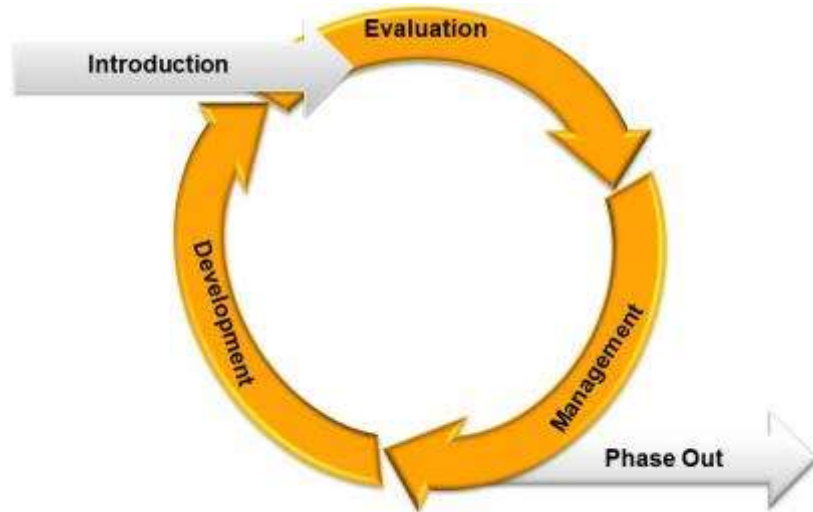


Generac Power Systems Supplier Handbook

DETAILED GUIDE OF THE SUPPLIER DEVELOPMENT PROCESS, INCLUDING SUPPLIER REQUIREMENTS AND EXPECTATIONS FOR GENERAC POWER SYSTEMS, INC.

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The Generac supply base is critical to overall success as our organization continues to compete and grow in a competitive engine-driven products environment. Strong supply chain relationships are built with clear communication of expectations, alignment of goals, building of mutual trust, and a focus on cooperation. The purpose of this handbook is to further communicate Generac’s expectations and requirements and to establish a process that will successfully align supplier goals with those of Generac, thus enabling shared growth and success. By focusing on the same goals, the probability that Generac will meet or exceed shareholder and stakeholders goals for cost, delivery, quality, and service significantly improves.

For all related supplier documents please visit the Generac Supplier Support page located [here](#).

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INTRODUCTION

Since 1959, Generac (Nasdaq: GNRC) has been a leading designer and manufacturer of a wide range of generators and other engine powered products serving residential, light commercial, industrial and construction markets. Unlike other generator manufacturers, power generation is the company's primary focus, with the widest range of products in the marketplace including residential, commercial and industrial standby generators, as well as portable and mobile generators used in a variety of applications. Other engine powered products designed and manufactured by Generac and our affiliates include mobile light towers and heaters that service various end markets, a broad product line of power washers and trash pumps for residential and commercial use as well as professional grade property maintenance equipment.

It is Generac's goal to develop a robust supply base that provides the optimal, total cost of ownership (quality, service, delivery, and price) that will enable us to be the brand for our customers. Generac is committed to ensuring that our suppliers have a clear understanding of our expectations, and have all of the information required to successfully meet our needs.

PURPOSE

Generac Power Systems, Inc. has created a supplier management program that is designed to align suppliers with our company's Strategic Plan. Elements of the program reflect Generac's expectations of its supplier base and how supplier performance impacts the execution of this plan.

The Supplier Management Program encourages constant communication between Generac and its suppliers, which enables suppliers to better understand the role that they play in the success of Generac.

There are four primary steps to the Supplier Development Program: Planning, Implementation, Measurement, and Improvement. Each step has been developed with this supply management cycle in mind, from potential supplier, to the time a supplier becomes well aligned and requires minimal guidance. The program even includes guidelines to ensure appropriate communication during phase out if required.

It is our belief that the requirements and expectations outlined herein that will help our suppliers execute in a manner that is appropriate for Generac. It is critical that our suppliers regularly refer to this document to understand these processes and hold themselves accountable to our requirements. Any questions regarding the content of this guide should be directed to your Generac contact. Having clarity is of the utmost importance.

