

GENERAC®

Supplier Handbook



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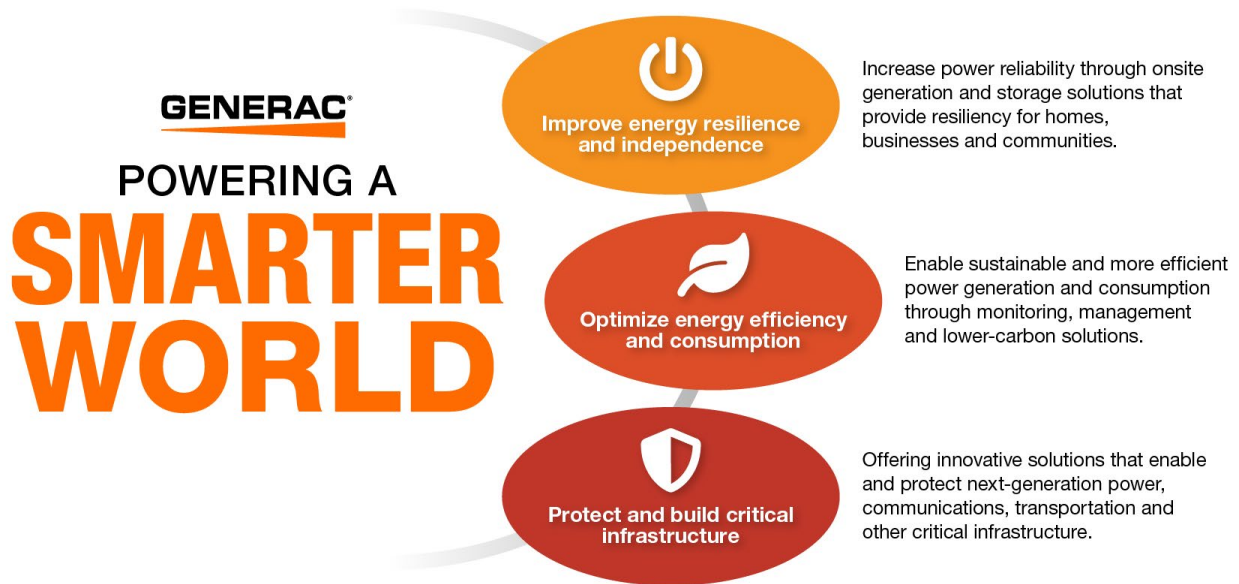
Introduction

Generac offers a comprehensive range of energy technology solutions across various sectors. Our offerings cover everything from backup and prime power systems for residential, commercial, and industrial applications to solar and battery storage solutions, energy management devices, and virtual power plant platforms. Additionally, we provide engine- and battery-powered tools and equipment, catering to diverse energy needs and applications. Our focus on innovation and providing reliable power solutions has established us as a prominent player in the energy technology industry.

Generac’s vision to lead the evolution towards more resilient, efficient, and sustainable energy solutions aligns with the growing need for modernizing our grid infrastructure, as current grid infrastructure is often outdated and lacking in sufficient investment. By leveraging our expertise in power generation and combining it with future-focused energy technologies, Generac is dedicated to accelerating the transition towards a more distributed and sustainable grid system.

Our commitment to our enterprise strategy of “Powering a Smarter World” signifies our intention to not only provide reliable power solutions but also to innovate and adapt to the changing landscape of energy technology. This approach reflects a proactive stance in addressing the challenges posed by an evolving energy landscape while striving to meet the power needs of our customers efficiently and sustainably.

Generac Enterprise Strategy



OUR PEOPLE • CUSTOMER EXPERIENCE • CONTINUOUS IMPROVEMENT • TECHNOLOGY LEADERSHIP

Purpose

We aim to cultivate a robust supply base that delivers optimal total cost of ownership, encompassing quality, service, delivery, and cost considerations, thereby solidifying our position as the preferred brand for our customers. We are committed to ensuring that our suppliers are well-informed about our expectations and equipped with the necessary information to effectively meet our requirements.

The purpose of this handbook is twofold: to clearly communicate Generac's expectations and requirements to our valued suppliers, and to establish a collaborative process that aligns supplier goals with those of Generac. Through this alignment, we aim to foster shared growth and success.

