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February 2020



POLARIS



POLARIS INDUSTRIES INC.
 2100 HIGHWAY 55
 MEDINA, MN 55340

REV	DATE	OWNER	APPROVER	DESCRIPTION OF CHANGES
1	09-MAR-18	Tammy Gjovik	Doug Scites	Prior revisions, released outside of Reliance. Review of all sections by owners to reflect current business practices, CCB review of all sections, references added to point to Reliance
2	30-JUL-18	Tammy Gjovik	Matteo Pisciotta	Minor revisions to sections 1.5,1.6, 2.1 3.1 & 5.2. Added sections 1.3 & 1.4 referencing all Supplier Manuals. CCB review of all sections.
3	23-MAY-19	Tammy Gjovik	Matteo Pisciotta	<ul style="list-style-type: none"> • Extensive updates to 1.1 Purpose, 1.2 Supplier Quality Assurance Manual (SQAM), 1.5 Supplier Relationship Management (SRM), 1.5.1 Zycus, 1.5.2 Supplier Information Portal, 2.3 Supplier Communications, and 3.4.4 Auto Purchase Order Release • Updated training resources in 1.5.2 Supplier Information Portal, 2.5.2 Production Compliance, 3.2 Sourcing Events, 3.3 Tooling Requirements, 3.4.1 Electronic Data Interchange (EDI), 3.4.2 Supplier Exchange (SE), 3.4.3 Planning Supplement, 4. Supplier Performance, and 6.1 References • Updates and cleanup throughout 2.1 Supplier Code of Conduct • Updated “PSU” to “SCIP” in 6.2 • Changed all instances of “Purchasing Agent” to “Sourcing Specialist” • Updates to 5.2 Recovery Fees for CAPA/CAR and PPAP • Changed all instances of “PQR” to “PPAP” and removed PQR from 6.2 Glossary • Small changes to correct various typos and misspellings throughout
4	27-JAN-20	Jillian Koenigsmark	Ed George	GENERAL CHANGES THROUGHOUT: <ul style="list-style-type: none"> • Rebranding and other template corrections • Small corrections to update terminology • Updated documentation and training references throughout

				<ul style="list-style-type: none"> • Various typo corrections and editorial cleanup throughout • Addition, removal, and combining of several sections, resulting in slightly restructured TOC <p>SPECIFIC UPDATES TO SECTIONS:</p> <ul style="list-style-type: none"> • 1 – 1.1.2 Purpose/Scope: Clarified scope and added conventions • 3.2 – Packaging, Labeling, & Logistics: Small clarifications • 4.1 Supplier Code of Conduct: Minor clarifications and fixes • 4.1.1 Key Expectations: Removed because redundant to the Code on the Supplier Information Portal, which is the source of truth for this information • 4.3 – Supplier Communications: Small clarifications • 4.4 – Contracts: Removed reference to blanket purchase orders as an agreement type • 4.5.2 – Substance Compliance: New section to focus on substance compliance • 4.5.3 – Product Compliance: Small clarifications and moved some text to the new 4.5.2 Substance Compliance section • 5.2 – Sourcing Events: Small corrections for system change • 5.4 – Electronic Communications: Small clarifications • 5.4.1 – OpenText Trading Grid Active Orders Module: New section to address the new Active Orders Module • 5.4.2 – Electronic Data Interchange (EDI): Clarifications and corrections • 5.4.3 – Purchase Orders: Rewritten to be more about purchase orders instead of their method of delivery • 5.4.4 – Planning Schedule: New section to fill a gap where previously we did not have much information about this • 5.4.5 – Planning Supplement: Clarifications to complement related sections 5.4.3 and 5.4.4
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				<ul style="list-style-type: none">• 6.3.2 – Production Part Approval Process (PPAP): Small clarifications, including correction of long-standing error in the PPAP performance measure table
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1. PURPOSE/SCOPE

This manual is an overview of the Polaris Industries Inc. (Polaris) global business practices that define Polaris' expectations for suppliers as successful commercial business partners to Polaris. The expectations set forth in this manual are applicable to existing and new suppliers of parts, materials, and services to Polaris.

Polaris' success is dependent upon our ability to provide the highest value to our customers through, quality, on-time delivery, technology and cost competitiveness. A close working relationship with our supply chain is critical to the achievement of these objectives.

This manual defines both the customary and general guidelines of how Polaris conducts business, as well as the expectations Polaris has of suppliers in creating a strong, competitive, and value-added supply chain. This information is necessary for Polaris' and supplier's mutual efforts of conducting business in a professional, efficient, and profitable manner.

Working together with the processes outlined in this manual, the *Supplier Quality Assurance Manual (SQAM)*, and the *Supplier Delivery Manual (SDM)*, we can successfully generate breakthrough quality improvements, create world-class products, and deliver them effectively while contributing to each other's success.

Polaris provides updates and revisions to this manual, as necessary. Suppliers are expected to incorporate these updates and revisions into their business operations in a timely manner. If these changes generate a question or potential problem for a supplier, it is the supplier's responsibility to promptly bring the matter to the attention of Polaris by contacting their Sourcing representative.

1.1. CONVENTIONS

1.1.1. Reference Documentation

Where applicable, supporting document and training titles are provided in this manual. These titles reference documents found in Reliance, on the Supplier Information Portal (www.polarissuppliers.com), or on the Supplier University of Polaris. Reliance is Polaris' document control system and is available to all approved Polaris suppliers. A login is required to view the additional resources. Use these references, which are designated in a gray box like the one below, to ensure your information, training and/or templates are of the latest revisions.

SUPPORTING DOCUMENT TITLES WILL BE LISTED IN FIELDS LIKE THIS ONE.

1.1.2. Critical Definitions

Shall – The word “Shall” indicates mandatory requirements.

Should – The word “Should” indicates a recommendation.

2. GLOSSARY

Table 1: Supplier Business Practice Manual Glossary

TERM	DEFINITION
Corrective Action/Preventive Action (CAPA)	Process initiated to establish the root cause and prevents occurrence or reoccurrences of the non-conformity in response to Polaris receiving a significant nonconforming part or materials.
Corrective Action Request (CAR)	Process initiated to establish the root cause and prevents occurrence or reoccurrences of the non-conformity in response to Polaris receiving a minor nonconforming part or materials.
Cpk	Equals the lesser of the USL minus the mean divided by 3 sigma (or the mean) minus the LSL divided by 3 sigma. The greater the Cpk value, the better.
Delivery Discrepancy Report (DDR)	Initiated when an issue is found on material entering a Polaris facility or when there is a shipping discrepancy in the Advanced Shipping Notice received from the supplier.
Drawing Change Request (DCR)	Initiated to request a permanent change to a Polaris drawing, engineering specification, or quality standard.
Electronic Data Interchange (EDI)	Electronic communication tool Polaris uses to automate a variety of manual processes such as invoicing, purchase orders, shipping instructions, debit memo processing, and so on.
Engineering Change Order (ECO)	Documentation that outlines the proposed change, lists the effected product or part(s), and requests review and approval from the individuals who would be impacted or charged with implementing the change.
Global Trade Compliance Organization (GTCO)	Polaris department charged with ensuring Polaris and its affiliates adhere to global trade laws and regulations and are positioned to leverage duty reduction programs.
Grade Point Average (GPA)	Number representing the average value of the accumulated performance metrics earned by Polaris suppliers over a period of time.
Master Supply Agreement (MSA)	May contain terms and conditions that govern the purchase of goods, specifies price, payment policies, outlines delivery schedules, and often include purchase commitments along with any remedies should delivery and quality commitments not be met. In Polaris terms, the intent of a Master Supply Agreement shall be to define the general terms of the business relationship as well as high level expectations for the relationship between Polaris and the supplier.
Parts, Garments, and Accessories (PG&A)	Polaris department that manages and provides service parts, garments, and accessories for Polaris customers.