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Generac Vision

Vision

An integrated global supply chain aligned with our business initiatives, providing **Generac** with a competitive market advantage



- Grow Residential Standby Market**
- Aggressive pricing
 - Cost reduction
 - Improved cash cycle

- Gain Industrial Market Share**
- Optimize Lead Time
 - 100% On Time Delivery
 - Service Responsiveness

- Lead Gas Power Generation**
- Leverage technical capabilities
 - Capitalize on market opportunity
 - Lead the market in clean fuel solutions

- Expand Globally**
- Leverage global footprint
 - Execute revenue and cost synergies
 - Provide market diversity and financial stability

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GENERAL REQUIREMENTS

NON-DISCLOSURE AGREEMENTS

Generac Power Systems, Inc. requires non-disclosure agreements to protect both Generac and its suppliers in the event that confidential information is exchanged. An NDA must be in place AND have the appropriate language stated within the agreement prior to the exchange of such confidential information. This agreement does not serve as a contract for other purposes, and does not substitute for agreements such as: a purchase agreement, consulting agreement, development agreement, or technology agreement.

QUOTATIONS

Upon request, the supplier is responsible for reviewing requests for quotation within five business days. Discrepancies or suggestions regarding drawings and specifications should be clearly communicated to Generac when providing a response.

The supplier shall strive to provide Generac with an order lead time (purchase order receipt to material ship date) no greater than four weeks. In addition, all quotation responses shall include cost specific breakdowns to help Generac complete our analysis in a timely fashion. All quotations should be made in US\$.

PRICING

All pricing shall be fixed upon award. Any commodity or currency requirements shall be defined to Generac in advance and defined using Generac's pricing agreement template.

For any pricing changes outside of a contract Generac must receive written notification 90 days prior to expected implementation. Generac's acknowledgement of receipt of the notification starts the 90 day review.

PART APPROVALS

Generac utilizes a Generac specific product part approval process (PPAP) methodology to ensure that all sourced material meets our conformance requirements. Before a sourced component is approved for use in our product the component must pass the PPAP requirements. After approval the PPAP serves as the component standard that each subsequent part provided must adhere to.

DELIVERY REQUIREMENTS

All Suppliers shall use the freight routing guide to determine how to deliver inbound freight. When applicable suppliers shall provide an advanced shipment notification (ASN) to GPS.

Generac requires suppliers to strive for 100% On-Time Delivery (OTD) performance. Generac will monitor the supplier's delivery performance and request corrective actions when appropriate.

Suppliers should take all necessary actions to avoid premium freight charges. In the event that premium freight cannot be avoided, the supplier must contact Generac and receive approval prior to shipment. Failure to deliver to Generac's requirements may result in premium freight charges being debited to the suppliers' account.

LABELING AND PACKAGING

Suppliers must ship materials in compliance with the Generac Labeling and Packaging Preservation Specifications. These specifications can be found on Generac's public website, under Supplier Support

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GENERAL EXPECTATIONS

QUALITY SYSTEM

ISO9001 is the minimum expectation required for the direct material supplier, factory, and subcontractors. Demonstration of conformance to ISO/TS16949 may be required. Suppliers and subcontractors that currently meet recognized industry standards, but have a history of poor performance and/or regular quality issues will be monitored and assessed to ensure proper improvement. Suppliers must be prepared to provide the copy of the latest valid certification.

RIGHT OF ENTRY

Generac Power Systems, Inc., 3rd party regulatory authorities, and our customers must be afforded the right to verify at the supplier's premises that the supplier's material, services, and/or product conforms to specified requirements. This includes all facilities and sub-facilities involved in order fulfillment, as well as all applicable records. Verification does not absolve the supplier of the responsibility to provide acceptable product and services, nor does it prevent Generac from rejecting said product and services as a result of not meeting specified requirements.

BUSINESS CONTINUITY PLANS

Upon request, all suppliers are expected to provide a documented business continuity plan that enables the supplier to continue to perform critical functions and/or provide services in the event of an unexpected interruption. These plans may be verified through the Supplier Quality Risk Assessment.

SUPPLY CHAIN SECURITY

Suppliers are expected to ensure the security of our Supply Chain. Suppliers should consider participation in the US Customs and Border Protection's C-TPAT (Customs-Trade Partnership Against Terrorism) program, an international equivalent, or provide a written confirmation of meeting the minimum security criteria of the program. Suppliers can provide Generac Power Systems, Inc. with their SVI (Status Verification Indicator) number as evidence that they are a member of C-TPAT.

