



**MEHLER**

# **Specific Requirements**

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## MEHLER - Specific Requirements

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# 1 Environmental Requirements

## 1.1 Environmental Compliance

The Supplier has to ensure compliance with all applicable legal environmental requirements (international, national, federal, regional, local, e.g. the regulation (EC) No. 1907/2006 (REACH) as well as any specific requirements of the authorities concerning environmental protection with respect to water, soil and air protection, conservation of resources, waste minimization, noise and light protection, flora and fauna and humans.

The Supplier has immediately to inform MEHLER regarding all substances according to article 57 and 59 REACH and SVHC-list which are contained in his products.

All products delivered to MEHLER by Supplier have to be in full compliance with the environmental legislation of the country to which the product is delivered.

In case Supplier wants to withdraw or substitute a product in the market, Supplier has to inform MEHLER immediately and jointly define alternative solutions

The Supplier should provide a valid ISO 14001 or EMAS and OHSAS 18001 and 50001 certificate.

To have certified environmental and safety management systems will be considered an advantage in the selection process.

## 1.2 Environmental Impacts on Air, Water, Soil and Natural Surrounding

The Supplier has to minimize emissions into air (e.g. volatile organic compounds, dust, greenhouse gases) and water (e.g. oil, particles, chemicals).

Further, Supplier has to minimize contamination of soil, groundwater and the natural surrounding (e.g. spills, leaks, incidents).

## 1.3 Energy and Resources

The Supplier has to make progressive improvement in environmental performance in their operations. This includes:

- Integrating principles of sustainability into business decision,
- Responsible use of natural resources incl. efficient use of energies,
- Adoption of cleaner production and pollution prevention measures and
- Designing and developing products, materials and technologies according to the principles of sustainability.

### 1.4 Packing and Transportation

For packaging and transportation, the following aspects need to be duly considered:

- a) packaging materials have to be reusable or recyclable;
- b) hazardous materials and dangerous goods are also to be packed, marked and transported in compliance with the applicable laws and regulations of the respective countries (including transit countries, where they must be packed and marked in compliance with the applicable laws and regulations of the country);
- c) packaging materials have to be CFCs ('Chlorofluorocarbons') free, chlorine-free, chemically inactive, groundwater neutral and nontoxic when incinerated;
- d) in case of wood packaging being used, it shall be free of biocide according to the relevant legislation in the receiving country, as well as in all transit countries.
- e) the use of methylbromide (or bromomethane, CAS 74-83-9) for the treatment of wood is forbidden;
- f) packaging materials are to be marked with recognized recycling symbols or with material symbols;

## 2 Quality Management

This chapter presents the requirements for quality management.

### 2.1 General Quality Requirements

All suppliers of Mehler have to prove a valid certification of the quality management system according to DIN EN ISO 9001: 2015. The supplier must be familiar with the requirements of the automotive industry as defined by the IATF 16949 standard. Furthermore, the supplier must send electronic copies of all his certificates to Mehler without further request each time he receives updates of the certificates.

Mehler reserves the right to check and verify with the supplier the quality of the materials used, the manufacturing and testing methods of the products supplied.

### 2.2 Product Requirements

Mehler shall define the characteristics to which the products have to conform. Furthermore the testing methods for the required characteristics will be defined by mutual agreement. All target value and the tolerance thereto has to be set forth for the variable characteristics. Supplier thus agrees to carefully study the specifications and to ascertain whether it is possible to comply with the target values and tolerances stipulated therein. In case of any uncertainty Supplier agrees to consult with Customer.

Supplier performs a complete test of all product characteristics in the specification of all products delivered to Customer (Requalification) on a yearly basis. The results have to be available for review of Customer for ten years and have to be sent on request.

### 2.3 Risk Management

Supplier has to conduct a risk analysis to minimize product related risk covering the complete process chain from incoming material to delivery to customer.

