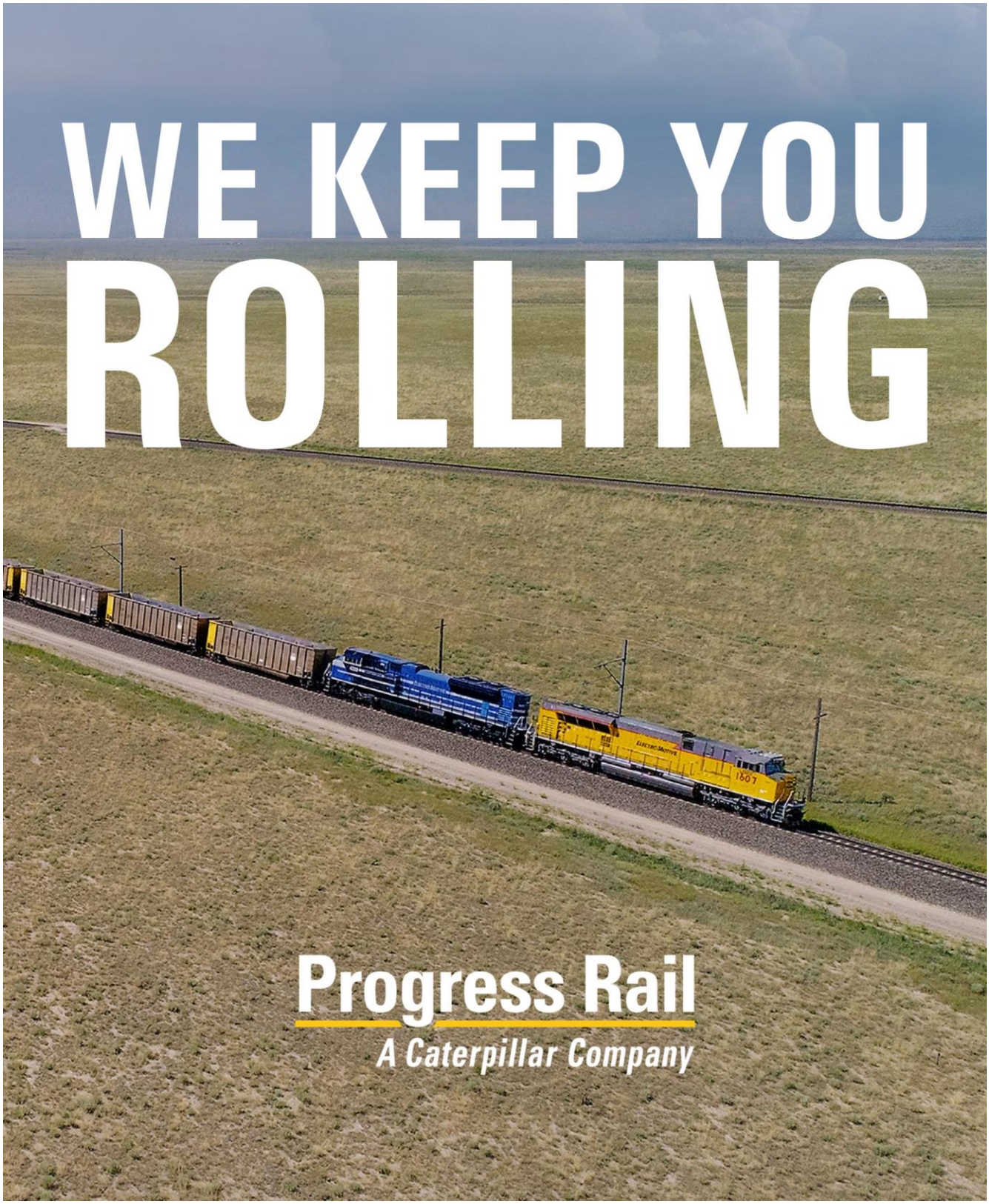


SUPPLIER HANDBOOK

Progress Rail
A Caterpillar Company

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Purpose of the Supplier Handbook

This handbook provides a roadmap for the transformation of the working relationship between Progress Rail and you, our suppliers, in order to achieve our corporate strategic goals.

