

VYDRAULICS GROUP

Quality, Health, Safety and Environment (QHSE) management system

Boosting your motion & control

Our Quality, Health, Safety and Environment (QHSE) management system provides a comprehensive framework of policies, tools, audits and processes that governs all our activities in all areas. It applies to Vydraulics and its Manufacturing Units (MUs). It incorporates legal requirements and Vydraulics Group policies, as well as international standards such as ISO9001, ISO14001 and ISO3834.

Any reference to specific standards refers to the latest version of those standards unless a specific version is mentioned. Specific details on procedures, policies, work and production instructions are described in the applicable documents. If in doubt, please contact the QHSE department.

This document is for internal and external use and available at all times. The QHSE Manager represents the management in all QHSE related matters.

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This manual has been reviewed by:



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QUALITY, HEALTH, SAFETY AND ENVIRONMENT (QHSE)

About Vydraulics

The Vydraulics Group consists of various Manufacturing Units (MUs) that offer turnkey solutions for systems, components and service in the field of motion and control technology and process systems. With our expertise, market orientation and experience, we serve our customers with innovative, reliable and high-quality solutions and strive to be the best autonomous and independent provider.

Our strategy is based on operational excellence; we provide solutions based on the principle of minimum total cost of ownership from design to production and from commissioning to maintenance to our global customers in a wide variety of industries.

‘Focusing on quality, health, safety and environment is not just a choice; it is necessary for a sustainable future, to ensure our well-being, protect our planet and leave a legacy of responsibility for future generations.’
Steven Vangeersdaele, CEO Vydraulics.



QHSE management system

The QHSE management system includes the management policies and associated procedures required for effective operation and control. Procedures specifically describe what is to be done, why and who is responsible and always include a description of objectives, performance indicators, a flow chart, a process description, responsibilities and expected input and output. The input and output are often presented in the form of documents, forms and records.

The management system is continuously improved based on processed information related to the scope and in accordance with applicable legislation and international standards. This includes:

- Identification of processes required for the management system and their application throughout the organisation, including sequencing and interaction.
- Identification of criteria and methods needed to ensure effective operation and control of processes.
- Availability of resources and information needed to support operation and control of processes.
- Measurement, monitoring and analysis of the processes.
- Implementation of actions required to achieve desired results and continuous improvement of processes.

Standards

Within the different Manufacturing Units of the Vydraulics Group the next standards are applicable:

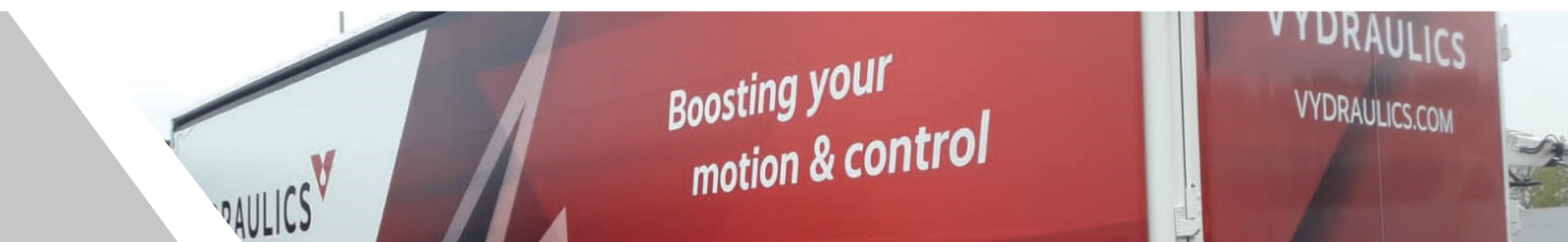
- ISO9001
- ISO14001
- ISO3834
- SCC

Scope

Our products and services include sales, engineering, manufacturing, logistics, installation, service and maintenance of hydraulic, pneumatic, electrical, fuel, chemical injection and sampling systems, cylinders, subassemblies and components.