Supplier has to be updated the risk analyses regularly (at least once per year and in case of complaints).

Mehler expects all suppliers to have contingency plans in the event of a business interruption. As part of resolving business interruption issues, the customer must be notified of the following information: the problem, the expected duration of the interruption, and the actions taken to correct the problem.

### 2.4 Complaints

The supplier undertakes to deliver the products only as described in the approved and signed specification.

In the event of a deviation of the delivered product in relation to documented requirements, the customer will file a complaint against the supplier. In this case, Mehler expects a complete 8D report.

All related costs are collected on a case-by-case basis and sent to the supplier for compensation.

### 2.5 Traceability

The supplier must ensure a traceability system that allows:

- Identification of the product / batch in the production process;
- Tracing the materials / components used and the associated documentation

### 3 Social Responsibility

All suppliers are required to comply with applicable local and international laws, rules and regulations.

Suppliers must also comply with all applicable environmental laws and regulations, as well as with human health and safety laws, including all laws prohibiting child labor, prison labor, trafficking and slavery.

#### 3.1 Code of conduct

The code of conduct of the supplier should contain the fundamental requirements of behavior for all the employees within the organization. It represents the binding framework and the brackets for all specific guidelines and sets of rules. The internal guidelines serve as binding instructions and provide support in terms of adherence; both to laws and statutes

### 4 Logistics Requirements

#### 4.1 General Conditions of Purchase

Unless otherwise explicitly agreed in writing by MEHLER become an integral part of the contract once a purchase order is accepted. Any conditions of sale enclosed with Supplier's offer, or Supplier's confirmation of an order, do not apply even if MEHLER does not expressly object to them.

#### 4.2 Logistics Processes

The MEHLER aims to optimize all processes in the entire supply chain from Suppliers to Customer and from Customer to Customer's Customer in the interests of all.

#### 4.3 Contingency Planning

##### 4.3.1 Allocation of Resources

Supplier has to ensure that resources are allocated in such a way as to ensure a secure supply of products to MEHLER.

##### 4.3.2 4.4.3 Emergency Plans

Supplier is required to draw up and distribute within its organization an emergency plan for the eventuality of disturbances affecting its logistics and/or production processes and the continuous supply of products to MEHLER. Disturbances may be:

- Damage or delays in shipment
- Non-conformities
- Tool/equipment/machinery breakage
- Computer/network problems
- Other events (strikes, accidents, flooding, hurricanes, fire, earth quakes, social unrest, etc.)

Supplier is required to develop, define and implement emergency procedures to make sure supplies to MEHLER even in the event of such disturbances.

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In the event of any of the disturbances listed above, Supplier must promptly notify MEHLER in order to ensure timely, effective liaison and adequate supplies to MEHLER.

### 4.4 Consignment

The provisions for the consignment handling will need in each specific case to be laid down in an agreement with Supplier. Such a Consignment Stock Agreement has to be in accordance with the applicable law at the location of the concerned Customer plant.

### 4.5 Purchasing Specifications

For all products a complete purchasing specification consists of following elements:

- Material specification
- Material safety data sheet
- Packaging specification (provided by MEHLER or Supplier)
- Transportation specification (provided by MEHLER or Supplier)

### 4.6 Health and Safety Labels

Supplier has to ensure that hazardous symbols (pictograms) as well as other legally required hazardous warning information are clearly visibly and permanently attached to all the individual packaging units as well as on the outer packing of the shipping units. They have to comply with the specific legal requirements of the country to which the product is consigned.

Supplier has to comply with CE labeling requirements. Unless otherwise agreed, the CE symbol has to be affixed to products in a clearly visible position.

Supplier has to ensure that the declaration of conformity and the hazard analysis accompanies all products.



### 5 Supplier Management

In the following chapters the requirements of supplier management throughout the whole lifecycle from supplier selection to the annual supplier performance procedures are described.

