



Douglas Dynamics, Inc.

Supplier Handbook

Douglas Dynamics Introduction

Home to the most trusted brands in the industry, Douglas Dynamics is North America's premier manufacturer and upfitter of commercial work truck attachments and equipment. Our products and solutions have enabled end-users to perform their jobs more efficiently and effectively for over 75 years.

The company sells its products under the WESTERN®, FISHER® and SnowEx®, SweepEx®, TurfEx®, HENDERSON and Dejana brands which are among the most established and recognized in the industry.

Although each of our brands maintains its own distinct product characteristics, "best practices" developed at our facilities around the globe are exchanged and implemented throughout DD. Our Winning Behaviors at DD includes:

- Be Customer and Results Driven
- Communicate Responsibly
- Anticipate the Possibilities
- Collaborate and Care
- Develop Self and Others
- Get Better Every Day

The entire DD organization is passionate about providing our dealers and their customers with the highest possible levels of product quality, customer service and product support. We see our suppliers as an extension of our divisions to achieve customer satisfaction.

Our customers depend on DD for durable, dependable, and reliable products supported by outstanding service and support after the sale. Our suppliers must be able to demonstrate the ongoing use of a living quality system that shows evidence of continuous improvement. The Global Sourcing and Supply (GSS) team at DD expects our suppliers to perform flawlessly in meeting our needs for defect free component parts, assemblies and accurate documentation that support our lean environment. In that way, the GSS team at DD can work with an elite cadre of suppliers.

How We Collaborate with Our Suppliers

A. *How to Approach DD GSS*

Global Sourcing and Supply at DD would like to extend a welcome to all current and potential suppliers. The preferred avenue to approach GSS is by introducing your company to the Commodity Manager or Buyer responsible for the product segment you represent. Please note that GSS will only conduct supplier interviews by appointment.

B. *Communication With DD Representatives Outside of GSS*

GSS is the first point of contact for all suppliers. GSS will refer the supplier to the appropriate departmental representatives. All quotations and proposals should have original documentation submitted to the GSS representative and a copy submitted to the requesting DD party.

C. *Ethics and Code of Conduct*

DD adheres to a stringent Code of Ethics. We also seek to be accountable to our suppliers to remain vigilant in keeping our business dealings in accordance with the “Principles and Standards of Ethical Supply Management Conduct”, adopted in 2012 by the ISM (Institute of Supply Management www.ismworld.com). DD supports strong relationships with our suppliers therefore any item that would represent a conflict of interest for DD personnel is not permitted. In addition, we adhere and expect our suppliers to adhere to our supplier Code of Conduct.

D. *Non-Disclosure Agreements*

All suppliers wishing to conduct business with DD will be required to sign an NDA. and mutually respect our supplier’s confidentiality and intellectual property. It is expected that any subcontractor or third party engaged by our suppliers will be held to the same level of confidentiality.

E. *Supplier Partnering*

We seek suppliers on a global basis that conduct themselves and their operations transparently and are willing to share expertise and industry knowledge. The typical Supplier of DD creates a culture for their employees to be passionate about exceeding customer expectations, and work together to eliminate waste across the entire supply chain. This elimination of waste allows for DD and our Suppliers to improve margins instead of focusing just on price. Suppliers that can demonstrate this level of value will be rewarded with business growth.

F. *Technology Sharing*

For DD to better serve our customer's needs, we continue to enlist the capabilities of our suppliers to support us in technological advancement. DD encourages our suppliers to participate in the design cycle prior to drawing release. We believe that our suppliers are the masters of their technologies and can provide DD with engineering and process expertise that is critical to product development, on-time, on budget product launches and effectively managing total cost. The Engineering Team at DD seeks to engage the technical capabilities of existing and potential suppliers. Initial quotations and correspondence should be processed through the designated Commodity Manager or Buyer, who will establish the appropriate line of communication. DD encourages direct collaboration between engineers but requires the inclusion of your Commodity Manager or Buyer throughout any communication with the Engineering Team.