Working together, we must simplify our current mutual business environment, which is characterized today by part number and supplier proliferation, frequent engineering changes and insufficient conformance.

Our goal is to significantly reduce complexity, which will result in a more streamlined, efficient supply base. This manual offers a high-level overview of tools and information necessary for you to help us move from our “as is” state to a desired “to be” state.

This manual will help you to better understand Progress Rail expectations, engage more fully in Progress Rail initiatives, and achieve both robust process controls and continuous improvement in quality metrics.

Supplements to this manual will focus on details of specific processes, which will evolve over time as process improvement continues. The supplements, updates and more detailed information will be available on the Progress Rail Supply Chain Website.

This website also enables Global Supply Chain to communicate more consistently and effectively with you, thus helping to establish a positive atmosphere in which teamwork and collaboration can flourish. For us to be mutually successful, we must all strive to create a “zero-defect” environment in which ongoing data review will drive proactive process improvements.

Working together with the processes outlined in this manual, we can successfully generate breakthrough quality improvements, create world-class products and deliver them effectively while contributing to each other’s success.

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Message from Global Supply Chain Directors

Progress Rail absolutely cannot reach our goals without our suppliers totally engaged and more closely integrated into all aspects of our business. Our goal is to create an environment where seamless design collaboration takes place, setting the stage for cost-effective procurement and giving us the mutual advantages we all want.

The transformation we're talking about truly is a total change in culture – both for Progress Rail and suppliers. Our goal is to develop a supply base that functions as a true business partner – one that contributes to a truly collaborative relationship by bringing ideas, technologies, cost and process improvements to the table.

As we pursue that goal, we are looking for suppliers who share our values and respect our business model, who are committed to quality leadership and zero defects. We need suppliers who have industry-leading product, process technologies and world-class capabilities, with a willingness to grow globally with us.

We know that in order for our collaborative efforts to be successful, Global Supply Chain must do a much better job of integrating suppliers in product development and order fulfillment. You have much to offer, and we need to leverage your knowledge and understanding of the business to reduce cost and improve quality through earlier, deeper communication and collaboration.

Most importantly, we must dedicate ourselves to creating a strong partnership with mutual benefits. We have an exciting opportunity to grow together – and we need to make the most of it!

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Introduction to Progress Rail

Railroads transport goods and people millions of miles every day. At Progress Rail, we believe in going the distance with them.

Addressing aging infrastructure needs while continuing to move freight efficiently poses a global challenge. Around the world, railroads continue to serve as a primary solution for effective hauling. Today's industry priorities have become even more attuned to maximizing productivity and availability. Through fleet modernizations, track structure improvements and industry technology advancements, such as asset protection and predictive maintenance tools, railroads are taking efficiency, safety and reliability to the next level.

As a Caterpillar company, we are committed to our customers — having built a legacy on delivering superior value in a cost-effective manner. Our team works hard to create lifelong relationships, supplying comprehensive rolling stock and infrastructure solutions for the global rail industry and setting the standard for excellence.

We care about fostering the sustainable movement of goods and people for generations to come, and we know our customers care, too. As one of the largest integrated and diversified suppliers of railroad and transit products and services worldwide, Progress Rail has nearly 200 facilities in 16 countries. Our strategic footprint ensures responsive, quality customer support all day, every day.

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Introduction

For close to a century, EMD® locomotives, engines and services have kept the global rail industry rolling. Progress Rail acquired Electro-Motive in 2010. Since then, we have worked together as one team to deliver complete rail solutions. Our team is willing to take today's challenges and address them head on for the next wave of modern rail.







We continue the EMD® legacy by providing the same reliable products the industry has come to depend on — not only with the iconic EMD® product name, but also innovative features and technologies to meet stringent customer requirements and maintain high performance.