#### 5.1 Supplier Selection and Approval

##### Supplier Qualification

Suppliers are required to fill out a Supplier Profile that will be used to start the internal Customer Supplier Evaluation process and to provide requested documentation. If approved, the Supplier's can start regular supply.

##### Customer Supplier Selection and Approval

Mehler will select new suppliers that represent the best opportunity for improvement and the greatest potential for positive impact to our company. The selection process consists of the supplier profile, Self-Assessment, and the collection and validation of specific documentation. A Technical Assessment as well as an on-site quality audit and other specific process assessments may also be required.

The specific documents required include, but are not limited to:

- Quality Management Systems Certifications
- Non-Disclosure Agreement
- Supplier Self-Assessment
- Certificate of Insurance
- Contingency Plans
- Supplier Quality Manuals
- Terms and Conditions i.e. Payment Terms, Consignment Stock Agreement, etc.
- Packaging Standards
- Financial health (available i.e. Credit reform, D&B)

The associated Customer documents and acceptance forms will be provided by Customer during the evaluation process.

A Mehler cross-functional Team will review the documentation and assessment results and decide of acceptance. After this the Supplier is added to the Global Approved Supplier List.

### 5.2 Supplier Relationship

#### Customer Supplier Relationship Management

Mehler has a long-term approach model for cooperation with suppliers.

The purchasing categories are the entry point and the key element from the supplier side to start the exploration. Followed by the sourcing process for global combined volumes that are established step by step. Optional we can enter into development partnership with the suppliers.

### 5.3 Supplier Performance

#### Responsibilities

- Local Purchasing of the Plant is responsible for realization of supplier evaluation in agreement with the management representative
- MANAGEMENT REPRESENTATIVE (MB-ST) are responsible for the execution of supplier evaluation in agreement with the purchasing department.
- Process Owner: local purchasing

Basis for the supplier performance rating are all notifications about nonconforming receiving's from:

- the goods receiving department caused by visible defects on packaging or shipping documents
- the laboratory caused by nonconforming test values of yarn deliveries
- the chemical laboratory or the inspection body in the plant caused by nonconforming chemical deliveries based on information from the Dip-station.
- the receiving and examination of services in the plant.
- the purchasing departments in the plants (number of deliveries, quantity, turnover, wrong deliveries with evaluations) which are responsible for creating the list of supplier evaluation on plant level.

Additionally, evaluations regarding service and conditions of the suppliers from the purchasing departments and the head of purchasing are part of the supplier evaluation and have influence on the results.

#### Evaluation Rules

- The data (date, shipping documents) of nonconforming receiving of materials or services will be collected by the management representative of the plant.
- The execution of supplier evaluation will take place at least once a year.
- TOP 25 suppliers of yarn and chemicals as well as TOP 10 suppliers of packaging materials will be evaluated at least once in a quarter year. The basis data to perform the Supplier Evaluation will be collected regularly on monthly level to support any ad hoc Supplier Evaluation. Service providers with high turnovers, relevant influence on production and

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support of business processes will be evaluated manually on basis of the data from the last three months purchase orders.

### Evaluation procedure

The execution of the supplier evaluation will be done in the ERP System with automated processes as well as with manual input. For this purpose, the following main criteria with the related weightings will be considered:

<b>Main Criteria</b>	<b>Weighting</b>
Quality	40,0%
Delivery	30,0%
Service	5,0%
Ecology	5,0%
Conditions	20,0%

Each Main Criteria has several Sub Criteria as follows:

Main Criteria	Sub-criteria	Weighting
Quality 100%	Incoming goods-inspection	35%
	Complaints	35%
	QM-certified	25%
	Audit	5%

Main Criteria:	Sub-criteria	Weighting
Delivery 100%	Adherence to delivery dates	50%
	Adherence to quantity stipulations	25%
	Completely shipping documents	25%