By focusing on common objectives, we enhance the probability of achieving or surpassing our goals for cost efficiency, timely delivery, product quality, and exceptional service. This not only benefits Generac but also our shareholders and stakeholders, ensuring sustainable success in the long term.

Generac's Supplier Management Program (SMP) is strategically designed to synchronize suppliers with our company's overarching Strategic Plan. This program embodies Generac's expectations of its supply base and underscores how supplier performance directly influences the execution of this plan.

The Supplier Management Program unfolds across four key stages: Evaluation, Implementation, Measurement, and Improvement. Each stage is meticulously crafted to encompass the entire supply management cycle, from identifying potential new suppliers to fostering alignment where minimal oversight and guidance are needed.

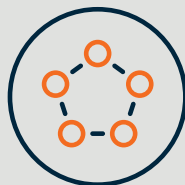
We firmly believe that the insights provided in this document will empower our suppliers to perform in a manner that benefits both organizations. It is imperative that our suppliers regularly consult this guide to comprehend these processes and hold themselves accountable to each requirement. For any inquiries regarding the content of this guide, suppliers are encouraged to reach out to their Generac Commodity Manager or Sourcing contact.

Supply Chain Vision

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



Key Traits:



Collaboration



Performance



Efficiency

Supplier Expectations

Supplier Code of Conduct and Sustainable Procurement Policy

A fundamental pillar in achieving our mission of Powering a Smarter World lies in our partnerships with suppliers. To uphold this commitment, Generac Power Systems and its subsidiaries have established a comprehensive Code of Conduct for our suppliers. This Code serves as a framework delineating our expectations regarding business practices, ethical standards, and compliance with relevant laws and regulations.

Adherence to the [Generac Supplier Code of Conduct and Sustainable Procurement Policy](#) is mandatory for all suppliers engaging with Generac. Suppliers are required to annually acknowledge and comply with this Code, underscoring our collective commitment to ethical business conduct. It is important to note that the provisions outlined in the Supplier Code of Conduct complement existing legal agreements or contracts between suppliers and Generac entities.

We expect our suppliers to extend these standards throughout their own supply chains, including subcontractors and third-party labor agencies. While this Supplier Code of Conduct does not confer third-party beneficiary rights, Generac reserves the right to update and amend its requirements, with suppliers expected to acknowledge and implement any such changes accordingly.

For detailed information on the Generac Supplier Code of Conduct and Sustainable Procurement Policy, please refer to our supplier support page: [Generac Supplier Support Page](#).

Business Communication

Generac mandates that all documentation be communicated in English, unless expressly stated otherwise. Furthermore, suppliers are urged to promptly communicate any substantial changes in their business environment to Generac. This includes, but is not limited to, acquisitions, divestitures, pending litigation, or any activities that could impact the financial stability of the supplier's organization.

Additionally, suppliers must register for Generac's Supplier Management Platform and ensure that their supplier profile is kept up to date. Regularly accessing the platform is essential for staying informed about business communications and expectations from Generac.

Non-Disclosure Agreements

Generac requires the use of [non-disclosure agreements \(NDAs\)](#) to safeguard the exchange of confidential information between Generac and its suppliers. Prior to the exchange of any such confidential information, an NDA containing the appropriate language to ensure confidentiality must be in place.

It is important to note that the NDA is specific to the protection of confidential information and does not serve as a contract for other purposes. It does not substitute for agreements such as purchase agreements, consulting agreements, development agreements, or technology agreements.

For access to the NDA template and further information, please visit: [Generac Supplier Support](#).

Right of Entry

Generac, third-party regulatory authorities, and our customers retain the right to conduct on-site verification at the supplier's premises to ensure that the supplier's materials, services, and/or products align with specified requirements. This encompasses all facilities and sub-facilities involved in order fulfillment, as well as relevant records. It is crucial to understand that verification does not absolve the supplier of the responsibility to deliver acceptable products and services, nor does it preclude Generac from rejecting products and services that fail to meet specified requirements.

Business Continuity Plans

All suppliers are required to provide a documented business continuity plan, which ensures the supplier's ability to sustain critical functions and/or deliver services in the event of an unforeseen disruption. These plans may undergo verification as part of the Supplier Quality Risk Assessment process.

Quotations

Upon receipt of a request for quotation, the supplier is accountable for reviewing it within five (5) business days. Any discrepancies or suggestions concerning drawings and specifications should be promptly communicated to Generac when submitting a response.