Parts Per Million (PPM)	Method of stating the performance of a process in terms of actual non-conforming material. $(12/2,500) * 1,000,000 = 4,800$ PPM)
Process Change Request (PCR)	Documents a change in the supply or manufacture of material/product that is not covered by a DCR.
Production Part Approval Process (PPAP)	Rigorous and structured process for part qualification, used within Quality Lifecycle Management (QLM), that applies to supplier sites supplying production parts, service parts, production materials, or bulk materials to Polaris. PPAP is used for production approval of all new or changed parts used in Polaris production.
Purchase Order (PO)	Simple contract for establishing the part's unit cost, upper limit quantity, and latest release date. Quantity on purchase order does not authorize the supplier for production or shipment.
Qualified Supply Base (QSB)	Metric-based approach to certify that a supplier meets Polaris' quality requirements. QSB is a quality scorecard used to evaluate supplier performance and identify areas of improvement. The QSB score is used as a factor for future sourcing decisions and is a subset to the Vendor Report Card.
Reject Material Order (RMO)	Process to document and disposition product that is nonconforming to the design record.
Request for Information (RFI)	Standard business process with the purpose to request from a supplier information on capabilities and technologies they possess. No specification has been started, no drawing or design is known and the requestor is unsure of which configuration is needed. This process is the initial stage of a proposal and is generally followed by an RFP and RFQ.
Request for Proposal (RFP)	Standard business process with the purpose to request for a supplier to bid on a specification / draft / configuration. The RFP presents preliminary requirements and is used where the request requires technical expertise, specialized capability, or where the product or service being requested does not yet exist. The proposal may require research and development to create whatever is being requested. Proposals may be different from supplier to supplier. Specifications are in development or draft form. Preliminary CAD models or drawings may be available. No final designs is available. The product team will have one or a few configurations in mind. This process is the intermediate stage of a proposal and is generally followed by an RFQ.
Request for Quote (RFQ)	Standard business process with the purpose to request for a supplier to bid on specific products or services. This process is used when price is the main or only factor in selecting the successful bidder. Specification is in final form, drawing is in review for release and

	alignment from the product team on final configuration is achieved. This process is the final stage in the proposal.
RFx	Term that captures all references to Request for Information (RFI), Request for Proposal (RFP), and Request for Quote (RFQ).
Run at Rate (R@R)	Real-time test involving production tooling and personnel at the actual production rate providing evidence that all customer design requirements are properly understood by the supplier and that the manufacturing process has the ability to produce the product accurately and consistently.
Scheduled Release	Polaris authorization to ship parts for the referenced quantity and delivery date.
Sourcing Representative	Polaris role in the sourcing process responsible for leading the business need through the various deliverables and managing the sourcing event from beginning to end. Formerly known as Purchasing Agent, Buyer, or Sourcing Specialist.
Supplier Continuous Improvement Process (SCIP)	A cooperative program between Polaris and the supplier to develop quality and capacity of the supplier. The objective of the program is to improve the supplier's Quality Management System (QMS) through an improvement plan with focus on short-term performance metrics and long-term sustainable improvement. Candidates for the program include strategic suppliers with improvement opportunities, in which sustainable systemic actions will benefit both Polaris and the supplier. Formerly known as Polaris Supplier University (PSU).
Supplier Corrective Action Request (SCAR)	Sent to suppliers in the event of significant nonconforming parts/materials received by Polaris.
Supplier Delivery Manual (SDM)	Polaris manual that offers a high-level overview of the standards and expectations necessary to fulfill the requirements of supplying production parts to Polaris. In addition, provides references to current processes for packaging, labeling, logistics and compliance.
Supplier Quality Assurance Manual (SQAM)	Polaris manual that offers a high-level overview of the quality tools and information, as well as references to the most current releases of Polaris standards, templates, and training, and which helps suppliers better understand Polaris quality expectations, which are in place to ensure higher first pass yield by way of implementing robust process controls and demonstrating continuous improvement.
Supplier Relationship Management (SRM)	Coordination of all interactions between Polaris and suppliers. Key SRM areas include Supplier Information Profile and Contact Information, Supplier Onboarding, Contract Management, and Sourcing Events.
Tool	Portion of process machinery that is specific to a component or sub-assembly. Tools (or tooling) are used in process machinery to transform raw material into a finished part or assembly.

Value-Added-Network (VAN)	Private network provider which facilitates the exchange of Electronic Data Interchange (EDI) documents between Polaris and its suppliers.
Value Improvement Process (VIP)	Quantifies continuous improvements at Polaris.

3. POLARIS BUSINESS INTEGRATION

3.1. QUALITY ASSURANCE

Overview: The Supplier Quality Assurance Manual (SQAM) offers a high-level overview of industry-standard quality tools and clarifies Polaris quality expectations for suppliers.

By referencing the most current releases of Polaris quality standards, templates, and training, the SQAM ensures higher first pass yield through implementing robust process controls and demonstrating continuous improvement. For Polaris and suppliers to be mutually successful, we must all strive to create a “zero-defect” environment in which ongoing collaboration shall drive proactive process improvements.

SUPPLIER INFORMATION PORTAL
SUPPLIER QUALITY ASSURANCE MANUAL (SQAM), LOCATED ON THE SUPPLIER MANUALS TAB

3.2. PACKAGING, LABELING, & LOGISTICS

Overview: The Supplier Delivery Manual (SDM) offers a high-level overview of the standards and expectations necessary to fulfill the requirements of supplying production parts to Polaris.

In addition, the SDM provides references to current processes for packaging, labeling, logistics and delivery performance and outlines the requirements necessary to provide an uninterrupted supply of material through the Polaris supply chain, all of which aides in establishing a successful shipping operation that meshes seamlessly with the supply chain.

