



KUNSTSTOFFWERK

VOERDE

KV - QVK

**Quality Management Agreement
with Customers**



for all supplier / customer relations with

KUNSTSTOFFWERK VOERDE

Hueck & Schade GmbH & Co. KG

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1 Introduction

Kunststoffwerk Voerde GmbH & Co. KG (referred to in this document as "KV") is certified to ISO/ TS 16949, ISO 9001 and ISO 14001. The company therefore satisfies all the requirements set out in the associated regulatory documents. In addition, the company holds the FORD Q1-2002 Award.

The Quality Agreements set out in this document are extracts from the overall KV Management System (KVMS); they contain and summarize the quality-assurance regulations and stipulations which are most important for our customers.

They apply to all customers who receive goods or services from KV and are integral to the general and specific contractual data set out in the customers' orders.

These guidelines apply to all current and future customer orders and apply together with our general terms and conditions of business, which can be viewed on our homepage under www.kw-voerde.de.

2 Guiding Principles of the company`s philosophy

The basis of our performance capability and the high quality of our products and processes is the integral, process-oriented KV Management System (KVMS).

The following extracts display the awareness and high level of commitment of our employees to achieving the expectations of all our customers.

Professionalism and Human Approach

1. We see ourselves as partners of the plastics resin producers and preferred suppliers of the automotive and appliance industry. We have long standing experience and technical competence combined with the flexibility of a medium-sized company and a high degree of innovative potential.
2. We try hard and with success to fulfil all customer requirements regarding our products and services. All activities and processes are aiming at this target. We achieve a high level of customer satisfaction by supplying top quality. We understand this to be the basis of our company's economic success.
3. The customer is in the centre of all of our activities. We achieve our target of a joint and effective cooperation with our customers and suppliers by means of an open proactive communication.
4. We reach our goals with skilled and highly motivated employees. A team-oriented management, thorough training, objective information of the employees and a culture of open communication help us to meet these aims.
5. We carefully handle our resources and design our processes in an efficient manner. We take care of the environment. We feel responsible for the people we employ and for our environment.
6. We understand the continuous improvement of our management system securing the quality of our products and services, as well as our efforts and supports to maintain the environment, the industrial safety and health care and the efficient usage of energy to be a never ending obligation. We use a continuous optimization process to identify and eliminate possible weak points.

3 Structure of Processes & Tasks (Extracts)

The efficient, process-oriented organisation of our business is based on secure customer-supplier relations. It ensures that the expectations of our internal and external customers are met at all times in a clearly-defined form and that the required, essential quality is achieved in the execution of all our tasks.

3.1 Management processes (MP)

Management processes (MP) are those processes which affect the basis position of the company in the market-place, which control the use of personnel, financial and material resources and which include the operational leadership of the company.

MP are a part of the organisational structure; they are directly controlled by an appointed process manager who acts with others as necessary, under the authority which has been vested in him/her.

Strategy and Leadership

The Board is responsible for this MP and thus for the quality of all the company's products and processes. The directors have appointed a Quality Management Officer (QMO) for the "QM Organisation and System" and the QMO reports regularly to the Board.

Quality Management : Organisation and System (QMO)

This MP is responsible for the effectiveness and fundamental certifiability of the organisation. It is carried out by the QMO, who bears full responsibility for it. The QMO is a member of top management and reports directly to the Board.

Personnel and Training Management

This MP is responsible for the tasks involved in the management of personnel and training for the entire company. It is defined and organised to handle the development and control of resources.

Finance Management and Controlling

This MP handles the logging and recording of all costs and performance data with a view to providing a properly organised accounting system. It is responsible for reporting current business management data to the Board as an aid in the management of the company, as well as to the management team as an aid in controlling core processes.

3.2 Executive processes

Executive processes are those which deal directly with the development, planning and production of individual, concrete, customer-related products and services.

They represent the backbone of the process organisation and are organised and implemented for each individual project as a results-oriented project management, in accordance with the APQP requirements laid down in the automobile industry. Responsibilities are allocated in each project to the nominated project manager.

The executive processes of granulate manufacturing ("4.01") and profile manufacturing ("4.02") are separated or, depending on the individual circumstances, they can be combined into an overall process.

Both executive processes break down as standard into the following phases :

Phase 1: Project planning

In this phase, initial market information is prepared and analysed. Carefully-directed and well-supported customer service ensures that, as far as possible, all customer enquiries of interest to KV are actually received by the company.

Phase 2: Planning and preparations for manufacturing samples

In this phase, customer's enquiries are systematically analysed, a thorough manufacturing feasibility investigation is carried out, a meaningful implementation concept is generated, including the tools required and a quotation is prepared, to suit the customer's needs. This is presented to the customer at the appropriate time.