Furthermore, the supplier is expected to offer Generac a reasonable order lead time, from the receipt of the purchase order to the shipment date of the materials. Additionally, all quotation responses must incorporate cost-specific breakdowns as instructed, facilitating Generac's timely analysis. All quotations must be provided in US dollars.

Pricing

All pricing shall be fixed upon award. Any commodity or currency requirements shall be defined to Generac in advance of the award and defined using Generac's Pricing Agreement, Memorandum of Understanding (MOU), or Master Supply Agreement (MSA).

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

Quality System

Generac mandates ISO9001 certification as the minimum expectation for direct material suppliers, factories, and subcontractors. Suppliers and subcontractors are required to demonstrate conformance to ISO9001 or an equivalent standard. While suppliers meeting recognized industry standards are accepted, those with a history of poor performance or frequent quality issues will be subject to monitoring and assessment to ensure improvement.

Suppliers must be prepared to provide a copy of their latest valid certification upon request.

Regulatory Compliance

Generac prioritizes regulatory compliance and safety standards across its supply chain to promote the integrity and quality of its products. All materials, services, and products utilized in the manufacturing process must adhere to current applicable government regulations regarding restricted, toxic, and hazardous materials. This includes compliance with applicable laws including, but not limited to, the Toxic Substance Control Act (TSCA), Proposition 65, Restriction of Hazardous Substances (RoHS), and Registration, Evaluation, Authorization, and Restriction of Chemicals (REACH). Additionally, Generac emphasizes environmental and electrical considerations relevant to all countries of manufacture and sale, in line with its global commitment to sustainability and safety. Importantly, all imported products must comply with the trade laws of the United States of America. Furthermore, adherence to [Generac's Conflict Minerals Policy](#) is mandatory for all purchased materials, services, and products, underscoring the company's commitment to ethical and responsible sourcing practices. Through these stringent measures, Generac upholds its dedication to processes aimed at delivering safe, compliant, and environmentally conscious products to its customers worldwide.

Trade Compliance

Generac must comply with all Customs Laws and Regulations of the United States for imports and exports. In addition, suppliers must comply with all embargoes and sanctions administered under U.S. Law including but not limited to the Office of Foreign Assets Control (OFAC), the Uyghur Forced Labor Prevention Act (UFLPA), and the Bureau of Industry and Security (BIS). All suppliers are responsible for providing the necessary information to ensure Generac meets its import and customs obligations in the following areas:

Import Compliance:

Commercial Invoice:

- Must be in English or include an English translation if in a foreign language
- Include the Generac part number and supplier part number
- Include a detailed description of the goods
- Include quantities and units of measure
- Include unit value, extended value, total invoice value, and currency used for valuation
- List the HTS Code for each part number
- Include the Country of Origin (COO) for each part number

Marking of Products:

- COO labeling must be present on products and packaging

Valuation:

- Include any type of assistance provided by Generac to produce goods either at a reduced price or free or charge
- List all discounts, deductions and/or commissions
- "Transaction Value" should always be used. Please contact usimports@generac.com if "Transaction Value" cannot be used

Free Trade Agreement (FTA) Certificates:

- FTA Certificate of Origin is required for all eligible part numbers

Importer Security Filing (ISF):

- All ISF documentation must be provided to Generac Trade Compliance 24 hours before cargo is loaded onto a vessel at a foreign port of departure

Duty Drawbacks:

- Generac retains the right to claim duty drawbacks on any item purchased from a supplier. Suppliers must fully cooperate with any duty drawback efforts initiated by Generac.

Other Requirements:

- All engine data compliance documentation for the EPA and the ECCC must be provided to Generac Trade Compliance by the time of shipping
- Certain materials may require additional documentation, including but not limited to: steel mill certificates and aluminum certificate of analysis. Please contact Generac Trade Compliance at usimports@generac.com for further details.

Export Compliance:

If a product is subject to any export control requirements, it is the responsibility of the supplier to notify Generac of the requirements. We will review the requirements and take the required actions to maintain compliance.

Suppliers are strongly encouraged to participate 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 with their SVI (Status Verification Indicator) number as evidence of their C-TPAT membership.