RELIANCE
SUPPLIER PART PACKAGING SPECIFICATION FORM (DOC CONTROL 00551)
SUPPLIER INFORMATION PORTAL
SUPPLIER DELIVERY MANUAL (SDM), LOCATED ON THE SUPPLIER MANUALS TAB
SUPPLIER UNIVERSITY OF POLARIS
LOGISTICS OVERVIEW AND ASN TRAINING (OPS B PS 00008)

3.3. **PARTS, GARMENTS, & ACCESSORIES (PG&A) PACKAGING & LABELING REQUIREMENTS**

Overview: Provide a high-level overview of packaging standards for product shipped to PG&A distribution centers and detailed product labeling specifications. These requirements are specific to service parts, accessories, and apparel.

The requirements for packaging and labeling found in this manual are different than expectations for product shipped to a Polaris manufacturing plant. Supplier support is needed to ensure product is properly packaged and labeled enabling a positive customer experience.

3.4. **SUPPLIER RELATIONSHIP MANAGEMENT (SRM)**

Overview: Polaris manages relationships with its suppliers through two portals, each serving a distinct purpose: Zycus and the Supplier Information Portal.

Zycus is used for notification and interaction with supplier qualification, supplier onboarding, contract management, and sourcing events.

The Supplier Information Portal is used to centralize access for all Polaris systems, processes, and training, as well as communicate relevant information to approved suppliers.

Though the two portals complement each other, each system requires a separate profile and contact list which suppliers are required to create and actively maintain. Keeping both Zycus and the Supplier Information Portal updated is critical for day to day successful operations.

Additionally, in the event a supplier learns of a security breach in either portal, the supplier must immediately inform Polaris of the breach so Polaris can protect the portals and Polaris' underlying systems.

3.4.1. **Zycus**

Overview: Polaris uses Zycus, a centralized SRM software, to strategically manage onboarding, contract management, and sourcing event interactions between Polaris and suppliers.

Potential suppliers interested in becoming a supplier to Polaris must first create a profile in Zycus by going to the Prospective Suppliers page on the Supplier Information Portal. Creating and maintaining this first profile is key to initiating a business relationship with Polaris. Supplier profile is then completed during the Supplier Onboarding and Qualification process; a mandatory process to become an approved supplier at Polaris.

Due to the interactive nature of the Zycus software, suppliers are expected to keep their profile and contact list up-to-date and access Zycus each day to receive news from Polaris with regard to onboarding, contract management, and sourcing events.

3.4.2. **Supplier Information Portal**

Overview: Grants access to the most recent versions of Polaris systems, processes, and training, as well as important business announcements relevant to approved Suppliers.

Once a prospective supplier has been approved by Polaris through the Supplier Onboarding and Qualification Process, Polaris will provide Supplier Information Portal (www.polarissuppliers.com) login information to an administrator designated by the supplier.

The supplier is required to create and maintain a profile and contact list specific to the Supplier Information Portal in addition to maintaining the profile and contact list in Zycus.

SUPPLIER UNIVERSITY OF POLARIS

SUPPLIER REGISTRATION, PROFILE, AND CONTACT MAINTENANCE TRAINING (OPS B PS 00007)

3.5. **CONFLICT MANAGEMENT**

Overview: Polaris relationship with suppliers is further defined by the provisions, terms and conditions of any fulfilled purchase order or any signed Master Supply Agreement (MSA) between Polaris and the supplier.

Compliance with the guidelines of this manual or acceptance or approval of the supplier's parts or materials does not relieve the supplier of any of the obligations or liabilities stated in the applicable MSA or purchase order.

4. SUPPLIER EXPECTATIONS & REQUIREMENTS

4.1. **SUPPLIER CODE OF CONDUCT**

Overview: Polaris is guided by its core values of integrity, which extends to its diverse supply chain. To ensure suppliers conduct business with a high degree of integrity and in a socially and environmentally responsible manner, all suppliers are expected to adhere to the Supplier Code of Conduct (the Code).

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General Responsibility: Suppliers are expected to do what is necessary to comply with the Code without delay. Suppliers are also expected to be familiar with the business practices of their sub-tier suppliers and subcontractors and ensure they operate within the guidelines of the Code. Suppliers are strongly encouraged to distribute this manual to their sub-tier suppliers and subcontractors. At the very least, suppliers should flow down these expectations and requirements to their sub-tier suppliers and subcontractors. Additionally, suppliers are expected to cooperate, and ensure that their sub-tier suppliers and subcontractors cooperate with audits performed by or on behalf of Polaris to ensure compliance or to investigate potential non-compliance, and to provide written certifications of compliance as requested by Polaris from time to time. Failure to comply with the Code may result in corrective action from Polaris, including without limitation, fines, suspension, and, potentially, termination of the business relationship.

SUPPLIER INFORMATION PORTAL

CODE OF CONDUCT, LOCATED ON THE POLARIS/PARTNER VALUES TAB

4.1.1. Contact Information

For questions or comments on the Polaris Supplier Code of Conduct, contact your Sourcing representative or email purchasing.systems@polaris.com.

The Polaris Supplier Code of Conduct is based on the Polaris Code of Business Conduct and Ethics.

Violations of the either code should be reported, anonymously or otherwise, using one of the following confidential options:

- Call the Polaris Business Ethics Hotline: 1-888-219-3550 (US and Canada only)
- Report by Mail to: Compliance Officer

Polaris Industries Inc.

2100 Highway 55

Medina, Minnesota 55340

USA

- Follow the other options set forth in the Polaris Code of Business Conduct and Ethics.

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4.2. CONFLICT MINERALS

Overview: The United States Securities and Exchange Commission (the SEC) adopted annual disclosure requirements in connection with the conflict minerals provision of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank), requiring publicly traded companies to disclose whether certain minerals necessary to the functionality or production of products manufactured or contracted to be manufactured conflict minerals that originated in the Democratic Republic of the Congo (DRC) or an adjoining country (together with the DRC, Covered Countries). These certain minerals referred to as “conflict minerals” include tantalum (columbite-tantalite), tin (cassiterite), tungsten (wolframite) and gold (collectively, 3TGs).

Polaris strives to have a conflict free Supply Chain and is committed to working with its suppliers to increase transparency regarding the origin of minerals contained in its products. Polaris requires its suppliers to undertake reasonable due diligence with their sub-tier suppliers and/or subcontractors to identify whether any of the products supplied to Polaris contain 3TGs sourced from the Covered Countries and, if so, whether the mines and smelters identified are certified as “conflict free” by an independent third party.

Polaris is also committed to complying with all the conflict mineral requirements under Dodd-Frank and all the rules and regulations issued by the SEC and also expects Suppliers to comply with these requirements.

4.3. SUPPLIER COMMUNICATIONS

Overview: Effective communication is the most important ingredient for the success of Polaris respective organizations. All communications from suppliers to Polaris shall be in English.

All communications regarding price, delivery, design or schedules between suppliers and Polaris support groups such as Product Design, Quality Assurance, Manufacturing Engineering, or Production must be confirmed through the Polaris Strategic Sourcing Organization for authorization.