G. *Supplier Managed Inventory*

It is DD's position to manage the supply chain using a Plan for Every Part (PFEP). We enlist the expertise of our suppliers to help us provide materials to the point of use. We believe that the supplier is in the best position to replenish the materials they supply by giving them plant floor access to monitor the rate of consumption and replenishment. We will provide an electronic means of viewing forecasts to aid in the supplier's ability to replenish our stock.

H. *Supplier / Inventory Agreements / Contracts*

DD believes in long term relationships with our suppliers. We manage material flow supported by supply agreements, discrete purchase orders supporting reorder point demand, and blanket orders for planning/forecasting, purchase order releases to support kanban. In the case of blanket orders, it is only an estimate of our annual requirements. This is not a hard commitment for quantities, but one initiated for time. We will honor these commitments for stocking of long lead-time components and finished goods as defined in a written Supply Agreement or Stocking Agreement. Any inventories at a Supplier that is not covered by a written agreement will be the responsibility of the Supplier. If we contract for a specific quantity over time, we retain the right to extend the time in which we draw the material from the supplier. Each DD Division will communicate their typical expected lead-time. We seek suppliers that can react to our changing production demands by providing responsive replenishment with the shortest possible lead-times.

I. ***Supplier Performance Metrics (SPM) and Feedback***

DD will provide ongoing feedback to our strategic suppliers. We will monitor performance of suppliers in the areas of delivery, quality, lead time and margin improvement. The feedback will be in the form of formal and informal ongoing discussions and written in report card form monthly.

J. ***Shared Margin Improvement***

DD believes that suppliers play an integral role in our ability to control costs and jointly improve the margins on our products. As an incentive to have our suppliers support this endeavor, we would like to share margin improvements equally. Continuous improvement is a foundation for success for all DD supplier relationships. It is expected that in addition to recommendations of how DD can improve product and services, our suppliers will routinely identify continuous improvement opportunities within their own operations and work to implement savings with DD. As part of our RISE (Reaching Improvements through Supplier Excellence) process, DD will commit resources for specific improvement opportunities joining a supplier's team at a supplier location

K. ***Materials Requirements***

Our suppliers must be able to deliver material when needed at DD facilities. It is necessary that all DD suppliers be flexible in reacting to changing business demands. Suppliers are expected to meet in-house requirement dates as indicated on orders. Expected usage and on hand stocking requirements are to be detailed in supply agreements or other communication from DD. Delivery is a component of supplier performance metrics and will be used to assess suppliers when making sourcing decisions. We recognize the benefit of partnering with suppliers who provide managed inventory systems for their customers. This type of replenishment system allows DD to maximize manufacturing resources.

L. ***Terms and Conditions***

DD's standard payment terms are 2% 10, net 30 Days. We generally take discounted terms and pay on schedule. DD will strictly adhere to and honor our obligations in keeping with the agreed upon negotiated terms and conditions. Quality at DD extends to all aspects of our supplier relationships, including accuracy of paperwork.

M. ***Freight and Transportation***

DD has negotiated rates with freight suppliers. Our suppliers are notified on the method of transportation and the carrier to use. This covers domestic and international suppliers. If the supplier does not comply with our freight routings and instructions, DD may debit the supplier for the cost difference. DD audits freight bills for accuracy and compliance. If suppliers include freight on the invoice, the freight cost should be clearly separated and not included in the piece price.

N. *Packaging and Handling*

Materials are to be packaged in a manner consistent with DD specifications where applicable. In the absence of instructions or specifications, goods or materials must be packaged in a manner to ensure delivery in useable and undamaged condition. DD is cognizant of the importance of being environmentally responsible relative to packaging. We encourage discussions with suppliers related to alternative packaging and returnable dunnage.

O. *Tooling and Gages*

DD may purchase necessary tooling if required. Any DD purchased tooling becomes an owned asset of DD. It is the supplier's responsibility to keep the tooling in good working condition and repair it as needed. Any tooling refurbishment costs need prior approval by DD. DD requires that our tooling number and the term "Property of Douglas Dynamics, Inc." be affixed to the tool and a photograph of the tool sent to DD. Additionally, DD requires the completion of a bailment agreement which stipulates that designates that DD retains the right to remove any tooling that is DD property at any time. Any additional charges related to tooling must be outlined in the original quote at the time of the tooling purchase. If supplier is utilizing non-DD owned tooling, maintenance and tooling charges are the responsibility of the supplier.