Part Approvals

Generac employs a proprietary Production Part Approval Process (PPAP) methodology tailored specifically to our requirements to confirm the conformity of all sourced materials. Prior to approval for use in our products, sourced components must successfully fulfill the PPAP requirements. Upon request, suppliers are obligated to grant access to sub-supplier process audits.

Delivery Requirements

All suppliers must adhere to Generac's freight routing guide to determine the appropriate method of delivering inbound freight. Additionally, suppliers must submit an advanced shipment notification (ASN) to Generac. Detailed transportation and logistics guidance from Generac can be accessed via the following link: [Generac Supplier Support](#).

Generac sets high standards for shipping and delivery performance, requiring suppliers to strive for 100% On-Time Shipping (OTS) and On-Time Delivery (OTD). Generac monitors suppliers' shipping and delivery performance and will request corrective actions when necessary.

Suppliers are expected to take all necessary measures to avoid premium freight charges. In cases where premium freight cannot be avoided, suppliers must contact Generac and obtain approval prior to shipment. Failure to comply with Generac's requirements may result in premium freight charges being debited to the supplier's account.

Labeling and Packaging

Suppliers must ship materials in compliance with the [Generac Labeling](#) and [Packaging Preservation Specifications](#).

Product Safety and Conformity

Suppliers must follow Generac-specific design processes for each product (Product Safety and Conformity – PSCR, according to IATF 16949 Clause 4.4.1.2). Generac requires that Suppliers appoint an internal representative to support the development project and ensure all aspects of design and production comply with the PSCR.

Source Control

To ensure full compliance with requirements, it is imperative that any modifications to design, process, or manufacturing, subsequent to PPAP approval, be promptly communicated to Generac. First-tier suppliers bear complete responsibility for the quality of all components they deliver. Suppliers are prohibited from subcontracting work or changing subcontractors without prior knowledge and approval from Generac, as such actions may impact product validation and regulatory certifications. If a supplier intends to make any changes, they must submit a [Supplier Change Request](#).

In the instance of a Generac Purchased Finished Goods (PFG) supplier engaging a Tier II supplier, the Tier II supplier may undergo a Product and Process Audit (PPA).

Sustainability

Generac places great emphasis on environmental responsibility and considers it integral to the production of world-class products. Suppliers are encouraged to acknowledge their environmental impacts and take steps to minimize adverse effects on the community, environment, and natural resources during their manufacturing operations. Additionally, suppliers are expected to prioritize the health and safety of their employees and the surrounding communities.

In addition to complying with all relevant environmental laws in their respective countries or jurisdictions, suppliers are urged to undertake initiatives that promote greater environmental responsibility. These initiatives may include:

- Responsible Waste Management and Disposal
- Conservation of Natural Resources
- Reduction of Energy Consumption and Greenhouse Gas (GHG) Emissions
- Alignment with Global Sustainability Standards

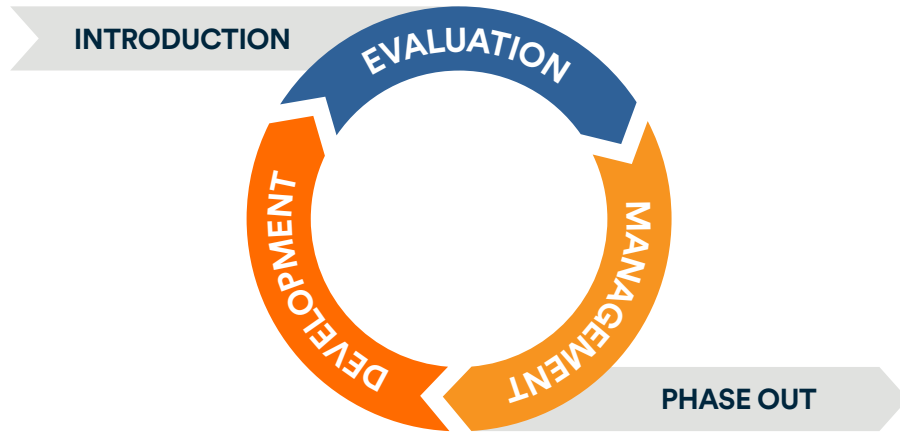
Suppliers must be prepared to provide supporting evidence of conformance upon request.