Phase 3: Carrying out and evaluating the manufacturing of samples

In this phase, the execution of the project is firmly planned and agreed with all parties. It is then carried out in accordance with the rules of results-oriented project management.

Phase 4: Product and process validation

In this phase, clearly-defined procedures are agreed with the customer, to, demonstrate that the proposed processes are able to manufacture the product in a controlled and capable manner.

Phase 5: Full-scale production

Full-scale production is specifically understood as part of the project. In this phase, the products are manufactured, packed and shipped in the right quantities, at the right time and to specification.

3.3 Core processes (CP)

Core processes (CP) are technical processes which have a direct or indirect influence on the development, planning and execution of all products and services.

Together with the management processes, they form the organisational structure and are directly controlled by an appointed process manager who acts with others as necessary, under the authority which has been vested in him/her.

Marketing & Sales

The CP "Marketing & Sales" (M & S) includes all the market-related activities involved, from the analysis of potential market outlets to the economically-managed control of new and current products.

Product development and labour

The CP "product development and labour" covers the product technology and analytical expertise of the company. In addition, this core process covers the implementation of and compliance with environmental requirements specified by law and other regulatory standards.

Sourcing management

The CP "sourcing management" is responsible primarily for the efficient and secure supply to Production of all the raw materials and supplies required.

In addition, this core process is responsible for achieving and documenting an effective materials management system for wastes, as well as the overall supply of production equipment and facilities.

Granulate manufacturing

The CP "granulate manufacturing" is responsible for the production of granulate, at the right time and in the right quantities, for customers in the granulates sector. It is also responsible for the quality of granulate products and is broken down into toll compounding and our own manufacturing.

This core process is also responsible for the efficient and effective planning and execution of preventive maintenance as a support process.

Profile manufacturing

The CP "profile manufacturing" is responsible for producing profiles at the right time, in the right quantities, for customers in the profiles sector, as well as ensuring the specified quality of our profile products.

In addition, this core process is responsible for the efficient design and manufacture of tooling to meet the relevant requirements.

Stores & Shipping

In association with the sourcing management, the CP "stores and shipping" is responsible for the efficient and problem-free logistics associated with obtaining and storing raw materials.

In addition, this process is responsible for the whole of the logistics involved in the storage of finished products and for issuing batches of materials at the right time and in the right quantities. It is responsible for the packing and identification labelling of packaging in accordance with requirements, as well as preparing the necessary shipping documents.

QM for Products & Processes (QMP)

The CP "QMP" is responsible for the planning, execution and monitoring of all essential operational quality assurance action.

Here, a crucial factor is the implementation of secure and effective quality planning to meet customers' requirements, including the necessary approval & release procedures and documents.

3.4 Support processes (SP)

Support processes (SP) are those special, or sub-processes which provide essential assistance for individual management or core processes which need support in order to carry out their own defined tasks to an optimum degree.

Depending on the tasks involved, SP are controlled by individual or several management or core processes, with responsibility being allocated as appropriate.

3.5 External partners & resources

KV regards external partners and resources as important components or additions to our internal company processes.

Important external partners include :

- external suppliers and their employees
- customers and their employees

All our partners, with their tasks and responsibilities, are integrated as necessary into the KV Management System (KVMS).

4 Operational Quality Management**4.1 Quality planning / quality assurance**

To ensure that we meet our customers' requirements in terms of products and services, we carry out effective quality planning across all the phases of project management for new products.

Responsibility for the necessary analyses and activities lies principally with the project-specific "Simultaneous Engineering Team (SET)" and is laid down and documented in official procedures (VAs) covering the project management of new products.

In accordance with the individual customer's requirements, the following planning elements are used as standard within the framework of systematic project management :

- Cross-process manufacturing feasibility analysis
- Design FMEA (where KV is the development supplier)
- Creation and transmission of material data sheets via IMDS
- Efficient planning and manufacture of production facilities
- Systematic selection and approval of suppliers
- Documented process layouts and process-oriented Process FMEA
- Problem-based test & inspection planning to cover all phases of projects and products
- Process & function-related specification of characteristics to be monitored
- Planning and implementation of process-related SPC characteristics
- Appropriate measurement concept; planning of secure measurement & inspection facilities
- Methodical approval systems for tools and processes
- Initial sample submissions to VDA 6.1 or QS 9000
- Establishment of process and machine capability measurables
- Any necessary training of personnel
- Planning of packaging for transfer and transport
- Design of Experiments (as required)

A standard Project Plan is used for monitoring and checking on progress; this contains all the relevant points to be covered.

4.2 Ensuring quality in the course of production

4.2.1 Ensuring secure supplies

All materials and products with an effect on our customers are obtained exclusively from fully-approved suppliers, in accordance with clearly-defined requirements. At KV, we carry out differentiated and systematic supplier evaluations, to check the quality capability of our suppliers.