Stakeholders and surroundings

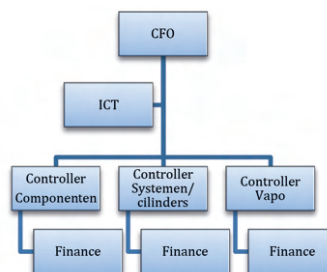
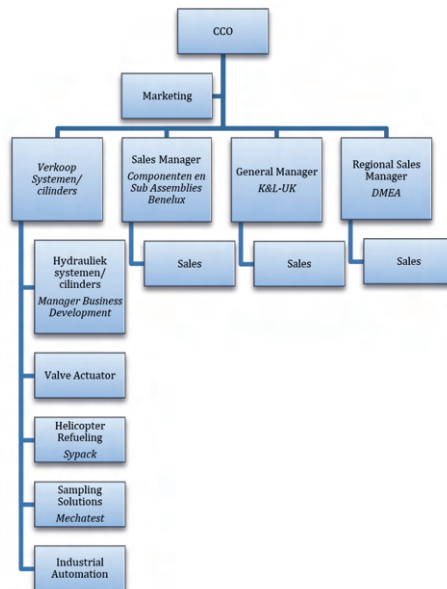
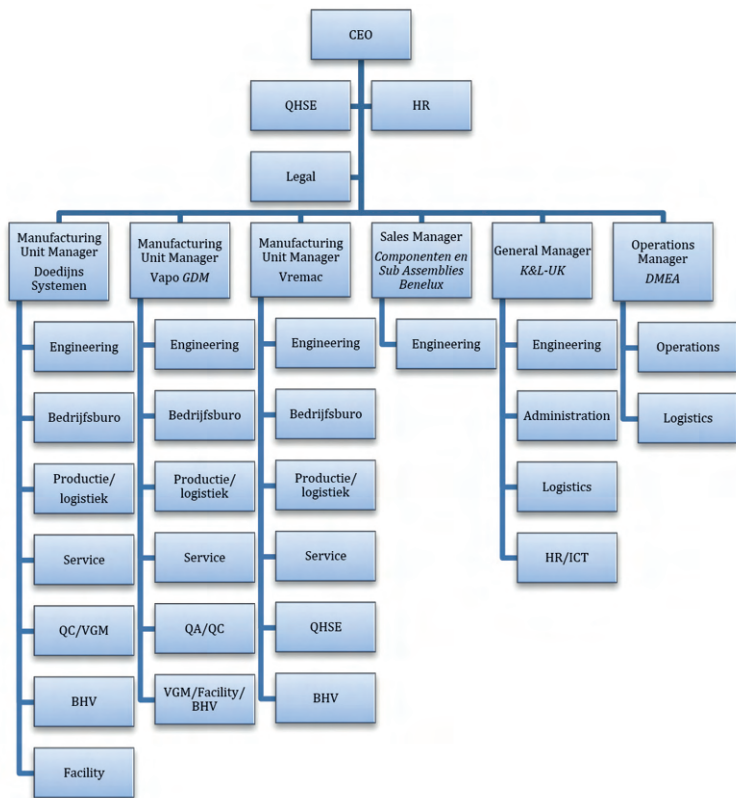
This management system applies to Vydraulics' stakeholders and environment. It was developed to analyse and optimise existing processes and to identify and minimise risks related to time, budget, product quality, continuity, health, safety, environment, operational reliability and expertise. Within the various MUs, all stakeholders including customers, employees and environment are validated and evaluated each year.





Organisation

Vydraulics is the head office of the group, where the Management Board sits. Each Manufacturing Unit has its own management and staff functions such as Administration, Finance and Human Resources. Below are the organisation charts for each main function.



Documentation

Within Vydraulics documentation is structured into the following levels: a QHSE manual (top level), procedures manuals (general) and work instructions or operational instructions (MU- or process level).

The QHSE manual, procedure manuals and work instructions, together with additional supporting documents and registers, form an integral part of the Vydraulics management system. The relationships between the standards and legal requirements, procedures, work instructions and operational instructions are cross-referenced. There should be no conflict or discrepancy between work instructions and procedures.

The management system is intended to be a formalised mechanism for carrying out the activities currently being performed. Objective evidence of compliance with the Vydraulics management system is documented on forms or in records generated by the relevant procedures. Documents may contain generated information and are stored on paper or in electronic form.

Level 1

- Mission and vision
- Strategy
- Policy
- QHSE manual

Level 2: Procedure manuals

- Health, Safety and Environment (HSE)
- Resources
- Operation (realisation)
- Measurement and improvement