Community and Stakeholder Engagement

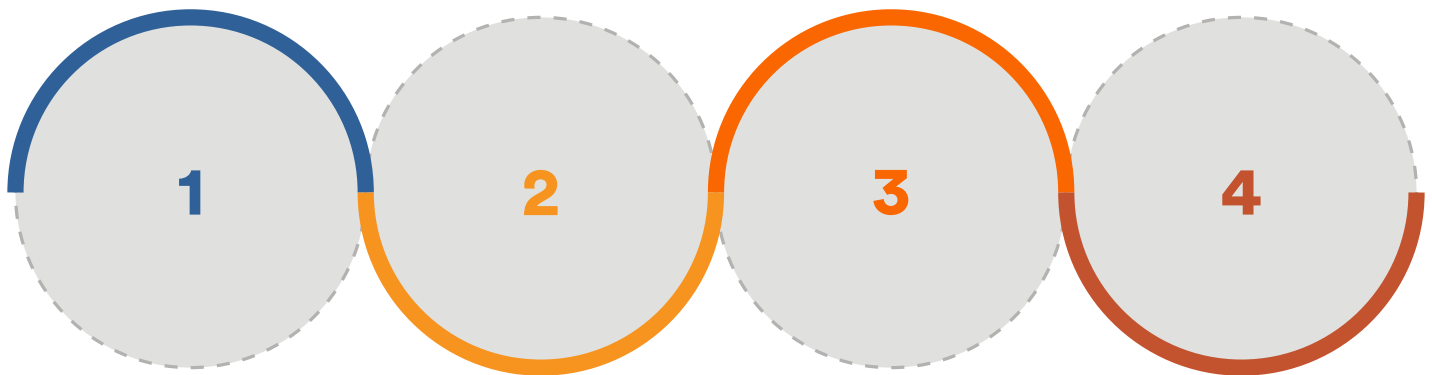
Generac remains committed to fostering a culture of stakeholder engagement, recognizing that our relationships with the communities in which we operate, and with our suppliers and partners, are essential to our continued success. Through a proactive approach to engagement, we work collaboratively with our stakeholders to understand their needs and perspectives, and to identify potential impacts on our business and supply chain.

Our expectation is that our suppliers will embrace a similar approach, working with local communities and governments to support education, cultural enrichment, and economic and social well-being. We believe that such collaboration is key to building a vibrant and sustainable future together.

Supplier Management Program



Generac's supplier management program involves four key stages: **Evaluation, Implementation, Measurement and Improvement.** This approach helps confirm that suppliers meet standards and continuously contribute to organizational goals.



Evaluation

Where potential suppliers are assessed based on criteria such as quality and cost

Implementation

Which formalizes the relationship through contracts and process integration

Measurement

Where supplier performance is monitored using metrics and KPIs

Improvement

Where supplier performance is monitored using metrics and KPIs

Evaluation

Purpose

The initial stage of the Supplier Management Program (SMP) is Evaluation. It is imperative that our suppliers align with our standards and meet our expectations consistently. The supplier selection process allows Generac to identify the most suitable providers based on their demonstrated capability, historical performance, and willingness to comply with our product requirements.

Supplier Selection

The supplier selection process begins when there is a need for a new material or when an alternative source of supply for existing materials, services, and/or products is identified. Generac periodically assesses its current supply base to identify any support gaps. While our preference is to direct new business to our preferred suppliers, if our existing suppliers are unable to meet our requirements, we will select a new supplier.

Potential suppliers have the option to self-register by visiting suppliers.generac.com and completing the requisite forms. Below is a broad overview of the supplier selection process:

1. **Registration:** Potential suppliers register through the designated portal, providing essential information about their organization.
2. **Assessment:** Generac evaluates the information provided by potential suppliers to assess their capability and alignment with our requirements.
3. **Qualification:** Qualified suppliers undergo a thorough review process to confirm they meet our standards for quality, performance, and compliance.
4. **Approval:** Upon successful completion of the assessment and qualification stages, suppliers are approved to become part of Generac's supplier network.

By following this systematic approach to supplier selection, Generac aims to establish partnerships with suppliers who can consistently deliver high-quality products and services that meet our needs and expectations.