KV reserves the right to carry out a system audit at the supplier's premises before a contract is placed, or if any problems arise. We require the supplier to introduce corrective actions where appropriate and to complete these to an agreed timing plan.

To ensure that the materials and products supplied meet the agreed specifications, simultaneous, visual process monitoring is carried out, based on acceptance certification data. In individual cases, problem-oriented checks are also carried out in Goods Inwards.

4.2.2 Statistical Process Control (SPC)

Unless otherwise agreed with the customer, we at KV work on the assumption that all specified product characteristics must be maintained.

KV always uses the procedures which are best suited to monitoring and controlling process quality and which will detect potential quality deviations at the earliest possible stage. This includes statistical process control (SPC), adapted to meet the details of the process. If required, KV will carry out and provide documentary proof that the process is under control by means of capability data.

Deviations in the process lead automatically to the introduction of corrective actions; the effectiveness of these actions is monitored as appropriate.

Products from processes which are not controlled and capable are automatically submitted to 100% inspection and checks before they are shipped.

4.2.3 In-process checks and inspection

Where an individual process cannot be controlled effectively by SPC, KV will carry out checks and inspection as laid down within our framework of quality planning, while the products are being manufactured, to ensure that all products are manufactured and shipped in accordance with technical requirements.

In addition and if any problems occur, the following methods are employed :

- Capability studies
- Statistics covering complaints and rejects
- Quality cost records
- Logging of scrap
- Pareto analyses, Ishikawa diagrams, DOE, systematic analysis of causes
- Continuous improvement activities
- If the customer requires additional proof of capability in the course of production, for reasons not clearly associated with suspected or recognized risks in KV processes, this will be regarded as an additional service provided by KV and must be paid for by the customer in accordance with terms agreed beforehand.

4.2.4 Controlling defective products

Defective products are specially identified and stored in a separate location. Batches which have been reworked are also specially identified.

Where the customer agrees that it is reasonable or necessary, any products with recognised deviating characteristics are shipped exclusively with a written release, issued in advance by the customer.

Special releases must state clearly the type and extent of acceptable deviations, as well as the quantities which may be supplied, with time-limits, under the special release approval.

4.2.5 Shipping logistics and transport packaging

Where the customer is responsible for determining, implementing and monitoring shipping logistics (e.g., for ex-works deliveries), the customer or his appointed logistics associate must provide KV with all the information required to ensure the efficient and problem-free handling of loading and shipping activities.

If the customer provides his own shipping packaging and this must be used in all cases, the customer is responsible, unless otherwise agreed, for supplying the quantities required and for ensuring that the packaging is clean and in a usable condition.

In the event that additional work is caused because of the lack of shipping packaging, or shipping packaging not to the quality required, KV explicitly reserves the right to reject the packaging. In serious cases or if events continue to occur, KV also reserves the right to invoice the customer for the costs arising.

Where KV is responsible for determining, implementing and monitoring shipping logistics (e.g., delivery free to destination), KV will provide the customer or his appointed logistics associate with all the information required to ensure the efficient and problem-free handling of loading and shipping activities and will take out transport insurance to cover the risks to be borne by KV.

If KV is responsible for defining, selecting and providing suitable shipping packaging, this is carried out with due consideration of the associated logistics requirements and in close cooperation with the customer.

If the customer has any cause for complaint with regard to the logistics performance, this must be reported to KV as soon as possible and in full detail. Within the framework of supplier monitoring, KV will carry out a supplier monitoring and assessment which has been defined specifically for logistics suppliers.

On the basis of the data obtained in the course of this, meetings will be held regularly or as required with the logistics supplier and, if required, decisions will be made regarding necessary alternatives.

4.2.6 Customers' Goods Inwards operations

Deliveries of products manufactured by KV are subject to KV's general terms and conditions, the current issue of which is available on our homepage under www.kw-voerde.de

For all operational matters not explicitly stated, the relevant legal principles shall apply, including the stipulations in § 377 HGB (German legislation). In matters regarding legal liability, the terms of the German product liability act (ProdHaftG) and product safety act (ProdSG) shall apply.

If the customer expresses the wish for a transfer of the goods inwards checks which he is obliged to carry out by law, KV is prepared in principle to provide a quotation for this, including the necessary liability obligations covered by law and, on this basis, to carry out the customer's requirements in terms of goods inwards checks, at a cost.

General traceability, from the finished product to the raw materials, is ensured by the batch identification system employed by KV.

Customer-specific and product-specific identifications on individual products must be agreed definitively within the framework of discussions and agreement on the requirements specification and performance specification for the individual products.

Each packaging unit is identified with an Odette label according to VDA-4902.

Each shipment is accompanied by a delivery note, bearing the order number and the supplier number.

4.2.7 Parts subject to special documentary requirements "D" parts

In the case of "D" parts, KV ensures comprehensive documentation of all quality assurance actions and their results.