ENVIRONMENTAL – CONFLICT MINERALS

All purchased materials, services, and products used in the manufacturing of Generac items must satisfy current government and safety requirements for restricted, toxic, and hazardous materials, as well as all environmental and electrical considerations applicable to all countries of manufacture and sale. All purchased material, services, and products must conform to Generac's conflict minerals requirements. Suppliers must be prepared to provide supporting evidence of conformance upon request.

SOURCE CONTROL

To ensure that all requirements are fully met, it is necessary that any changes to design or manufacture are communicated to Generac. First tier suppliers are fully responsible for the quality of all components they provide. Suppliers should not subcontract work or change subcontractors without Generac knowledge and approval. This may impact product validation and regulatory certifications. If a supplier would like to make any changes they should submit a Supplier Change Request.

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PLANNING

PURPOSE

The first step in the Supplier Management Program is supplier selection. We must ensure that we only select suppliers that meet Generac expectations, and have the capability to fulfill all of our requirements. The supplier selection process enables the Global Supplier Management Team at Generac to select the most qualified based on the supplier's performance and the needs of Generac Power Systems, Inc. Non-qualified suppliers can self register by completing the required forms listed below and submitting to globalsupply@generac.com. What follows is a general outline to the supplier selection process.

SUPPLIER SELECTION

The supplier selection process begins when we have a requirement for a new material, or we are looking for alternate sources of supply for existing materials, services, and/ or products. Generac periodically reviews our current supply base to determine if there are any support gaps to our business needs. Our goal is to direct new business to our preferred suppliers. However, if we determine that our current supply base does not have the capability to meet our needs, a new supplier will be selected.

Prior to a potential partnership with Generac the following forms/evaluations may be required:

- Non-Disclosure Agreement (NDA)*
 - Required prior to any exchange of confidential information
- Request for Information (RFI)
- Request for Quote (RFQ) – TCO analysis
- Supplier Risk Assessment (as required)
- Financial Review (as required)

The SGS team at Generac Power Systems, Inc. has the ultimate responsibility in selecting suppliers. There are several factors that are used in the selection process. Examples of these factors are listed below and may be collected via an RFI form:

- Does the supplier have the technology to meet Generac's needs?
- Is the supplier cost competitive?
- Is the supplier able to meet all delivery/capacity requirements?
- Does the supplier agree to support value-added service programs and initiatives?
- Does the supplier have the technical, physical, and financial resources to support Generac's future demands?

Suppliers are also evaluated based on the status of their Quality Systems. Supplier Quality Engineers (SQE) will either visit the supplier's manufacturing site and perform an on-site assessment, or ask the supplier to perform a self-assessment.

After the supplier has been evaluated and it is determined that the supplier meets Generac's needs, the supplier will complete the supplier setup process and be assigned a vendor number. In addition the supplier will be trained on how to provide materials to meet Generac requirements. Examples of supplier training will include, but are in no way limited to, the PPAP process, how to manage all GPS assets, and how to ensure freight routing compliance.

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IMPLEMENTATION

PURPOSE

The implementation step ensures that the supplier's processes are adequate and properly qualified by Generac. This step also ensures that there is a material, services, or product verification process in place, and that suppliers stay current with material, services, or product application revisions.

QUALIFICATION REQUIREMENTS

GPS Qualification is always required prior to the first production shipment in the following situations:

Qualification initiated by Generac (Supplier Audit or PPAP Required):

- A new material or product supplier
- A new material, process, or product not previously supplied to Generac
- New Manufacturing location

Qualification due to a change proposed by a supplier (PPAP Required):

A change in the manufacturing of the material or product, which may include but is not limited to:

- A material or product modified by an engineering change (i.e. design specifications, records, or materials).
- Quality conformance procedure
- New tooling
- A change/addition/deletion of a process step
- Source change for raw material
- A change in raw material composition
- A change in handling, packaging, and/or storing methods

Suppliers are required to notify Generac of any of the above circumstances utilizing the Supplier Change Request Form (SCR).

Supplier Change Notification

The use of a SCR form is required a minimum of 90 days before the first ship date of the qualified product. The use of the SCR is required for any proposed changes by the supplier and/or any of its subcontractors.

