

Quality and Environmental Agreement for Suppliers to HERMA GmbH - version 2009-08-18

1. Foreword

HERMA develops, manufactures and sells adhesives, labels and labelling systems. These products and the associated services have to satisfy particularly high standards with regard to quality and the environment. Consequently our principle is:

The best possible service at a financially justifiable cost

By the best possible service is to be understood the fulfilment of all requirements in terms of function, reliability and durability including the zero-defect ethos.

HERMA expects its suppliers to introduce the same principles and management methods and apply them constantly as HERMES itself does.

Our management system has been certified since 1994 to ISO 9001.

HERMA recommends incorporating the specifications of safety at work standards such as OHSAS 18001 or BS 8800 into the management system. The supplier must maintain his manufacturing premises in an orderly and clean condition and ensure that safety at work is maintained on his manufacturing premises.

2. Sphere of application

This agreement regulates the technical and organisational framework between HERMA and its suppliers which are required to achieve the sought-after quality targets. In addition to this, it sets specific demands of the management system for suppliers and service providers.

This agreement constitutes an indispensable and integral component of all supply contracts and agreements with HERMA.

Specific additions and individual agreements may be made in writing in order to take into account special requirements.

3. Terms

The terms used in ISO 9000 and ISO 9001 will apply.

4. Management system

4.1 Quality management system

ISO 9001 is assumed by HERMA as a minimum requirement to be satisfied by the supplier. Should the supplier not be qualified to at least ISO 9001, HERMA will expect a project schedule showing how this objective will be achieved over the next 24 months. HERMA will accept a certificate from the manufacturer's QM system if the supplier is a distributor.

Environmental management system

The conservation of our environment is a social responsibility, the importance of which is growing all the time as the world becomes more and more industrialised. Environmental protection integrated into both product and production throughout all stages of production from development to disposal can only be implemented effectively and on a sustained basis if all those involved work together to adopt an inter-disciplinary approach. Therefore the stated objective of HERMA is to work together more and more with ecologically progressive service providers undergoing environmental certification and who can demonstrate planning as a minimum requirement with regard to this.

HERMA expects its suppliers and service providers to implement and adhere to all the statutory environmental and safety regulations currently in force.

4.2 Technical specifications, Modifications

All the documents, technical norms, specifications and modifications will have to be assessed within two weeks, distributed and implemented straight away.

5. Product implementation and development tasks

5.1 Planning for product implementation

If the contract placed with the supplier includes development tasks, the requirements shall be stipulated in writing by the other party to the contract, for example in specifications. HERMA shall inform the supplier of the project-related deadlines. The supplier shall prepare a detailed timetable on the basis of this and shall co-ordinate this with HERMA at an early stage.

The supplier shall undertake to implement project management even as early as the product planning stage, systems and processes and other inter-departmental tasks and to guarantee HERMA access to the relevant documentation upon request.

Project progress reports are to be submitted for the respective milestones with the consent of HERMA. HERMA is to be notified of the name of the person responsible for the project.

5.2 Development

Potential environmental risks and impact at HERMA have to be taken into consideration in particular in the development and process planning stages and notified to HERMA. Substances prohibited by the motor-car industry must not be used (see: VDA 232-101 List for substances which have to be declared for the construction of motor-cars and for the end-of-life cars regulations).

5.3 Production and rendering of services

5.3.1 Consent for important changes

The supplier undertakes as a matter of principle to obtain the consent of HERMA for

- Changes in production procedures / materials (by sub-suppliers too)
- Changes in sub-suppliers
- Changes in test procedures / test facilities
- Relocation to other production sites

Consent will be granted by HERMA if the supplier can prove that the interests of HERMA – concerning quality in particular – shall not be affected by the circumstances named above.

5.3.2 Test concept

The supplier shall test all the technical documents provided by HERMA upon receipt for feasibility and if there are discrepancies or ambiguities, object to them in writing straight away.

If HERMA does not receive any written notification to the contrary within 2 weeks from the technical documents being handed over, the documents shall be regarded as having been accepted in full and binding for the fulfilment of the contract.

The supplier shall stipulate at his own responsibility a test concept in the control plan in order to fulfil the agreed targets and specifications. Facility procedures have to be verified. The test results are to be recorded and kept in safekeeping for at least 10 years. The supplier shall operate a logistics system ensuring the FIFO principle for deliveries.

All deliveries are to have HERMA test certificates or works test certificates attached to them if agreed.

Important features as well as test procedures, test materials and test systems are to be co-ordinated in advance with HERMA

5.3.3 Packing

The supplier has to ensure that the packed products are marked so that they are legible during transportation and storage as well and the products are packed in such a way so that under normal transport conditions the products are not damaged and their quality is not impaired (E.g. as a result of contamination, corrosion, chemical reaction, temperature).

5.4 Monitoring and measurement

5.4.1 Customer satisfaction

HERMA assesses the performance of its suppliers at regular intervals. The supplier will be notified of his performance at least once a year.

The assessment criteria are:

Quality:

- Quality management system
- Goods inwards
- Complaints

Supply:

- Adherence to delivery dates
- Adherence to quantity stipulations
- Shipping regulations

5.4.2 Audits

The supplier shall allow HERMA to ascertain by means of audits whether his processes fulfil the requirements of HERMA. An audit may be conducted as a system audit, process audit or product audit and four weeks' notice shall be given.

If the supplier has a certified QM system, HERMA may waive a system audit being conducted, provided that it is allowed to inspect the reports of the accredited certifiers.

The supplier shall allow HERMA and – as far as necessary – its customers access to all manufacturing sites including test laboratories, stores and other areas of interest as well as to inspect relevant documents and shall ensure that this will be possible at its own suppliers. In doing so appropriate restrictions by the supplier to safeguard his operational secrets shall be accepted. HERMA shall notify the supplier of the results of this audit. If correctional methods are necessary from the perspective of HERMA, the supplier shall undertake to prepare a measure schedule straight away, implement it on time and notify HERMA of this.

5.4.3 Monitoring and measuring processes, Distinguishing features

The supplier must apply suitable methods for monitoring and measuring processes. Upon application HERMA must be allowed access to the records prepared in the course of this, if necessary also in the form of statistical data.

The supplier shall undertake to supply an up-to-date EU safety specification sheet completely filled out for products which are capable of constituting a hazard for people and for the environment or which require special treatment in terms of packing, transportation, storage, handling and waste disposal to comply with regulations. This is to be forwarded after every amendment without HERMA having to request it. The initial delivery of samples has to be clearly marked as such.

5.5 Improvement

5.5.1 Corrective action

If there are breakdowns in the processes and discrepancies in quality, the supplier shall analyse the causes implement improvement measures and review their effectiveness. HERMA shall check the products sourced from the supplier upon receipt only to conform that the correct volume of units has been supplied and that the correct products have been supplied as well as for externally identifiable damage.

The supplier shall receive products about which a complaint has been made straight away. The supplier shall have to pay for the return carriage. He shall have to undertake to analyse every discrepancy and notify HERMA within a short space of time about the cause of the discrepancy, measures instigated to rectify defects and preventative measures on the basis of an 8D report and check its effectiveness by means of internal audits. If faulty goods are supplied, the supplier shall have to rectify the defect straight away. (For example, supply a replacement, sorting work and reworking, express delivery) and bear the costs incurred

5.5.2 Preventative measures

Correctional measures resulting from complaints must also be taken for similar processes and products.