As a worldwide leader, Progress Rail offers diesel-electric EMD® locomotive aftermarket parts for all commercial railroads, including freight, intercity passenger, commuter, switching-industrial, and mining applications. More than 65,000 EMD®-powered locomotives have been delivered to more than 75 countries to date.

Adding to our coverage as a locomotive and engine manufacturer, Progress Rail is one of the largest global suppliers of new and reconditioned freight cars and components for Class I railroads, shortlines, freight car manufacturers and private car owners.

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Caterpillar's Code of Conduct



"The quality of our products and services reflects the power and heritage of the Progress Rail, EMD®, and Caterpillar brands – the pride we take in what we do and what we make possible. We are passionate about people, process, product, and service excellence. We are determined to service our customers through innovation, continuous improvement, an intense focus on customer needs, and a dedication to meet those needs with a sense of urgency. For us, Excellence is not only a value; it is a discipline and a means for making the world a better place"

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Supplier Code of Conduct

While Progress Rail conducts its business within the framework of applicable laws and regulations, for us, compliance with the law is not enough. We strive for more than that. As enshrined in Caterpillar's Supplier Code of Conduct, we envision a work environment all can take pride in, a company others respect and admire, and a world made better by our actions.

We view our suppliers as extensions of our company and an essential part of our extended value chain and commitment to quality. We look for suppliers who demonstrate strong values and commit to the ethical principles outlined in Caterpillar's Supplier Code of Conduct, namely:

Conflicts of Interest	Fair Competition	International Trade Laws
Improper Payments	Diversity and Inclusion	Emissions and Waste Reduction
Confidential Information	Protection of Assets	Health and Safety
Human Rights	Conflict-Free Sourcing	Innovation
Environmental Responsibility	Fairness and Non-Discrimination	Water Conservation Stewardship

We expect suppliers to comply with the sound business practices we embrace, follow the law and conduct activities in a manner that respects human rights.

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Supplier Expectations

- ❑ Conduct business in accordance with our Supplier Code of Conduct. Failure to comply may result in an end to our business relationship.

- ❑ Work safely: Contractors that perform work on Caterpillar premises must pass a contractor pre-qualification process, including compliance with environmental, health and safety regulations.

- ❑ Respect the Caterpillar, Progress Rail and EMD® brands, and protect Progress Rail confidential and proprietary information.

- ❑ **Continuous Improvement Expectations:**
  - Achieve year over year cost reductions.
  - Implement training programs to support development of your organization and personnel.
  - Implement Lean principles.
  - Deploy 6 Sigma or similar continuous improvement structure and methodology.
  - Review performance metrics monthly and take corrective action as needed.
  - Suggestions or Ideas - supplier.ideas@PROGRESSRAIL.com

- ❑ **Ensure Business Continuity**:
  - Maintain financial stability. Participate in annual financial health reviews when requested. Maintain a balanced customer base and competitive/flexible cost structure.
  - Perform business continuity planning for business resumption from an unexpected disruption.
  - Provide obsolescence management planning for high-risk components.

- ❑ **Support Product Development:**
  - Maintain leading edge, world class capability in manufacturing processes/materials/systems.
  - Participate in design collaboration and implement compatible design systems.

- ❑ **Communication:** Use the Progress Rail Supply Chain Website for accessing additional information and business applications.
  - Supplier Communication Guidelines

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Compliance Expectations

- **Government Contracts**: As a supplier to government, state, or municipal entities, Progress Rail is often required to comply with: (i) domestic content requirements (e.g., Buy America), (ii) diversity supplier goals (e.g., Disadvantaged Business Enterprise); (iii) conflict minerals certifications; or (iv) exclusions or limitations to eligible supplier list. As a Progress Rail supplier, you may be required to certify your product's domestic content, manufacturing location or provide additional detail on whether your ownership may qualify for certain special government programs (e.g., Women-Owned Business). Additional information is available at Progress Rail Supplier Chain Website.