Prior to implementing a change, the supplier must submit the SCR to their Global Commodity Manager contact. The SCR serves to document the following:

- A description of the proposed change
- A list of part numbers affected
- An explanation of the reason(s) for the change, including any benefits to Generac
- A proposed timeline for the implementation of the change

Once the SCR has been reviewed internal to Generac, an initial response will be provided to the supplier. This response will be one of the following:

- The proposed change is not significant, and the supplier may proceed with implementation
- The proposed change is significant, and will be approved for implementation once the conditions of the qualification requirements outlined in the SCR are satisfied (i.e. through PPAP approval/RA completion) and approved by Generac.
- The proposed change is significant and is not acceptable to Generac and may not be implemented on product supplied to Generac.

It is the suppliers responsibility to ensure that Generac is properly notified and all changes are approved prior to making any product changes.

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IMPLEMENTATION

MATERIAL OR PRODUCT VERIFICATION

To ensure that Generac customers receive only the highest quality product, we have developed an approval process that verifies conformance to Generac specifications. Company SQE's will work with suppliers to implement one of the following methods of verification:

- Receipt and evaluation of statistical data provided by the supplier, specific to the material or product
- Receiving inspection and/or testing
- 3rd party assessments of supplier sites
- Part/material evaluation by an accredited laboratory

There are a number of factors that determine which method will be used. In general, for suppliers with demonstrated process capability, Generac will utilize 3rd party assessments and/or statistical data. For those suppliers demonstrating unstable process capability, Generac may utilize receiving inspections and/or laboratory evaluation. When requested, suppliers are expected to provide all data, and/or allow quarterly assessments at their facilities. Any exceptions must be reviewed and approved by Generac Power Systems, Inc.

CORRECTIVE AND PREVENTATIVE ACTION

The supplier should utilize a Corrective and Preventative Action (CAPA) System that includes containment, root cause analysis, corrective action, effectiveness verification, and prevention of recurrence.

When Generac Power Systems, Inc. issues a Corrective Action Report (CAR) for material or product that is out of conformance, the supplier must provide their Generac Supplier Quality Engineer (SQE) contact with a containment action within 24 hours, and a detailed corrective action plan (in 8D format) within 10 business days.

NON-CONFORMING MATERIAL

Generac will not accept any product which does not conform to specified requirements, and thus may be cause for rejection and return to the supplier for credit or replacement, as mutually agreed.

On occasion, a supplier may wish to submit variant material or product for consideration. To avoid rejection upon receipt, a request for temporary deviation from specification must be submitted to Generac via an SCR prior to any shipment. The request will be reviewed, and only after a written approval from Generac will the material or product be allowed to ship. Lack of response from Generac does NOT constitute acceptance of the non-conforming material or product.

PROCESS CONTROL

The supplier must have a documented process for planning and implementing production activities. Production must occur under controlled conditions using documented and revision-controlled procedures, instructions, and reference materials, as requested by the ISO9001 and/or TS16949.

INSPECTION AND TESTING

The supplier must have a documented process to verify that all requirements for Generac products have been met prior to shipment. Appropriate measurement and test equipment must be available, and records of inspection must be maintained. If a subcontractor is used to conduct the measurement/testing, the supplier must ensure that the subcontractor is in accordance with all requirements, and is able to provide documentation to Generac upon request.

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IMPLEMENTATION

DOCUMENT CONTROL

The supplier must have a documented process to ensure that all quality system documents, design specifications, and other product-related documents are controlled for a period of five years. Controlled documents must be reviewed by the supplier's appropriate personnel, and approved by both Generac and the supplier prior to their release and use.

CONTROL OF RECORDS

Quality records must be maintained in a manner so that they remain legible and retrievable upon request. These records include, but are not limited to any product specific requirements, inspections, tests, Material Review Boards (MRB), and any product/process/equipment qualifications. Records should be retained for up to 5 years after manufacture.

SUPPLIER CHARGEBACKS

If a Generac supplier fails to meet the requirements that have been communicated and agreed upon, Generac reserves the right to hold the supplier accountable for any excess costs that may be incurred. These chargebacks may be related to, but in no way only include, late deliveries, poor quality, damaged product, missed specifications, delayed product launches, etc. Generac will communicate costs incurred and may require payment through a debit process.

IDENTIFICATION AND TRACEABILITY

The supplier should ensure the traceability of the materials or products that they supply. A traceability code should be put on the item(s) and/or the packaging for every PO/lot that is delivered to Generac.