Prior to establishing a partnership with Generac, potential suppliers may be required to complete various forms or evaluations, including:

- Non-Disclosure Agreement (NDA): Necessary before any exchange of confidential information.
- Request for Information (RFI)
- Request for Quote (RFQ) with Total Cost of Ownership (TCO) analysis
- Supplier Risk Assessment
- Financial Review, including tax certificate copies (W-9 for US suppliers, W-8 for non-US suppliers)
- Purchase Order Contact Information
- Price Change Agreement or Memorandum of Understanding (MOU)

The Strategic Global Sourcing team at Generac is responsible for identifying, qualifying, and selecting suppliers. Several factors are considered during the selection process, which may be gathered through an RFI:

- Supplier's technological capabilities to meet Generac's needs
- Cost competitiveness
- Ability to meet delivery/capacity requirements
- Willingness to support value-added service programs and initiatives
- Technical, physical, and financial resources to support Generac's future demands

Suppliers are assessed based on the status of their Quality Systems and Material Management Systems. Supplier Quality Engineers (SQEs) may conduct on-site assessments or request suppliers to perform self-assessments.

After evaluation and closure of any identified findings during the risk assessment, if the supplier meets Generac's needs, they will undergo the supplier setup process. This includes being assigned a vendor number for commercial transactions within Generac's ERP system. Additionally, suppliers receive training and/or work instructions for relevant Generac processes, such as:

1. Providing materials to meet Generac's requirements
2. PPAP process
3. Contractual and non-contractual pricing changes
4. Management of Generac Power Systems assets
5. Ensuring freight routing compliance
6. Supplier Performance Scorecards

Generac expects all approved suppliers to embrace and utilize the Procurement Software solutions, such as SAP Ariba Supplier Lifecycle Platform (SLP), Ariba Supply Chain Collaboration (SCC), ETQ, or other relevant systems throughout the business relationship.

Implementation

Purpose

During the implementation step, Generac confirms that the supplier's processes are sufficient and appropriately validated. This includes verifying that there is a robust process in place for the verification of materials, services, or products. Additionally, suppliers are required to stay updated with any revisions to the application of materials, services, or products.

Qualification Requirements

Generac requires qualification prior to the first production shipment in specific situations, outlined as follows:

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

- Introduction of a new material or product supplier
- Introduction of a new material, process, or product not previously supplied to Generac
- Establishment of a new manufacturing location

Qualification due to a change proposed by a supplier (PPAP and/or PPA Required):

Modification of the manufacturing process for the material or product, including but not limited to:

- Engineering changes to design specifications, records, or materials
- Introduction of new tooling
- Changes in process steps, including additions or deletions
- Source change for raw material supplier
- Alterations in raw material composition
- Modifications to handling, packaging, and/or storage methods
- Change of manufacturing location

Suppliers are obligated to notify Generac of any of the aforementioned circumstances using the [Supplier Change Request Form \(SCR\)](#).

Supplier Change Notification

The use of an SCR form is mandatory at least 60 days prior to the first shipment date of the qualified product. Suppliers must submit the SCR to the Plant Buyer and Generac Power System Engineer before implementing any changes. The SCR should include, but is not limited to, the following details:

- Description of the proposed change
- List of affected part numbers
- Explanation of the reason(s) for the change, including benefits to Generac
- Proposed timeline for implementing the change

Upon receipt of the SCR, Generac will internally review it and provide an initial response to the supplier. This response will indicate one of the following:

- Approval to proceed with the proposed change if it is deemed insignificant
- Conditional approval for significant changes, contingent upon meeting qualification requirements outlined in the SCR (e.g., through PPAP or PPA approval)
- Rejection of the proposed change if it is deemed unacceptable to Generac and may not be implemented on products supplied to Generac

Suppliers bear the responsibility of ensuring proper notification to Generac and obtaining approval before implementing any product changes.

Material and Product Verification

To promote the manufacture of products of the highest quality, we have devised an approval process that verifies adherence to Generac specifications. Company Supplier Quality Engineers (SQEs) collaborate with suppliers to implement various verification methods, including:

- Receipt and assessment of statistical data provided by the supplier, specific to the material or product.
- Receiving inspection and/or testing.
- Third-party assessments of supplier sites.
- Evaluation of parts/materials by an accredited laboratory.

The selection of the verification method depends on several factors. Typically, for suppliers demonstrating robust process capability, Generac utilizes third-party assessments and/or statistical data. Alternatively, Generac may opt for receiving inspections and/or laboratory evaluation.