- **Supply Chain Security:** Progress Rail Locomotive Inc. is a voluntary participant in the Customs Trade Partnership Against Terrorism (C-TPAT) Program, which may require you to complete a questionnaire; agree to certain contract terms; and afford Progress Rail certain audit rights. We do this to ensure that you are meeting certain minimum supply chain security standards. Additional information is available at Supply Chain Security or contact C-TPAT@PROGRESSRAIL.com.

- **Data Privacy & Data Governance:** Suppliers or service providers that have access to, or otherwise process, personally identifiable information (PII) or financially significant information will be subject to special controls regarding the security of their IT environment as well as contract requirements regarding the processing of PII. For additional information about how Progress Rail processes personally identifiable information, including any provided by you as supplier, then please visit https://www.caterpillar.com/en/legal-notices/dataprivacy.html.

- **Antibribery:** Suppliers or service providers assisting, or acting on behalf of, Progress Rail in connection with a transaction involving a Non-U.S. government entity/official may have to complete a questionnaire and be subject to periodic due diligence and mandatory contract language. Should you receive a questionnaire from Progress Rail's service provider, please complete it promptly.

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Compliance Expectations

- **International Trade Controls**: As a global supplier, Progress Rail is subject to a myriad of laws, which may affect the import and/or export of products it acquires from its suppliers. These laws may require:
  - Free Trade Agreement Certificates (FTAs): Suppliers to provide certifications that support Progress Rail's eligibility for certain FTAs (e.g., USMCA), which may be based upon the country of origin of the imported product. Should you receive a request to provide an FTA Certificate of Origin, please respond as quickly as possible.
  - Import Security Filing (ISF): Non-U.S. suppliers to coordinate with their freight forwarder to ensure an accurate and timely (24 hours before loading the container on the vessel) ISF with U.S. Customs and Border Protection. All ISF details are to go directly to Progress Rail's filer (ordisf@UPS.com with a copy to progressrail@ups.com).
  - Manufacturer's Affidavits: Suppliers to confirm – through an affidavit or certification – certain information about the products they supply, including country of origin, domestic content or other reasonably requested information.

- **Product Regulatory & Chemical Management:** From time to time, Progress Rail may request for suppliers to provide certifications or other information regarding the chemical composition or compliance with applicable chemical management regimes, including California's Proposition 65, or the European Union's REACH, RoHS, or WEEE legislation.

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Supply Chain Expectations

- **Supply Chain Agreements:** Suppliers shall promptly complete & return applicable agreements before commencing business.
  - Non-Disclosure Agreement (NDA)
  - On-Site Service Agreement (OSA)
  - Joint development agreement, Long-term agreement, Exclusivity agreement, etc.

- **Request for Quote (RFQ):** Suppliers are expected to respond to the request within five (5) business days or as specified.
  - Participate in cost modeling and open book pricing.
  - Follow quoting guidelines provided in the invitation to quote.
  - Submit Packaging Information form, if applicable.
  - Submit domestic content certification, if applicable.
  - Provide detailed tooling information

- **Purchase Order (PO):**
  - Applicable Purchase Order Terms & Conditions are listed on the purchase order.
  - Standard payment terms (unless regulations specify otherwise) are 60 days from invoice receipt. Terms may vary by region based on legal requirements and common practices.
  - Understand that Progress Rail purchase orders are contractual requirements.

- **SourceDay:** All Progress Rail functional acknowledgements (purchase orders, schedules and changes) will utilize SourceDay (unless otherwise noted).

- **Shipping Information:** The ship-to address and shipping instructions will be clearly marked on the PO. Contact your Progress Rail point of contact if any shipping information is missing. Additional shipping information can be found in the Shipping Requirements section of this document.

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Supply Chain Expectations

- **Packaging:** The supplier shall preserve the product during internal process and delivery to Progress Rail following requirements listed in the Progress Rail Packaging Manual. Additional packing information can be found in the Packaging section of this document.

- **Packing Slip and Labels:** The supplier shall adhere to the specifications as it relates to the packing slip and labeling requirements as listed in the Progress Rail Packaging Manual.