Level 3: Work instructions

- MU- or department specific

Level 4: Records

- MU- or department specific

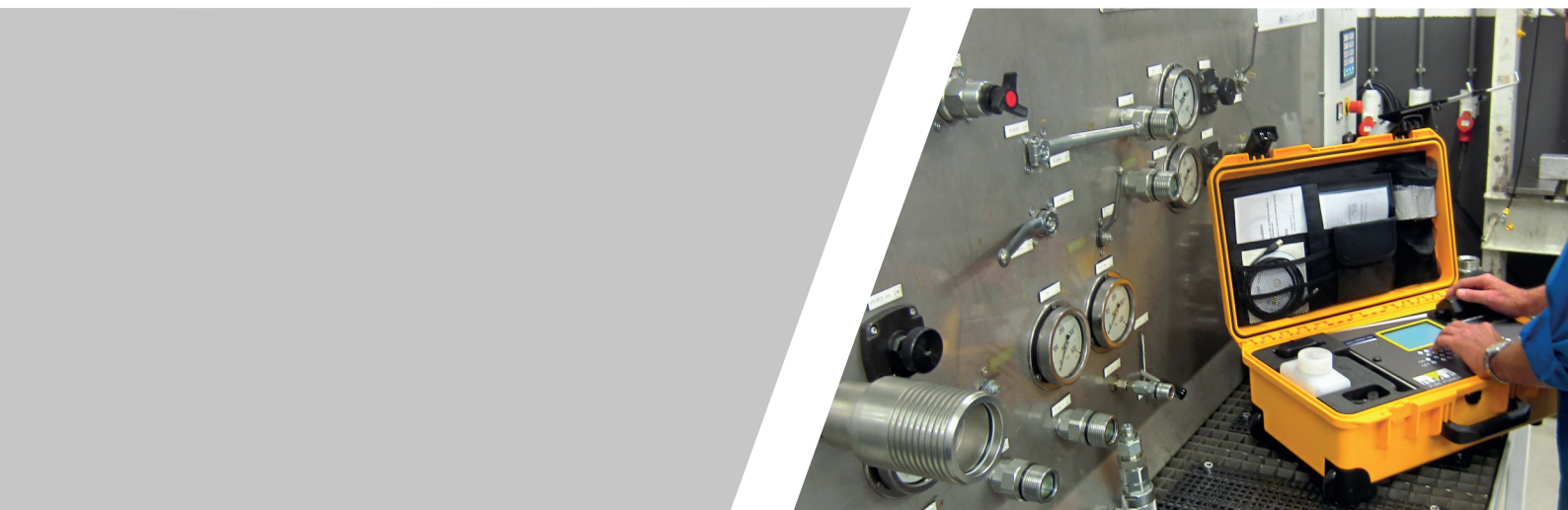
Control of documents and forms

Controlled documents are reviewed, approved and updated by authorised personnel before release.

Changes or modifications to documents are made in a controlled manner within the organisation.

Control of quality records (records)

Records required by the QHSE management system are controlled and maintained in accordance with documented procedures. The procedure includes the identification, storage, retention, access to or retrieval and disposal of records. Quality records are maintained for a specific period to demonstrate the achievement and effective operation of the management system and are stored in facilities that prevent damage, deterioration and loss.



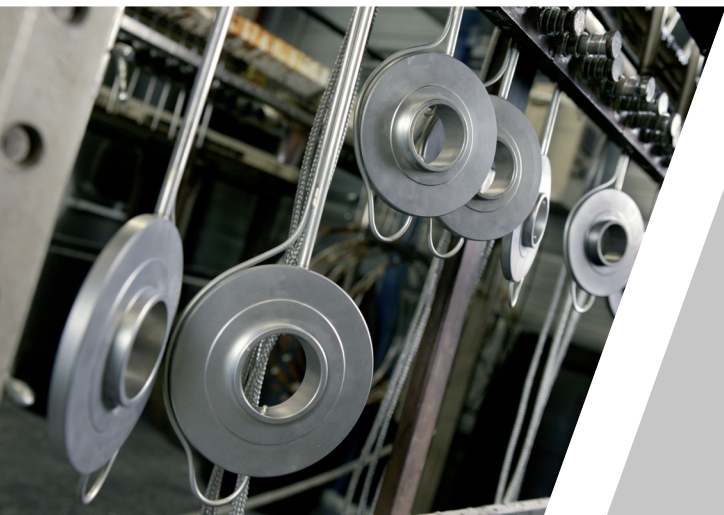


ICT

The ICT function provides the technical infrastructure for the organisation and the operation and management of special applications to ensure the reliability and continuous availability of automated data processing.

Interaction of processes

The following process flow shows the relationship between the main processes.



Responsibility

Management has established quality, health, safety and environment policies that meets government- and customer requirements to ensure customer satisfaction within the limits of the law.

Business objectives

Management establishes a strategic plan with a multi-year strategy based on the mission and vision. Based on this, strategies and operational objectives are set and communicated to the organisation. Each Manufacturing Unit Manager prepares a business plan based on the strategic plan. The profit and loss forecast are based on the information available in the business plans. The MU plans from the guidelines for all activities carried out within the MU. Based on the objectives in the strategic plan, the Manufacturing Unit Manager draws up and implements action and improvement plans.