The requirements regarding identification (specification; production and work plans; inspection plans and instructions; test / inspection results; instructions for testers / inspectors; etc.) and the archiving of documents are met in accordance with VDA 6.1, QS 9000 or with guidelines laid down specifically by the customer. Unless otherwise specified, the retention period is 20 years.

4.3 Complaints management and the continuous improvement process

4.3.1 Complaints management

All complaints received by KV are taken up without delay by QMP and documented in the computer file which is accessible by all the company's management and core processes.

Following initial, provisional agreement on the processes probably involved, an initial written report is sent to the customer within the following 2 working days as an intermediate report, covering the immediate preventive actions taken and, where appropriate, any further processing to be carried out.

The necessary internal actions taken by KV (checks on stocks; analysis of incoming materials; production analysis; etc.) ensure that all the immediate consequences of a complaint are restricted to a minimum.

In the case of complaints arising from defects which have been detected in the customer's Goods Inwards operation, the suspect goods remain the property of KV until a complete answer to the problem is found and agreed.

This includes specifically the decision as to whether and by whom any sorting actions or rework should be carried out at KV's cost. If such work is carried out by the customer's employees, the costs arising must be agreed beforehand between the customer and the supplier, based on the work involved.

If the defect is not found until later, the customer must advise KV without delay. Otherwise, the goods are regarded as having been accepted, despite the defect which has been discovered. The conditions set out above apply to the processing of justified complaints regarding defects found at a later stage.

In the case of justified complaints, KV will accept the product-specific costs for :

- necessary sorting actions
- agreed rework
- necessary return of goods
- replacement shipments of defective products or delivery batches.

Subject to other regulations agreed in individual contracts or where proof of deliberate or grossly negligent action by KV or KV employees is provided by the customer, KV accepts no liability for direct or indirect consequential damages arising from defective shipments.

4.3.2 Continuous improvement of processes

By the effective organisation of all the company's processes, KV strives to ensure the permanent development and training of its employees and, by using preventive methods appropriate to the tasks, to prevent as far as possible any justified complaints by our customers.

This includes the targets agreed between the Board and all management and core processes on the basis of events and experience obtained in the previous time period, which are continually discussed in monthly management meetings and evaluated in the annual management review.

In addition, process-oriented internal audits are carried out each year as so-called "KOP" audits (KOP is the German abbreviation of "continuous improvement process"). This means that all management and core processes are audited against a previously agreed optimum and the differences between the actual and optimum results are used as the basis for agreeing targeted, process-specific improvement actions. Any deviations from the documented system which are detected in the KOP audit are, of course, corrected without delay.

In the management of complaints, a differentiation is made between a control loop and a large-scale control loop.

The small-scale control loop ensures the speedy and effective processing of an individual complaint or reject. It also includes all the necessary immediate and longer-term preventive and corrective actions to prevent further defective shipments.

The large-scale control loop begins with the regular systematic analysis of all external and internal complaints which have occurred, as well as any other problems detected in the manufacturing of a product. The objective of the analysis is to discover all the significant problems involved, in terms of quantities, costs and function.

Within the framework of the continuous improvement process, the main areas selected are dealt with systematically.

The processing of complaints and rejects always goes through the stages of :

- Collecting all possible data
- Systematic analysis of cause(s)
- Creative determination of solutions
- Comparison of solutions
- Controlled implementation of the solution(s)
- Measurement of meaningful results

Depending on the explicitness and the severity of the problem, appropriate supporting methods may be used in the individual stages (see Paras. 4.1 and 4.2.3).

5 Communication between KV and Customers

The ever-increasing speed of changes in products and ever-shorter development times make growing demands on the communication between supplier and client, in terms of the extent, speed and flexibility of these communications.

At KV we strive constantly to meet these demands on communication capability by the systematic and directed expansion of the media available, with a differentiated specification of the communication contents.

Within the general framework of management for emergencies, a special written procedure sets out clearly how and in what circumstances any of our management can be contacted outside normal working hours. This procedure also specifies the action to be taken if a customer is faced with an emergency, so that a breakdown in the customer's process can be prevented.

6 Warranty

As a general principle, KV's period of guarantee is 6 months. Requests for longer periods or warranties linked to events must be negotiated and agreed before the contract is concluded and must be confirmed in writing.

7 Concluding Terms

This present Quality Agreement cannot be taken in any way or in any respect as an "explicit assurance" of individual performance or performance characteristics.

The overall contractual relationship and other commercial relations between the parties is subject to German law. Unless compelling legal terms apply, the sole court of jurisdiction is Schwelm.

In the event of contradictory terms issued by the customer, these must be presented by the customer and actively aligned with the terms set out above. Otherwise, the above terms apply.

Ennepetal, 05. February 2014

KUNSTSTOFFWERK VOERDE

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