Suppliers must not circumvent this formal line of approval by seeking agreements, concessions, or information from other sources or contacts within Polaris, and any such efforts (such as, but not limited to, “back-door selling”) are expressly prohibited and will expose the supplier to corrective action from Polaris, up to and including termination of the business relationship.

The people to whom electronic communications (such as supplier messages and announcements, planning schedules, purchase orders, invoices, PPAP requests, and sourcing events) are distributed is managed via the Supplier Information Portal. Suppliers must keep their contact list up-to-date and accurate to ensure their teams are getting these communications and electronic notifications in a timely manner.

4.4. **CONTRACTS**

Overview: To be considered for a business relationship with Polaris it is expected that suppliers will enter into contractual agreements that establish legal terms and conditions for conducting business with Polaris. This will include business and transaction agreements.

Business agreements not relating to a specific product, part number or service are signed at the beginning of the business relationship and typically do not have a finite term (meaning, they are "evergreen"). Transaction agreements are specific to a product, part number or service and are signed or accepted at the beginning of work, incorporated in the overall agreement by acceptance, and generally have a finite expiration (for example, date, quantity, model year, and so on).

The Sourcing representative responsible for the supplier relationship will engage the supplier in signing any required agreements prior to being awarded any business with Polaris.

Table 2: Examples of Agreements

BUSINESS AGREEMENTS	TRANSACTION AGREEMENTS
Confidential Disclosure Agreement	Statement of Work
Master Supply Agreement	Part Profile
Trading Partner Agreement	Work Authorization
EDI/Commodity/Currency Agreement	Purchase Order
Tooling Agreement	Planning Schedule
Addendum	Suppliers Quote
Intellectual Property Agreement	
Master Services Agreement	

4.5. **TRADE & PRODUCT COMPLIANCE**

4.5.1. **Trade Compliance**

Overview: The Polaris Global Trade Compliance Organization (GTCO) is charged with ensuring Polaris and its affiliates adhere to global trade laws and regulations and are positioned to leverage duty reduction programs. GTCO is comprised of the Trade Compliance Department, headquartered at Polaris' Bass Creek office with forward deployed personnel in Poland, Mexico, and India, as well as Trade Compliance Subject Matter Experts, situated at each Polaris affiliate who report to their functional manager and are responsible to the Global Trade Compliance Director for the trade compliance aspects of their role.

GTCO staff may contact suppliers from time to time to obtain information to support a variety of trade related activities that include, but are not limited to:

- Commercial invoice or packing list requirements;
- Free Trade agreement solicitations; and
- Technical details of parts to assign harmonized tariff schedule codes or determine antidumping duty/countervailing duty applicability.

Suppliers are required to provide a timely, accurate, and thorough response to all such requests, and, if requested, to provide timely and accurate written certifications of their answers. Without this requested information, shipments may be delayed or confiscated, free trade agreements may not be utilized, and risk may be added to Polaris' ability to comply with import and export regulations. If a supplier has specific questions relating to these expectations, contact the Trade Compliance Department at tradecompliance@polaris.com.

4.5.2. **Substance Compliance**

Overview: The Polaris Product Substance Compliance Organization is charged with ensuring Polaris, and its affiliates, adhere to global product compliance laws and regulations specific to chemical substance within our products. The Product Substance Compliance Organization is headquartered at Polaris' Wyoming, Minnesota Product Development Center.

The Product Substance Compliance staff and Assent Compliance, Polaris' chosen partner in substance compliance, may contact suppliers to obtain information to support a variety of substance compliance activities and requirements including, but not limited to:

- Certifications or declarations of compliance with applicable local and global product substances regulations
- Material composition of the products supplied to Polaris (for example, Full Material Disclosures)
- Processes and chemicals used in manufacturing processes
- Testing and validation methodologies and test results

Suppliers are required to provide a timely, accurate, and thorough response to any such substance compliance inquiries, and, if requested, to provide timely and accurate written certifications or declarations through Assent Compliance. Testing, labeling, and proper warnings may also be required by Polaris. Without the requested information, production, or shipments may be delayed, products may be banned or seized, and risk may be added to Polaris' ability to comply with product compliance laws and regulations. Invoice payments may be delayed or denied by Polaris if requested product compliance information is not provided in a timely manner.

If a supplier has specific questions relating to these expectations, contact the Product Substance Compliance Department at psc@polaris.com.

SUPPLIER UNIVERSITY OF POLARIS

POLARIS PRODUCT SUBSTANCE COMPLIANCE EXPECTATIONS (OPS B PS 00009)

POLARIS RESTRICTION OF HAZARDOUS SUBSTANCES (ROHS) (OPS B PS 00014)

4.5.3. Product Compliance

Overview: The Polaris Product Compliance Organization is charged with ensuring Polaris and its affiliates adhere to global product compliance laws and regulations related to vehicle and product performance. The Product Compliance Organization is comprised of the Product Compliance Department, headquartered at Polaris' Wyoming, Minnesota Product Development Center, with forward-deployed personnel in Roseau, Minnesota and Opole, Poland.

This area of product compliance addresses whole vehicle, systems, and component-level performance requirements including, but not limited to, emissions, noise, brakes, tires, lighting, reflectors, horns, mirrors, throttle systems, and radio device regulations and industry standards. Performance specifications, testing, labeling, and component certifications may be required of the supplier to demonstrate compliance.

Suppliers are required to provide a timely, accurate, and thorough response, and, if requested, to provide timely and accurate written certifications of their answers. Without the requested information, production or shipments may be delayed, products may be banned or seized, and risk may be added to Polaris' ability to comply with product compliance laws and regulations. Invoice payments may be delayed or denied by Polaris if requested product compliance information is not provided in a timely manner.

If a supplier has specific questions relating to these expectations, contact the Product Compliance Department at productcompliance@polaris.com.

SUPPLIER UNIVERSITY OF POLARIS

POLARIS PRODUCT SUBSTANCE COMPLIANCE EXPECTATIONS (OPS B PS 00009)

POLARIS RESTRICTION OF HAZARDOUS SUBSTANCES (ROHS) (OPS B PS 00014)

4.6. CONTINUITY OF SUPPLY

Overview: This section documents the expectations that Polaris has regarding termination or disruption of supply of goods to Polaris. Termination of goods means that either Polaris or the supplier has terminated the business partnership. Disruption means that the supplier has an inability to assure supply of goods to Polaris.

In the event termination of supply of goods, by either Polaris or the supplier, the supplier shall continue to provide to Polaris, goods and/or tooling until Polaris is able to obtain an alternative supply at comparable quantities, prices and quality. Polaris will use all reasonable efforts to find an alternative supply.

In the event of disruption of supply of goods from the supplier, the supplier shall notify Polaris as soon as possible, and in no event later than 24 hours of organization production interruption. The nature of the problem shall be communicated and immediate actions taken by the supplier to assure supply of goods to Polaris.

