Return to Vendor
ROV = Recreational Off-highway Vehicle

S&OP = Sales & Operations Planning
SA = Scheduling Agreement
SAE = Society of Automobile Engineers
SAP = Systems Applications and Products (The business software used at Arctic Cat.)
SCM = Supply Chain Management
SOP = Standard Operating Procedure
SOP = Start of Production
SOW = Statement of Work
SPC = Statistical Process Control
Spec = Specification
SQE = Supplier Quality Engineer
SRM = Supplier Relationship Management
SSN = Social Security Number
STC = St. Cloud, MN 56301
STD = Standard
SWOT = Strengths, Weaknesses, Opportunities, and Threats analysis

Temp Dev = Temporary Deviation
TOC = Theory of Constraints
T&M = Time & Material
TQM = Total Quality Management
TRF = Thief River Falls, MN 56701
TS16949 = Technical Specification - supplemental to ISO 9001

UCL = Upper Control Limit
UOM = Unit of Measure
USL = Upper Specification Limit
UTL = Upper Tolerance Limit

VA = Value Analysis
VAT = Value Added Tax
VE = Value Engineering
VIN = Vehicle Identification Number
VOC = Voice of the Customer

WBS = Work Breakdown Structure
WPM = Wood Packing Materials