Main Criteria:	Sub-criteria	Weighting
Service 100%	Accessibility	30%
	Process Time	50%
	Flexibility	20%

Main Criteria:	Sub-criteria	Weighting
Ecology 100%	ISO 14001	95%
	Other Eco-Certificates	5%

Main Criteria:	Sub-criteria	Weighting
Conditions 100%	Price Level	40%
	Payment terms	40%
	Consignment stocks	20%

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### Classification of Suppliers:

A – Supplier =>	100 – 87
B – Supplier =>	86 – 75
C – Supplier =>	75 – 0

The results of a system assessment may be considered in the results of the classification of the suppliers. Information about the classifications of the suppliers are available in the list of approved suppliers.

### Criteria of Performance

A - Supplier: preferred supplier, suitable

B - Supplier: limited suitable – existing problems

(Increasing inspection of incoming goods, Management representative has to evaluate the QM-System of the supplier in agreement with the responsible buyer and managing director).

C - Supplier: not suitable

(Deletion of the supplier from the list of approved suppliers (in serious cases in agreement with the managing director), Searching for a new supplier; Decision whether the QM-System of the supplier should be evaluated again or not.

## 5.4 Liability / Warranty

The supplier is liable to ensure that his products, if they are manufactured using his own construction, will not infringe any patents or other industrial property rights of third parties.

Should the purchaser be subjected to product liability claims for which the supplied product is responsible, the supplier shall indemnify the purchaser from any corresponding claims.

The supplier is obliged to take out and maintain sufficient insurance cover for product liability risks. Proof shall be submitted to the purchaser on request. The purchaser shall immediately inform the supplier about claims arising from product liability, if claims arise against the supplier therefrom. If a defect in the supplier's products is detected which would lead to product liability claims and if the same defects can be found in other products delivered, the parties are obliged to hold consultations regarding measures to be taken.

If recall actions are agreed upon, the supplier shall be obliged to provide the required number of spare and exchange parts. Furthermore, supplier shall be liable for the costs of such a recall.

### 5.5 Confidentiality

The parties agree to treat all information disclosed in this cooperation as confidential and not to pass them on to third parties. This obligation also applies to those staff members of the parties who are directly involved in these agreements or receive knowledge of information in the flow of business.

The obligation of secrecy shall also apply after the termination of the agreement. All documents, data and information provided by one party may neither be used in identical or modified way, in whole or in part for commercial purposes other than agreed, or passed on to third parties nor used for own commercial purpose or for other customers, unless written permission has been obtained from the other party.

### 5.6 Supplier Classification

#### Classification of Suppliers

The classification of Suppliers allows for Customer to differentiate the supply base to indicate which are suitable to supply into some or all Customer Markets.

The Customer Supplier Development team will work to place the Supplier into the requested (by the Customer Commodity Manager) Classification or into the highest classification achieved, based on the assessments performed by Customer. If the Supplier is approved but does not meet the requirements for the needed classification, the Customer Supplier Development team will work with the Supplier to develop or improve in order to meet the Class requirements.

Quality Management Systems certifications must be awarded from an accredited 3rd party registrar.

**Class I Suppliers** are IATF 16949, TS16949 certified, or ISO9001 (or other industry recognized standard) certified and compliant to IATF 16949, TS16949, and their product/material can be supplied to any Customer plant and its customers.

**Class II Suppliers** are ISO 9001 (or other industry recognized standard) certified. Their product/material can be used by Customer for any projects not requiring IATF 16949, TS16949 certification or compliance.

**Class III Suppliers** include Distributors, Traders and Agents that do not add any value to the product/material. No Quality Management Certification is required for non-value-added Distributors, Representatives and Agents.

#### Segmentation of Suppliers

Suppliers are further differentiated by how they were approved and subsequently by their performance. New suppliers will be placed into one of the following two Segments;

**Approved Supplier:** This segment indicates the supplier has been approved and is eligible to bid and supply on any projects per their Classification.