5. SOURCING MANAGEMENT

5.1. SOURCING PROCESS

Overview: Cross-functional process focused on driving standard work related to sourcing.

Supplier selections are based on the supplier’s ability to deliver on Polaris’ expectations for total value: quality, on-time delivery, technology and cost competitiveness.

5.2. SOURCING EVENTS

Overview: Promote competition and ensure fair procurement practices, Polaris requires Request for Information, Proposals, and Quotes (RFx) for requisition. The RFx process assists Polaris Sourcing representatives in identifying the best qualified/approved supplier for potential award of business.

Suppliers shall submit their bids for business via the Polaris system designated by their Sourcing representative.

SUPPLIER UNIVERSITY OF POLARIS

ZYCUS SOURCING EVENT SYSTEM TRAINING (OPS E SUP 01176)

AWARDING BUSINESS PROCESS (OPS B PS 00027)

SUPPLIER SELECTION PROCESS (OPS B PS 00026)

5.3. TOOLING REQUIREMENTS

Overview: Any supplier doing business with Polaris shall follow the tooling requirements set forth in the below section. To secure the best value for Polaris in spending tooling dollars, and to properly manage Polaris’ assets, the following shall be followed.

A Supplier Tooling Agreement shall be signed before any tooling project is started.

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It is the responsibility of the supplier to be able to demonstrate due diligence has been taken to maximize the value Polaris is getting for the amount of tooling funds requested. On any request for tooling that exceeds (U.S. Dollars) \$10,000, the supplier must obtain and, if asked produce to Polaris, three (3) competitive quotations. The supplier does not have to take the lowest quote, but must be able to justify the sourcing decision. An exception to this policy may be "single sourcing" using the same tooling company that built the original tool to modify tooling, as per an Engineering Change Order (ECO). Exceptions must be approved by the appropriate Polaris Sourcing Specialist and will be handled on a case by case basis.

Tool tryout and piece-part qualification are considered normal activity in the tool building cycle and will not be paid to supplier as a separate line item; this includes PPAP documentation. It is the supplier's responsibility to validate, document and demonstrate to Polaris that the tooling built provides a component that meets Polaris' design specs and criteria.

Polaris specifications Request for Quote (RFQ's), tooling specifications, design specifications, material requirements, or tooling capability studies should be referenced on the tooling quotation.

Quotes submitted for tooling must identify where the tool will be located for production. This must include the State and County for tooling located in the U.S. Only the country location is required for tooling outside of the U.S.

When quoting an assembly, all components that require tooling within the assembly must be identified and listed individually on the quote and follow the guidelines for tooling as if it was being quoted as an individual part. A single line entry for the complete cost of all tooling associated with the assembly, will not be accepted.

When making the decision on the type of tooling to make or number of cavities to tool up, the supplier should consider the overall cost impact and review the total cost of tooling and part cost over the projected 3-year volume. In no way does this projected volume commit Polaris to procure any parts from the supplier. The tooling decision will be based on what is the lowest overall cost. The supplier should not decide on just the tooling cost or just the component cost. Options will be provided to the Sourcing representative for final review and decision by Polaris. An exception to this decision guidance would exist when there is a need for multiple cavities to support line build rates.

Production tooling is a necessary cost to make parts and assemblies for Polaris product lines, and the cost of this tooling is a major expense to Polaris. This cost will not be increased through "add-ons". "Add-ons" are considered profits or "pass-thru" margins on tooling. Suppliers who buy tooling from an outside source can only pass the direct cost of that tooling on to Polaris.

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Supplier shall ensure that all tooling owned by Polaris, wherever located, is not subject to any lien or other encumbrance that prevents or interferes with Polaris' ability to take possession of such tooling upon demand.

SUPPLIER UNIVERSITY OF POLARIS
TOOLING OVERVIEW (OPS B PS 00054)

5.3.1. **Inventory**

Supplier agrees to maintain and keep up to date and ongoing inventory list of all tooling that is owned by Polaris in the supplier's possession or that is located at and in the possession of a supplier to the Polaris supplier. This information will be tracked on a Polaris Tooling Inventory Form and will be available any time a Sourcing representative requests it.

RELIANCE
TOOLING INVENTORY FORM (DOC CONTROL 01158)

5.3.2. **Disposal**

Supplier agrees to notify Polaris in writing to request permission to scrap out any tooling owned by Polaris and will not scrap out any tooling until authorized by Polaris. The request is to be made by using the Tooling Disposal Request Form and sent to the appropriate Sourcing representative. Once the request has been approved by Polaris, the Sourcing representative will forward back to the supplier granting the authorization to scrap out the requested tool. Review the scrap value of the tool with Sourcing representative before disposing of any tooling.

RELIANCE
TOOLING DISPOSAL FORM (DOC CONTROL 01157)

5.3.3. **Invoicing**

Tooling invoices will only be paid for the amount of the tooling purchase order or less. Invoices for amounts greater than the tooling PO will be rejected. Any changes that increase the tool cost will need to be addressed by canceling the original PO and issuing a new PO or creating a new supplemental tooling PO for the difference.

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5.3.4. **Storage & Insurance**

Supplier agrees to maintain adequate storage to ensure all tooling used to make parts for Polaris, whether owned by the supplier or Polaris, is stored in useable condition and in such a location or facility to protect against theft and damage. Supplier also agrees to maintain adequate insurance coverage for the replacement cost of the tooling in the event of the tooling is stolen, or is damaged or destroyed, for whatever reason.

5.3.5. **Identification**

All tooling purchased and owned by Polaris must be clearly marked and identified as the property of Polaris. Identification markings will include, at a minimum: "Polaris Industries Inc." as the owner, the part number and tool number. Other optional information can include: Tool maker name, dimensions of tool, weight of tool, shut height, and date tool was originally built. Tool identification may be a metal tag attached to the tool or having the information "stamped or etched" into the mold base of the tool. The lettering will be no less than 1/8" high. Small tools may be an exception, where stamping or tagging is impractical. As new tooling is built, supplier's inventory records will be updated and available upon request.

5.4. **ELECTRONIC COMMUNICATIONS**

Overview: Polaris has always recognized the value of Polaris supplier relationships, which have been based on the concept of partnership. In an effort to continue to build stronger, closer relationships, Polaris is pleased to offer the capability of transacting business electronically.

Polaris supports two electronic methods of sending data, allowing suppliers to select the method in iSupplier profile in Zycus that works best for them.

5.4.1. **OpenText Trading Grid Active Orders Module**

Overview: All suppliers are able to exchange electronic documents with Polaris using a third-party web portal called the OpenText Trading Grid Active Orders module.

Using this web portal, suppliers can do the following activities:

- Receive forecast information (planning schedules and planning supplements)
- Receive purchase orders or purchase order changes
- Receive debit memos
- Submit invoices
- Receive shipping instructions
- Submit ship notices

As a requirement of exchanging electronic documents via OpenText Active Orders, the supplier must check for new transactions several times daily.