DD expects our suppliers to have inspection gages capable of meeting the specifications as outlined on our prints. DD will not purchase or pay for calibration or repair of any gages for suppliers use to produce DD specific products.

DD may require our suppliers to furnish tooling condition reports on an annual basis for DD owned tooling or provided gages. These condition reports need to be furnished by end of July each year.

P. *Pricing*

DD continuously analyzes total cost. It is our expectation that supplier pricing be commensurate with total annual spend. DD expects the

supplier to maintain consistent pricing for all DD locations based upon aggregated annual volumes.

In the spirit of continuous improvement, DD expects our suppliers to work regularly to manage their non-material costs. As such, DD expects suppliers to implement initiatives to offset all non-material price increases. DD utilizes many resources including commodity indices and other published reports to monitor prices and analyze supplier cost builds.

DD requires a minimum of 30 days advance notice of a price increase in writing before an accepted price change can take effect.

Price increases should be supplied to DD in Excel format with the following information as applicable; DD plant affected, DD part number, historical purchases for the last 12 months (qty), current price, extension of current price multiplied by historical volume, proposed new price, extension of new price multiplied by historical volume, % change of proposed price increase over current.

Suppliers will provide supporting documentation of the raw material increase from its supplier and percent of the total cost the raw material comprises in the supplied part. To streamline the review process, DD recommends that an appointment be scheduled with the appropriate Commodity Manager or Buyer to present the increase in-person, along with increase analysis spreadsheet and supporting documentation.

Suppliers that participate in the SPM process and are not current with submission of MIPs must present those MIPs prior to requesting a price increase.

Q. *Warranty*

DD offers one of the best warranties in the industry. DD warrants to each purchaser of an OEM whole good for personal or commercial use that the product will be free from defects in material and workmanship for a period of two (2) years after original installation. DD expects our suppliers to match or exceed the warranty period we offer to our customers.

R. *Supplier Quality Assurance*

Please refer to the division specific Supplier Quality Assurance Manual for details regarding the quality requirements for DD. The status of a component purchased by DD, will require specific levels of quality documentation as dictated by the Production Part Approval Process (PPAP). DD adheres to the principal that PPAP qualification documentation is part of the cost of doing business in providing world

class quality. DD will also require documentation indicating compliance with the Restriction of Hazardous Substances Directive 2015/863/EU (RoHS), the EU REACH 2007 (Registration, Evaluation, Authorization and Restriction of Chemicals) and Conflict Minerals.

S. *Process / Material Changes*

Prior to implementation, suppliers must secure written approval from DD for all changes in materials, source of supply, and process changes once a part has been PPAP approved. *If a supplier fails to advise DD of material / process changes, the supplier may be held accountable for all of DD costs incurred to rectify the unauthorized process or material change.*

T. *Product Specifications / Revisions*

DD will provide a copy of our specification document and product prints which reference the current revision number. This revision number will also appear on the purchase order. It is the supplier's responsibility to have a process to review and validate that they are producing parts to the correct revision number. In the event of a conflict of revision level between a purchase order, specification document, or drawing, or if no DD specification is provided, it is the responsibility of the supplier to contact DD for resolution.

U. *International Labeling, Documentation, and Packaging*

Our international suppliers shall label the product and shipment with the appropriate documentation to assure Customs clearance and ensure conformance to all applicable international laws. All international packaging materials must meet ISPM 15 requirements.

V. *Delivery Documentation*

All material delivered to DD must be accompanied by a packing list and the proper identification labeling on the outside of the packaging. Packing lists and invoices must include, at a minimum, the purchase order number (with release number where applicable), DD part number, and quantity. Failure to provide a legible packing slip with the appropriate noted items will also delay payment with no penalty to DD on discount terms. DD requires that invoices are to be sent electronically to the attention of Accounts Payable to the DD location as noted on the purchase order.

**Please contact your Commodity Manager or Buyer
should you require clarification on how to do business
with DD.**