The supplier must ensure that in the event of an error being discovered, it will be possible to identify and isolate the defective materials or products, and thus limit the quantities and period of time affected by the problem.

TRAINING

The supplier must have a documented process defining qualification and training records for all of its employees. Training and certification activities must be planned, carried out to completion, and documented.

SUPPLIER SOCIAL ACCOUNTABILITY

Generac believes that it is extremely important that our supply base shares the same level of integrity and accountability as our organization. This relates to everyone that is related in the creation of our product and as a result all of our suppliers may be subject to align with our expectations and may be subject to audits from time to time.

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MEASUREMENT

PURPOSE

Generac Power Systems, Inc. uses a number of processes to evaluate and monitor our supplier's quality systems and products. Business reviews, quality system assessments, and scorecards are a few of the tools used to evaluate supplier performance against our expectations.

SUPPLIER BUSINESS REVIEWS

As required, Generac will schedule business reviews with suppliers. Topics covered in the meetings will include:

- Supplier Performance
- Progress toward identified goals
- Assignment and review of action items
- Supplier expectations
- Contractual Terms
- Manufacturing/Quality issues
- Cost reduction opportunities
- Market conditions
- Future demand/Forecasts
- New products and technologies
- Additional business opportunities
- Financial issues
- Corrective Action/Preventative Action
- Logistics issues/opportunities
- Quality System Reviews

SUPPLIER SCORECARD

Generac has developed a periodic performance rating system (scorecard) that measures the preferred suppliers in the areas of Quality, Delivery, Cost and Service. The supplier's performance is tracked on a quarterly basis, and is frequently reviewed to ensure that suppliers are meeting the needs of Generac. Each category is weighted based on the criticality to Generac Power Systems, Inc. Failure to meet expectations may result in documented corrective actions to improve performance.

Scorecard Performance Measures:

- Quality
 - DPPM performance
 - CAPA volume and closure
 - Chargebacks (COQ)
- Delivery
 - On-Time Delivery
 - Performance to standard lead time
- Cost
 - Favorable Pricing Variances
 - Cost savings ingenuity
 - Payment Terms/Discounts
 - Material reduction programs
- Service
 - Responsiveness
 - Communication
 - NPI Execution
 - PPAP accuracy/LT
 - Management Support

QUALITY SYSTEM ASSESSMENTS

Supplier assessments are used as a systemic and independent examination to determine whether a supplier's quality system meets the quality standard requirements. Those suppliers placed on a Re-Audit or Restricted Supplier Status will be identified and thus subject to additional, random audits in order to further develop or phase out the supplier.

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RESULTS

PURPOSE

In order to remain competitive, Generac must continuously improve products and processes and work with suppliers to do the same. Continuous improvement and supplier collaboration is required in order to prioritize supplier goals and track progress. Doing so enables Generac and its supply base to work efficiently and helps both organizations form a mutually beneficial partnership.

IMPROVEMENT OPPORTUNITIES

Training: Suppliers that are unable to meet Generac’s expectations and have entered into a restricted status (**red**) will require additional GPS training as a pathway for improvement. Completion of training, along with improved metric performance, will allow suppliers to be removed from the restricted list.

CATEGORIZATION

Orange: >90

Excellent performance

Green: 80 - 89

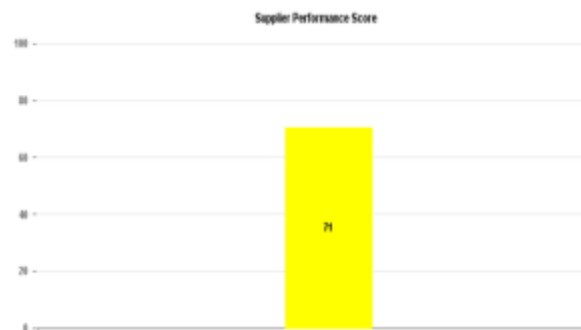
Meeting or exceeding performance goals

Yellow: 65 - 79

Approved supplier, improvement required in some areas

Red: <65

Restricted supplier, business at risk of transition. No new business awarded.



CONTACT & INFO UPDATES

It is important that Generac knows the contact information of key roles that support our business. If a change in business support occurs it is the suppliers responsibility to update Generac by sending the update to globalsupply@generac.com Failure to do so may result in chargebacks.