Note: EDI is the preferred method of conducting electronic communications with Polaris because it can integrate the data directly into the supplier system, with no manual intervention.

5.4.2. **Electronic Data Interchange (EDI)**

Overview: For suppliers who choose to do so, Polaris is able to send and receive secure EDI transaction through OpenText as our EDI-managed service provider.

Suppliers can use EDI for the same activities as OpenText Active Orders, with the exception of receiving planning supplements. Additionally, transactions received or submitted via EDI are visible in Active Orders.

Requirements of exchanging documents via EDI:

- A Trading Partner Agreement must be signed and returned to supplier sourcing representative prior to going live with EDI.
- Supplier must check for new EDI transactions several times daily
- Supplier must send a Functional Acknowledgement (997) upon receiving documents.
- Suppliers must complete setup for EDI (including testing and validation) before going live

5.4.3. **Purchase Orders**

Overview: Polaris uses discrete purchase orders, which are a contract that establishes the cost, quantity, and due date for a part on a single line.

Discrete purchase orders authorize the supplier to purchase materials and produce parts, and commits only Polaris to those parts for the referenced quantity and specified delivery date. The purchase order due date is the date by which the part is needed at the Polaris facility address listed on the purchase order.

5.4.4. **Planning Schedule**

Overview: Lists requirements that are not yet firmed up on a purchase order. The planning schedule is updated and transmitted to the supplier on a weekly basis. Planning profiles determines its timing format and it must be agreed-to between the supplier and the Sourcing representative. Polaris expects suppliers to use planning schedules as a tool to manage and build goods sold to Polaris.

There are three different categories that may be used on a planning schedule:

- **Finished Goods Authorization:** Commitment from Polaris to purchase a finished good.

- **Material Authorization:** Quantities are a commitment for a supplier to acquire the material used to make the finished good.
- **Forecast:** Quantities are for planning purposes only and are not a firm commitment, or any other commitment from Polaris.

5.4.5. **Planning Supplement**

Overview: An electronically communicated report used to provide requirement visibility to suppliers. It is updated and transmitted to the supplier on a weekly basis.

The report combines both the detailed planning schedules, as well as the purchase order requirements not yet shipped complete.

Any questions regarding planning supplement should be directed to the appropriate Planning representative.

SUPPLIER UNIVERSITY OF POLARIS

POLARIS REQUIREMENT AND FORECASTING TOOLS (OPS B PS 00056)

6. **SUPPLIER PERFORMANCE**

Overview: To provide more timely and useful feedback to Polaris Suppliers, Polaris has implemented an online performance reporting system.

This system has the following attributes:

- 12 Grading periods per year (12 month rolling grades updated monthly)
- 3 Grading segments

Polaris expects suppliers to have and maintain a B or better overall cumulative performance rating. Supplier Performance ratings that do not meeting a B Grade or higher are expected to take timely, affirmative steps to improve their performance. Suppliers could be identified by the Supplier Development team to participate in the Supplier Continuous Improvement Program (SCIP). SCIP objectives are short-term performance metrics and long-term sustainable improvements.

SUPPLIER INFORMATION PORTAL

SUPPLIER QUALITY ASSURANCE MANUAL (SQAM), LOCATED ON THE SUPPLIER MANUALS TAB

SUPPLIER UNIVERSITY OF POLARIS

SUPPLIER SCORECARD BUSINESS IMPACT (OPS B SSQ 00598)

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6.1. **DELIVERY**

Overview: Percentage of receipts plus the number of zero shipments without a Delivery Discrepancy Report (DDR) written.

Delivery Performance Percentage = $1 - (\# \text{ of Delivery Issue Occurrences} / (\# \text{ of Receipts} + \# \text{ of Zero Shipments}))$

Delivery will have a 20% weight toward the overall Grade Point Average (GPA). The Delivery performance is measured by the following criteria:

Polaris expects its suppliers to maintain a B or better cumulative Delivery rating. Suppliers that fall below a Grade B are expected to take timely, affirmative steps to improve their performance.

Table 3: Delivery Performance Percentage Grading Scale

GRADE		PERCENTAGE EQUIVALENT
A	=	> 99.5%
B	=	97.5% - 99.4%
C	=	95.5% - 97.4%
D	=	93% - 95.4%
F	=	< 93%

6.2. **FLEXIBILITY**

Overview: Evaluates how well a supplier can respond to Polaris’ need for flexibility. It is a percentage of compliant parts that meet Polaris flexibility goals.

Flexibility Performance Percentage Calculation (% of Parts Compliant) = $(\text{Number of Compliant Parts} / \text{Total \# of Parts}) * 100 = \% \text{ compliant}$

Example: If a supplier supplies 100 parts and 10 do not meet the flexibility goal, they would be 90% compliant: $(90/100) * 100 = 90\%$

Flexibility will have a 20% weight toward the overall GPA.

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The Flexibility performance is measured by the following criteria:

Table 4: Flexibility Performance Percentage Grading Scale

GRADE		PERCENTAGE EQUIVALENT
A	=	> 98%
B	=	95% - 97.9%
C	=	90% - 94.9%
D	=	85% - 89.9%
F	=	< 84.9%

Table 5: Flexibility Goals by Product Group

PRODUCT LINE	GOAL	SOURCE
ATV/Common/ Ranger/UV	< 8 weeks (40 business days)	Finished Goods Authorization
LEV/OSPS	< 9 weeks (45 business days)	
Snow	< 9 weeks (45 business days)	
Victory	< 9 weeks (45 business days)	
Military	< 9 weeks (45 business days)	

6.3. **QUALITY**

Overview: Quality will have a 30% weight toward the overall GPA. Parts Per Million (PPM) Performance will make up 20% of the Quality Performance. Production Part Approval Process (PPAP) Performance will make up 10% of the Quality Performance.

6.3.1. **Parts Per Million (PPM)**

Overview: Polaris expects its suppliers to maintain a B or better cumulative PPM quality rating for all parts supplied to Polaris (see table below). Suppliers that fall below a Grade B are expected to take timely, affirmative steps to improve their performance.

Polaris measures supplier quality performance on a rejected PPM basis. A reject PPM is measured by dividing the total parts rejected (within the rating period) by the total parts received (within the same period) and multiplying by 1,000,000.

Only Reject Material Orders (RMO) disposition codes of 00, 01, 02, 03, and 04 are used to determine PPM ratios.

Supplier PPM results are published monthly via the Polaris Supplier Report Card.

Within the "Quality" section of the Supplier Report Card, suppliers are evaluated in terms of their reject PPM rate to Polaris. Although additional factors, such as responsiveness to corrective actions, Cpk Analysis compliance, and quality systems documentation, are key to a supplier's evaluation and are no less important, they are integral parts to the quality process. In the end, it is the results that make the difference. Polaris has found no better method to evaluate the results of an effective quality system or process than PPM. Therefore, in terms of the report card grade for "Quality", it is PPM that will be the focus.

