

COST SAVINGS INITIATIVE REPORT

Polar Dynamics Robotics, Inc.

Confidential & Proprietary

Date: January 11, 2024

1. EXECUTIVE SUMMARY

This Cost Savings Initiative Report ("Report") outlines the comprehensive analysis and implementation strategy for operational cost reduction measures at Polar Dynamics Robotics, Inc. ("Company") for fiscal years 2024-2025. The initiatives detailed herein are projected to yield approximately \$4.7M in annualized savings while maintaining product quality and operational excellence in our core autonomous mobile robot (AMR) business.

2. SCOPE AND METHODOLOGY

1. Analysis Period: Q3 2023 - Q4 2023
2. Implementation Timeline: Q1 2024 - Q4 2024
3. Departments Reviewed:
 - Manufacturing Operations
 - Research & Development
 - Supply Chain Management
 - Administrative Operations
 - Facilities Management

3. IDENTIFIED COST REDUCTION OPPORTUNITIES

3.1. Manufacturing Operations (\$2.1M Projected Annual Savings)

- 1.1. Component Sourcing Optimization
 - Consolidation of thermal sensor suppliers from 6 to 2 preferred vendors
 - Bulk purchasing agreements for cold-resistant actuators
 - Projected savings: \$875,000 annually
- 1.2. Production Process Improvements
 - Implementation of automated testing procedures for IceNav systems

- Optimization of thermal management system assembly
- Projected savings: \$925,000 annually

1.3. Inventory Management

- Just-in-time inventory implementation for non-critical components
- Reduction in safety stock levels for standard parts
- Projected savings: \$300,000 annually

3.2. Research & Development (\$1.1M Projected Annual Savings)

2.1. Testing Infrastructure

- Consolidation of cold-environment testing facilities
- Virtual simulation enhancement reducing physical testing requirements
- Projected savings: \$650,000 annually

2.2. Project Prioritization

- Streamlined project portfolio management
- Elimination of redundant research initiatives
- Projected savings: \$450,000 annually

3.3. Supply Chain Management (\$800,000 Projected Annual Savings)

3.1. Logistics Optimization

- Consolidated shipping contracts
- Implementation of route optimization software
- Projected savings: \$425,000 annually

3.2. Vendor Management

- Renegotiation of key supplier contracts
- Implementation of vendor scorecard system
- Projected savings: \$375,000 annually

3.4. Administrative & Facilities (\$700,000 Projected Annual Savings)

4.1. Facilities Consolidation

- Optimization of R&D lab space utilization

- Energy efficiency improvements in testing facilities
- Projected savings: \$400,000 annually

4.2. Administrative Operations

- Digital transformation of manual processes
- Reduction in non-essential software licenses
- Projected savings: \$300,000 annually

4. IMPLEMENTATION PLAN

4.1. Phase I (Q1 2024)

- Initiate supplier consolidation program
- Begin facilities optimization
- Launch automated testing procedures

4.2. Phase II (Q2-Q3 2024)

- Complete vendor contract renegotiations
- Implement inventory management systems
- Roll out digital transformation initiatives

4.3. Phase III (Q4 2024)

- Finalize R&D infrastructure consolidation
- Complete administrative systems optimization
- Review and adjust implementation as needed

5. RISK MITIGATION

1. Quality Assurance Measures

- Enhanced quality control protocols during transition
- Regular audit schedule for new processes
- Maintenance of redundant systems during critical transitions

2. Business Continuity

- Phased implementation to minimize operational disruption
- Backup supplier relationships maintained

- Emergency response procedures for critical systems

6. MONITORING AND REPORTING

1. Key Performance Indicators (KPIs)

- Monthly cost tracking against baseline
- Quality metrics monitoring
- Production efficiency measurements
- Customer satisfaction metrics

2. Reporting Schedule

- Weekly progress reports to implementation team
- Monthly updates to executive leadership
- Quarterly board presentations

7. LEGAL AND COMPLIANCE CONSIDERATIONS

1. All cost reduction measures have been reviewed for compliance with:

- Existing supplier contracts
- Employee agreements
- Regulatory requirements
- Quality certification standards

2. Legal department approval required for:

- Contract modifications
- Vendor relationship changes
- Facility lease amendments

8. CONFIDENTIALITY NOTICE

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9. APPROVAL AND AUTHORIZATION

REVIEWED AND APPROVED BY:

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Katherine Wells

Chief Financial Officer

Date: January 11, 2024

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Sarah Nordstrom

Chief Operating Officer

Date: January 11, 2024

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Dr. Elena Frost

Chief Executive Officer

Date: January 11, 2024