- **Invoicing:** Payment and receipts are made in accordance with Progress Rail Purchase Order Terms & Conditions or the negotiated terms of the PO. Suppliers shall use Electronic Fund Transfer (EFT) for payments.
  - New Invoices PRL: ap-emd@progressrail.com
  - New Invoices PRS: ap@progressrail.com
  - Questions: AP Inquiry PRL: apinquiry-emd@progressrail.com
  - Questions: AP Inquiry PRS: apinquiry@progressrail.com
  - Exemption Certificates exemptioncerts@PROGRESSRAIL.com

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Supplier Selection Process

- **Capability Assessment & Supplier Approval:**
  - Progress Rail Strategic Sourcing leads will evaluate a supplier or potential supplier's ability to provide Progress Rail with material, parts or services. The evaluation covers a supplier's business operations and capabilities, quality, capacity, cost, pricing, scheduling and delivery.
  - The Strategic Sourcing lead will initiate the NDA to begin communications, then send an RFI form to understand the supplier's capabilities.
  - Progress Rail Supply Chain and Quality personnel will review pertinent information and decide upon the appropriate action:
    - Schedule an on-site audit
    - Request additional information from the supplier
    - Eliminate the supplier from further consideration

- **Supplier Selection**:
  - The selected supplier will follow the Production Part Approval Process (PPAP).
  - See Progress Rail Supplier Quality Manual and PPAP manual for additional details.

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Supply Chain Quality Expectations

- **Supplier Development Process (SDP):** Suppliers are expected to participate in the Supplier Development Process which demonstrates a robust process control and verifies conformance to the Progress Rail Quality System.

- **Non-Conforming Material (NCM):** Suppliers are required to have a system in place to prevent the shipment of non-conforming material to Progress Rail. When a supplier detects non-conforming material, it shall be identified, segregated, documented and dispositioned.

- **Requests for Deviation Approvals (DA):** DAs are required to be promptly submitted through ETQ and must be approved before the products can be used for production.

- **Corrective Action Preventive Action (CAPA) and Quality Notifications (QN):** CAPAs and QNs will be initiated and processed through ETQ. Suppliers are expected to respond in a timely manner.

- **Supplier Cost Recovery (SCR):** Progress Rail's SCR program is designed to track supplier performance with consistent reporting across the corporation and provide a mechanism for recovery of all costs that Progress Rail incurs as a result of supplier caused and delivered non-conforming material.

Quality Policy

Progress Rail pledges our products and services will meet our internal and external customers' requirements through a commitment to continual improvement of the quality management system and failure prevention.



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Shipping Requirements

- **North American Shipping**: It is critical that the Progress Rail Routing Guide is followed when shipping material across North America. This ensures that the proper carriers are used, and the material is handled in the proper manner.

- **International Shipping:** It is critical that suppliers follow the instructions noted below when shipping material from destinations outside of North America into the USA (Including Canada and Mexico). Shipments that do not designate or terminate in North America may require further details. Please contact your Progress Rail your Progress Rail point of contact for further instructions.

  For International Shipping questions contact international_sli@progressrail.com.

  - International Supplier Routing Guide
  - International Trade Compliance
  - Instruction for Shippers
  - Booking Shipper's Letter of Instructions
  - Commercial Invoice Requirements

- **ISF Filing Requirements:** US Customs regulations require all importers causing the arrival of Ocean shipments to US to submit Importer Security Filing (ISF) to CBP no less than 24 Hours **before loading** the container on a vessel destined to the U.S.

  All ISF details are to go directly to Progress Rail filer UPS (ordisf@ups.com; with a copy to progressrail@ups.com). UPS will work with the shipper to determine it has all required data elements for filing. The ISF 10 + 2 form can be found here.

  The party required to provide the ISF information will bear full responsibility for timeliness as per Purchase Order Terms and Conditions and/or Authorization to Return Material.

*Note: Supplier to follow specific shipping instructions and links listed on the purchase order

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Packaging Requirements

Packaging Requirements – Protecting the products you make for Progress Rail – Please review the Progress Rail Packaging Manual for further details on requirements.