Polaris will be rewarding suppliers who show PPM Performance improvement throughout the calendar year. By using a year over year PPM improvement metric, suppliers will receive the following grade improvements:

25% PPM improvement = 1 letter grade jump in the quality category

50% PPM improvement = 2 letter grade jump in the quality category

For example: Supplier X has a PPM of 1250 at the end of 2017 which equals an F grading. However, the supplier's PPM at the end of 2016 was 2500. With a 50% cut in PPM from the previous year, the supplier's quality grade is moved from an F to a C.

Table 6: PPM Performance Measures

	QUALITY RATING	PPM MEASURE	CPK INDEX RATIO AT MAXIMUM PPM VALUE	
	A	< 100	1.47	
Minimum Quality Expectations	B	101-300	1.37	Minimum Cpk value approval
	C	301-500	1.3	
Quality Alert	D	501-1000	1.22	Quality Alert
	F	> 1001	<1.22	

Assumptions: Process is normally distributed
Process is centered around nominal

6.3.2. Production Part Approval Process (PPAP)

Overview: Polaris expects its suppliers to maintain a B or better cumulative PPAP performance rating (see table below). Suppliers that fall below a Grade B are expected to take timely, affirmative steps to improve their performance.

The PPAP Performance measurement reflects whether a supplier is submitting production part approval data on time. The PPAP performance measurement is based on the number of PPAPs due within the month that are approved on time.

PPAP Performance Percentage Calculation (% of PPAPs Compliant) = (Number of PPAPs Approved on Time / Total # of PPAPs)*100 = % compliant

Example: If a supplier has 10 PPAPs due within the month and they only submit 9 within the given month, they would have a 90% performance rating.

PPAP performance is reflected in the previous 12 months of data on the Supplier Performance Reports. PPAP performance will have 10% weight toward the overall GPA.

The PPAP performance is measured by the following criteria:

Table 7: PPAP Performance Measures

PPAP RATING	PPAP MEASURE
A	90% or >
B	80% - 89.9%
C	75%-79.9%
D	70%-74.9%
F	< 70

Additional Criteria: If the date submitted is less than or equal to the due date, the PPAP is considered On Time
If date submitted is greater than the due date, the PPAP is considered Late.

6.4. **VALUE IMPROVEMENT PROCESS (VIP)**

Overview: Suppliers are rated on Value Improvement Process (VIP) performance on a 12-month rolling basis. Polaris expects its suppliers to maintain a 2.0% or better Actual Net Cost Reductions.

Actual Net Cost Reductions = Actual Cost Decreases - Actual Cost Increases

Note: Cost Avoidances are not taken into consideration when calculating Actual Net Cost Reductions. However, Cost Avoidances will still be recorded and tracked. For those suppliers who attain at least 2% Actual Net Annual Cost Reductions and over 3% Cost Avoidance, one letter grade improvement will be awarded.

For example: “Percentage Implemented of Annual Sales” for the Last 12 Months is greater than or equal to 2%, and if the “Cost Avoidance Percent Implemented of Annual Sales” for the Last 12 Months is greater than or equal to 3%, then GPA of “Percent Implemented of Annual Sales” increases by 1.0, but not to exceed 4.0.

VIP will have a 30% weight toward GPA. Grades will be determined using the following scale:

Table 8: VIP Implementations Grading Scale

Weight=100% of Cost Improvement section		
A	4.0	>6.0%
B	3.0	4.0%-5.9%
C	2.0	2.0%-3.9%
D	1.0	>1.0%-1.9%
F	0.0	1.0% or less

6.5. **QUALIFIED SUPPLY BASE (QSB)**

Overview: Quality scorecard used to evaluate supplier performance and identify areas of improvement. The QSB score is used as a factor for future sourcing decisions and is a subset to the Vendor Report Card.

QSB is a combination of quality metrics based on the last 12 months of performance and grouped into four categories: Supplier Development, Supplier Quality, Product Assurance, and Supplier Performance. For each category(s) of supplied parts QSB scoring outputs a Qualified or Conditional status. A Qualified or Conditional status is an input for sourcing decisions. Conditional status in QSB denotes that multiple indicators of performance are below that of the minimum allowable threshold. As part of the conditional status, the supplier is placed on business hold. The minimum threshold defining the criteria between a conditional/qualified status may be adjusted to adapt to changing Polaris quality requirements.

7. **RECOVERY FEES**

Overview: Polaris reserves the right to recover justified expenses from suppliers for performance failures by the supplier, including without limitation, performance failures relating to quality and delivery issues, and violations of this manual, the *Supplier Quality Assurance Manual (SQAM)*, the *Supplier Delivery Manual (SDM)*, or the terms and conditions of the purchase order or Master Supply Agreement (MSA) with Polaris

7.1. **REQUEST FOR RECOVERY FEES**

An event occurs where expenses or other charges are incurred by Polaris, or assessed against Polaris, due to the supplier’s actions.

A Request for Recovery Fees Form is completed by the Polaris Manufacturing Supervisor for the affected production line impacted by the event.

The Request for Recovery Fees is assigned to a Sourcing representative.

The Sourcing representative issues the Request for Recovery Fees to the responsible supplier.

The supplier has 30 days to, in good faith, contest the request.

Only a Sourcing representative may negotiate the recovery fees.

After 30 days, unless otherwise agreed to, Polaris will process the appropriate debit.

Polaris management is responsible to exercise reasonable commercial judgement throughout the recovery process.

7.2. RECOVERY TYPES & ASSOCIATED FEES

Overview: Polaris believes it is important to preserve productive working relationships with suppliers, but it is also important that suppliers take appropriate responsibility to reimburse Polaris for expenses, losses, and charges incurred by, or assessed against, Polaris as a result of the supplier's failure to perform, including without limitation, failures on quality and delivery issues, and violations of this manual, the *Supplier Quality Assurance Manual (SQAM)*, the *Supplier Delivery Manual (SDM)*, or the terms and conditions of the purchase order or Master Supply Agreement (MSA) with Polaris.

These costs can be direct and indirect, and are often difficult to quantify with certainty. Accordingly, suppliers are expected to reimburse Polaris for all such items, including, without limitation, the expenses, charges and losses (including, where needed, reasonable estimates of those losses), listed in the chart below.

Reimbursement shall be either at the full rate shown, or, in the event Polaris determines responsibility is shared, at a lesser rate determined by Polaris. This chart is not a comprehensive list; it is only intended to provide guidance on some of the most common recovery fees that can be assessed for a supplier's failure to perform, but Polaris reserves the right to assess and obtain recovery for any losses incurred by Polaris due to a supplier failure. Also keep in mind that more than one recovery fee may apply to a particular situation.