Suppliers are expected to provide all required data and permit quarterly assessments at their facilities upon request. Any deviations from this practice must undergo review and approval by Generac. In cases where subcontractors are engaged for measurement/testing, suppliers must ensure their compliance with all requirements and furnish documentation to Generac upon request.

Corrective and Preventative Action

The supplier is expected to implement a robust Corrective and Preventive Action (CAPA) System, encompassing containment, root cause analysis, corrective action, effectiveness verification, and prevention of recurrence.

When Generac Power Systems, Inc. issues a Supplier Corrective Action Report (SCAR) for non-conforming material or product, or performance that falls below Generac's expectations, the supplier must promptly provide their Generac Supplier Quality Engineer (SQE) and Commodity Manager with the following:

- Containment action, including products and quantities in-transit, within 24 hours of SCAR issuance.
- Detailed corrective action plan, formatted in 8D, within 6 weeks of SCAR issuance.

Non-Conforming Material

Generac maintains a stringent policy of rejecting any product that fails to meet specified requirements, which may result in the product being returned to the supplier for credit or replacement.

In cases where a supplier intends to provide variant material or product, a request for temporary deviation from specification must be submitted to Generac via a Supplier Change Request (SCR) before shipment. This request will undergo review, and only upon receiving written approval from Generac will the material or product be permitted to ship. It is important to note that lack of response from Generac does NOT signify acceptance of the non-conforming material or product.

Process Control

The supplier is required to have a documented process for planning and executing production activities. Production activities must take place under controlled conditions, utilizing documented procedures, instructions, and reference materials that are subject to revision control, as stipulated by ISO9001 and/or IATF 16949 standards.

Document Control

The supplier is mandated to establish a documented process ensuring control of all quality system documents, design specifications, and other product-related documents. This includes product-specific requirements, inspections, tests, and Material Review Boards (MRBs). Records must be maintained for a period of five years for production parts and ten years for purchased finished goods. These records must be kept in a manner ensuring their legibility and retrievability upon request.

Controlled documents must undergo review by the supplier's relevant personnel and receive approval from both Generac and the supplier before their release and use.

Supplier Chargebacks

If a Generac supplier fails to meet the communicated and agreed-upon requirements, Generac retains the right to hold the supplier accountable for any additional costs incurred. These chargebacks may encompass various issues such as late deliveries, poor quality, damaged product, missed specifications, or delayed product launches. Generac will communicate the costs incurred and will necessitate cost recovery through a debit process.

Identification and Traceability

The supplier is responsible for ensuring the traceability of materials or products they supply to Generac. A traceability code must be affixed to the item(s) and/or packaging for every purchase order (PO) or lot delivered. For purchased finished goods, suppliers must have the capability to trace all products by unit serial number. Records of traceability must be retained for a minimum of 10 years.

In the event of a discovered error, the supplier must facilitate the identification and isolation of defective materials or products. This action ensures the limitation of affected quantities and timeframe associated with the issue.

Training

The supplier is required to establish a documented process outlining qualification and training records for all its employees. Training and certification activities must be meticulously planned, executed to completion, and thoroughly documented.

Measurement

Purpose

Generac Power Systems, Inc. employs multiple processes to assess and monitor the quality systems, products, and services of our suppliers. These processes include business reviews, quality system assessments, and scorecards, among others. These tools enable us to evaluate supplier performance against our expectations and confirm consistent quality across our supply chain.

Supplier Business Reviews

Generac conducts supplier business reviews as necessary, covering a range of topics pertinent to our partnership. These reviews may address various aspects, including but not limited to:

- Supplier Performance assessment
- Progress towards identified goals
- Assignment and review of action items
- Supplier expectations encompassing:
 - Regulatory Compliance
 - Business and diversity classifications
 - Adherence to the Supplier Code of Conduct
 - Engagement in Environmental, Social, and Governance (ESG) Initiatives
- Contractual Terms review
- Discussion of Manufacturing/Quality issues
- Identification of Cost reduction opportunities
- Assessment of Market conditions
- Review of Future demand and Forecasts
- Introduction of New products and technologies
- Exploration of Additional business opportunities
- Discussion of Financial issues
- Consideration of Corrective Action/Preventative Action plans
- Evaluation of Logistics issues/opportunities
- Review of Quality System effectiveness

These business reviews serve as a platform for open communication, collaboration, and mutual alignment between Generac and our suppliers, ensuring the continued success of our partnership.