Packaging and preservation are critical elements that aid in production of our products from point of origin to the final point of use. All products are required to have a shelf-life protection from corrosion or deterioration at a minimum of **6 months** for production parts and a minimum of **18 months** for aftermarket service products unless otherwise specified. Please contact your Progress Rail point of contact for further information.

Highlights:

- All wood used is to be Heat Treated as specified with a HT stamp.
- PRS standard HT pallet size is 40” x 48”.
- Pallet load height can not exceed 52”.
- Metal banding is NOT allowed. Polyester banding or polymer banding may be used.
- Most common stretch wrap used for a pallet load is LDPE (low density polyethylene).
- PVC film is not to be used for stretch wrap.
- Hazmat Suppliers must include associated Safety Data Sheet attached to shipment.
- All metal is to treated with a Rust Preventative (RP) or contained in a VCI environment unless specified otherwise.
- VCI supplier list must be provided and approved by Progress Rail.
- Corrugated primary packaging should be a minimum of 32 ECT (Edge Crush Test).
- Packaging should not have artwork other than approved Progress Rail artwork.
- Packaging should arrive in a condition which is ready to stock and not need repackaging.
- Shipments that do not meet the minimum standards will be rejected and returned per the Supplier Quality Manual. Any associated costs incurred by Progress Rail will be charged back to the supplier.

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Contacts

Accounts Payable related questions:

- New Invoices PRL: ap-emd@progressrail.com
- New Invoices PRS: ap@progressrail.com
- AP Inquiry PRL: apinquiry-emd@progressrail.com
- AP Inquiry PRS: apinquiry@progressrail.com

Compliance related questions:

- US Customs Inquiries – Customsrequests@progressrail.com
- Progress Rail ISF Notifications - isf@progressrail.com
- ISF details UPS - ordisf@ups.com and Progressrail@ups.com
- CTPAT: C-TPAT@progressrail.com
- Exemption Certificates exemptioncerts@progressrail.com
- Free Trade Agreement qualification: noreply@sttas.com

Continuous Improvement related comments:

- Suggestion or Ideas - supplier.ideas@PROGRESSRAIL.com

Shipping related questions:

- International Shipping Questions: international_sli@progressrail.com

Supply Chain

- Purchasing.admin@progressrail.com
- Supplier_Diversity@progressrail.com
- Supplier.excellence@progressrail.com

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Glossary

AAR	The Association of American Railroads
AI	Apparatus Instructions
BOM	Bill of Material
CA	Corrective Action
CAPA	Corrective Action Preventative Action
CBP	Customs & Border Protection Agency
COO	Country of Origin
CR	Change Request
C-TPAT	Customs-Trade Partnership Against Terrorism
DA	Deviation Approval
DBE	Disadvantaged Business Enterprise
EA	Exclusivity Agreement
EDPS	Engineering Design Performance Specifications
ERP	Enterprise Resource Planning
ESFR	Engineering Specification for Factory Rebuild
ETI	Engineering Test Instructions
ETQ	Excellence through Quality
FRA	Federal Railroad Administration
FTA	Free Trade Agreement
Incoterms	International Commercial Terms
IND	Material Index number
ISF	Importer Security Filing
JDA	Joint Development Agreement
KPC	Key Product Characteristics
LTA	Long Term Agreement
MCR	Manufacturing Change Request
MRA	Module Release Approval
NCM	Non-Conforming Material
NDA	Non-Disclosure Agreement
OSA	On-Site Service Agreement
PO	Purchase Order
PPAP	Production Part Approval Process
PRL	Progress Rail Locomotive
PRS	Progress Rail Service
QN	Quality Notification
RFI	Request for Information
RFQ	Request for Quote
SCR	Supplier Cost Recovery
SDE	Supplier Development Engineer
SDP	Supplier Development Process
SLI	Shipper's Letter of Instruction
SourceDay	PR Supplier Website
SQE	Supplier Quality Engineer
VMI	Vendor Managed Inventory
VTS	Vehicle Technical Specification

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