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Table 9: Fee Types & Associated Costs

RECOVERY TYPE	RECOVERY SCENARIO	RECOVERY FEE
Accumulation of Reject Parts	Due to the processing cost of Reject Material Orders (RMOs), if the nonconformance event cost (nonconforming quantity*unit cost) is less than \$50.00 is generated per part number per day, the parts may be scrapped at Polaris without notification to the supplier. Polaris Quality Assurance Department reserves the right to initiate a RMO if less than \$50.00 is generated per part number per day if quantity and/or nonconformance warrants a RMO. Suppliers may be debited on a periodic basis (annually or less) for accumulations of all rejected material. The supplier agrees that when parts are scrapped at Polaris, parts need not be returned to the supplier.	(actual part cost + inbound/outbound freight costs)
Special Rejection Charge – Non-conforming Certified Replacement Parts	If a supplier provides material to replace non-conforming parts, which is certified to be free of the original defect but which upon receipt still exhibit the original non-conformance, then the supplier will be responsible for a charge of \$1000 as well as any sorting or inspection costs incurred by Polaris.	\$1000 + sorting charges
Special Rejection Charge – Non-conformances Caused by Undocumented Supplier Process/Material Changes	If any material is rejected due to supplier changes of process or material to parts in serial production without first receiving full approval of Drawing Change Request (DCR), Process Change Request (PCR), or Part Qualification Request PPAP as required, then the supplier will be responsible for a charge of \$3000 as well as any sorting or inspection costs incurred by Polaris.	\$3000 + sorting charges
Reject Labor for rework, sorting, screening	If defective material or parts are discovered or suspected, and the discovery is expected to impact Polaris' quality or production, Polaris reserves the right to apply labor resources to the sorting, screening or rework of the subject parts. Reject labor charges are used to account for the actual resources used. Example: 4 people x 4 hours = 16 total labor hours x \$100 / hr = \$1600 debited Note: Reoccurrences on the same part will be subject to higher sorting fees.	\$100/labor hour
Vehicle Rework Fee for Loose Crate	Vehicle rework charges are used when assembly of finished units is incomplete due to rejects, shortages, late deliveries, and so on, (referred to as loose crate) or must be reworked. Loose crate or rework units require transport from finished goods inventory, reintroduction to the production line, uncrating, assembly, and re-crating. Example: 25 reworked units x \$100 / unit = \$2,500 debited	\$100/vehicle
Lost Production Labor-Down Time	Down time charges are used to account for lost production labor when the production line is interrupted due to rejects, shortages, late deliveries, and so on (may not result in actual loss of finished units). The recovery fee is equal to the total production labor hours lost (accumulation of people and hours), and may be in excess of any lost production charges. Example: 23 people x 2 hours = 46 total labor hours down time x \$50 / hr = \$2,300 debited	\$50/labor hour
Lost Production Capacity	Lost or delayed production charges are used when production capacity is lost or production schedules cannot be met due to the receipt of defective material, late deliveries, or part shortages. The recovery fee is equal to the total number of units lost during the down time at the normal prevailing production rate, and may be in excess of any down time charges. The debit amount does not include potential sales opportunity losses, increased inventory carrying costs, exposure to obsolescence, or fixed overhead. Example: 27 units lost capacity x \$200 / unit = \$5,400 debited	\$200/vehicle
Service Bulletin (including recalls)	If a service bulletin is required to be sent to dealers for service or replacement of defective supplier material already in the field, suppliers may be debited for all costs, direct or indirect, associated with analyzing and correcting these problems including the cost of distributing bulletins, shipping, replacement parts, and dealer shop labor.	\$3,000/instance + actual service exposure

Part Qualification Non-Compliance	If parts or materials are sent to Polaris without the data requested via the respective parts/materials PPAP, the supplier will be responsible for incurring costs of the inspection work to be completed by the facility receiving the parts. As a supplier ensuring compliant parts/materials this is a key responsibility and one that Polaris does not want to perform for supplier. However, Polaris and supplier must have assurance of product conformance and will take the necessary inspection actions if required to support Polaris business needs at the supplier's expense. Any deviation to the requests of the PPAP must be agreed upon between the supplier and the PPAP requestor from Polaris prior to submission of the parts. Failure to resolve outstanding PPAP non-compliances could result in additional charges of \$1000/week (maximum of \$5,000 for late fees per PPAP request).	\$1000+ \$100 / inspection hour
Corrective Action Preventive Action (CAPA) or Corrective Action Request (CAR) Non-Compliance	A CAPA is sent to suppliers in the event of significant nonconforming parts/materials received by Polaris. A CAR is sent to suppliers in the event of minor nonconforming parts/materials received by Polaris. Polaris will request an immediate response on containment actions and a longer term response on permanent actions. If a supplier does not respond to the request by the designated date supplier will be charged and the part/materials will be put on Quality Alert. Additional noncompliance will result in a Supplier Quality Audit at the supplier's expense or a loss of continued business for the given parts involved. Failure to resolve outstanding SCAR non-compliances could result in additional charges of \$1000/week (maximum of \$5,000 for late fees per CAPA/CAR request).	\$1000 + Potential Supplier Audit Costs
Expedited Shipments / Extra Shipments	Expedited shipment charges are used when Polaris incurs additional or extraordinary transportation and logistics cost when, due to cause attributable to supplier, a supplier delivery failure is imminent, or the supplier's supply has been disrupted, and Polaris must attempt to expedite the shipment to either make the scheduled supplier delivery on-time, or to avoid or minimize production down time or lost production. The supplier may be debited for the actual cost of the expedited shipment(s). Extra shipment charges are used when Polaris incurs additional or extraordinary transportation and logistics cost due to a supplier's failure to meet the normal scheduled pick-up. This may include charges from the carrier for truck ordered but not used, extra stop charges, extra or multiple truck charges. The supplier may be debited for the actual cost of the extra shipment above the normal shipment cost for the scheduled delivery.	Expedited or Extra shipment costs
Government Penalties	Polaris may incur excess charges or losses assessed by customs and other government agencies if products supplied by the supplier do not comply with applicable laws, including without limitation, product forfeiture, fines, penalties and/or excess duties. If Polaris incurs excess charges or losses due to the failure of the supplier, the supplier may be debited for the actual value of the excess costs or loss incurred by Polaris.	costs incurred
Repackaging or Labeling	Thirty days after the second notice of correction has been sent, Polaris will charge back for the cost of labor, material, and other expenses needed to bring the packing, labeling, and packaging up to necessary requirements.	(\$50/labor hour plus material and transportation costs)
Quality Assurance Travel Recovery	In the event a Polaris employee visits a supplier to perform an audit of discrepant process or Run at Rate (R@R) audit with timely and detailed advance notice, but the supplier has not prepared necessary materials, resources, and time, then the supplier could be responsible for a penalty of up to \$500/day.	(\$500/day)

8. **END OF DOCUMENT**

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