Supplier Scorecard

Generac has devised a quarterly performance rating system, known as the Supplier Scorecard, to evaluate strategic and critical suppliers across key areas: Quality, Delivery, Cost, Risk, and Service. This scorecard enables us to track supplier performance on a monthly and quarterly basis, ensuring alignment with Generac's requirements. Each category is weighted according to its criticality to Generac. Failure to meet expectations may result in documented corrective actions to enhance performance, and in severe cases, loss of business.

The Scorecard Performance Measures include:

<h2>Quality</h2> <ul style="list-style-type: none">✓ Defective Parts Per Million (DPPM) performance✓ Supplier Corrective Action Report (SCAR) metrics✓ First Pass Yield % for Production Part Approval Process (PPAP)	<h2>Cost</h2> <ul style="list-style-type: none">✓ Favorable Pricing Variances✓ Demonstrated cost-saving initiatives✓ Payment Terms/Discounts✓ Material reduction programs	<h2>Service</h2> <ul style="list-style-type: none">✓ Responsiveness✓ Agility✓ Accountability✓ Management Support✓ Cost Transparency✓ Procurement Solution Utilization
<h2>Delivery</h2> <ul style="list-style-type: none">✓ On-Time Shipment performance	<h2>Risk</h2> <ul style="list-style-type: none">✓ Geographic✓ Geopolitical✓ Regulatory✓ Environmental and Social✓ Financial	

These metrics enable Generac to assess supplier performance comprehensively, fostering continuous improvement and maintaining high standards across our supply chain.

Results

To maintain competitiveness, Generac recognizes the necessity of continuous improvement in both products and processes, alongside collaboration with suppliers to achieve the same. This commitment to continuous improvement and supplier collaboration entails prioritizing supplier goals and diligently tracking progress. By doing so, Generac and its supply base can engage in a collaborative effort to enhance efficiencies, quality, delivery, and cost-effectiveness, thereby fostering a mutually beneficial partnership.

Generac utilizes a performance rating system that employs color codes to assess supplier performance:

ORANGE: >90	Excellent Performance
GREEN: 80 – 89	Meeting or exceeding performance goals
YELLOW: 40 – 79	Approved supplier, improvement required in some areas
RED: <40	Restricted supplier, business at risk of transition; No new business awarded

These color codes provide a clear indication of supplier performance levels, enabling Generac to effectively manage supplier relationships and take appropriate actions to address areas requiring improvement.

Improvement

Quality System Assessments

Suppliers falling short of quality standards will undergo Restricted Supplier Status protocols. Further assessments will serve as systematic, independent evaluations to ascertain if a supplier's quality system aligns with standard requirements. Outcomes from these periodic audits will dictate whether a supplier undergoes improvement initiatives or faces phase-out procedures.

Training

Suppliers placed in a restricted status (red) due to their inability to meet Generac's expectations will be provided with additional training and a pathway for improvement. Completion of the prescribed training, coupled with demonstrated improvement in metric performance, will enable suppliers to be removed from the restricted list. This approach emphasizes support and collaboration, empowering suppliers to enhance their performance and restore their standing as valued partners to Generac.

Contact and Information Update

Maintaining accurate contact information for key roles supporting our business is crucial for effective communication and collaboration. In the event of any changes in business support personnel, it is the supplier's responsibility to promptly update Generac with the revised contact details. Suppliers can achieve this by editing the contact information directly within the Generac Procurement Solution application if possible. Alternatively, they can inform their assigned Commodity Manager or Sourcing contact of the changes. Failure to update contact information may result in chargebacks, emphasizing the importance of timely communication and cooperation between Generac and its suppliers.

Conclusion

This Supplier Handbook serves as a comprehensive guide outlining the expectations and requirements for all suppliers partnering with Generac. By adhering to the standards outlined herein, suppliers contribute to the collective effort in ensuring the integrity, quality, and sustainability of our products and operations. Through compliance with regulatory mandates, environmental considerations, labor laws, and ethical sourcing practices, suppliers play a crucial role in supporting Generac's commitment to excellence, responsibility, and innovation. Together, we can build and maintain a supply chain characterized by transparency, integrity, and mutual respect, ultimately driving shared success and delivering value to our customers worldwide. Thank you for your dedication to upholding these principles and for your partnership in advancing Generac's mission.

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201910842 REV 02/2025

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