At least once a year, the results achieved are evaluated in detail during the management review. The result of this evaluation forms the basis for action and improvement plans.

Quality policy

The policy defines the commitment to quality and guides compliance with the management system. Management ensures that the policy statement fits the company's purpose, contains a commitment to compliance and continuously improves the effectiveness of the management system. The policy statement provides a framework for setting and reviewing management system objectives.

The policy statement is communicated and understood at appropriate levels within the organisation. This can be established through regular staff meetings, induction and ongoing training, and written communication such as the public display of the policy statement at various locations in the organisation. Management regularly reviews the policy statement for continuing appropriateness.

Customer focus

Vydraulics' management places emphasis on achieving and improving customer satisfaction by determining customer needs and expectations, including obligations related to contractual and regulatory requirements and transforming these into clear and unambiguous requirements.

Management commitment

Management shows commitment to the management system in several ways, which are described in the QA policy.

Key Performance Indicators (KPI's)

Vydraulics uses performance indicators to monitor and measure the quality of its business processes. Each performance indicator is linked to the objective of the relevant business process. Assessment is done to assure





quality and to improve it where possible. Different measurement tools can be used for the performance indicators and objectives.

Each MU develops its own overview of key performance indicators and objectives related to quality, the health and safety of its people and the environment. Measurable quality objectives, consistent with the policy, are established and documented for the relevant functions and levels within Vydrulics. Management assesses the achievement of established objectives.

Performance indicators are linked to targets per process. The manager of the process is responsible for setting targets and regular evaluation. Depending on the results of the evaluation, the manager can take preventive or corrective actions to meet the target. A performance indicator is always established for the long term, once it is part of a preventive or corrective action it becomes time dependent. The results of the actions are discussed in management reviews.

Consultation structure

Strategic and operational issues are discussed in the organisation through a consultation structure set up by the management. Department matters are discussed in departmental consultation meetings and may be referred to management if necessary. A separate team may be set up for specific projects or organisational issues.

Responsibilities and authorities

For management system-related responsibilities and authorities of key personnel, we refer to the authorisation table.

The main responsibilities and authorities of the QHSE department are:

- Report to the CEO on QHSE matters.
- Maintain the QHSE management system.
- Organising internal audits and overseeing follow up.

Organisation chart

A separate organisation chart is prepared for each MU.

Internal communication

Vydrulics maintains an open communication channel between its different functions and levels regarding the processes and their effectiveness through internal staff meetings, telephone calls, training sessions, e-mails, intranet and internal memos.

Communication can be formal (documented/electronic) or informal (verbal meetings), depending on the situation. However, for matters of a serious or confidential nature, management policy requires formal communication, such as introducing a new procedure or addressing a fundamental problem.



Health, safety and environment

We strive to create well-being for our employees and those of third parties by safeguarding the health and safety of all employees. Vydraulics also strives to treat the environment properly to avoid pollution as much as possible. To achieve this, procedures have been established and Vydraulics pursues an active policy in accordance with legal requirements and the requirements of the equality, health, safety and environmental standards. The policy aims to optimise safety and environmental conditions. Vydraulics must ensure that the company policy is applicable to local legislation. This policy is an integral part of the overall company policy and is discussed at every management review and updated in case of policy changes. In implementing this policy, Vydraulics is supported by an occupational physician and a Health and Safety at Work expert.

Health, safety and environment policy

The policy defines commitment to health, safety and environment. It guides compliance with the management system. The policy statement is communicated and understood at all appropriate levels within the organisation. This is done through regular staff meetings, induction and ongoing training and written communication, such as the publicity displaying the policy statement at various locations in the organisation. The management regularly reviews the policy statement for continued appropriateness.

Environment

We are aware of the impact of our activities on the environment. Vydraulics takes up the challenge of managing and reducing our impact responsibly. We try to limit, control and recycle our waste as much as possible.

Vydraulics also tries to make its customers and suppliers environmentally aware. We ask them to handle waste consciously and try to involve them in reducing environmental impact. Through our delivery notes and packaging, customers are made aware of the importance of reusing the packaging and recycling all materials at the end of a product's life.

Workplace inspections

Workplace inspections are executed to ensure that management is aware of the working conditions of production and service employees on site. The findings are reported and analysed and corrective measurements are taken where necessary.

Reporting accidents

All employees are required to report accidents, near misses or unsafe situations using a standard form. Based on the reports, these incidents are analysed and steps can be taken to prevent such issues in the future.

Common causes analyses

Once a year, the causes and trends of deficiencies revealed by workplace inspections are analysed, including how corrective measures are taken. The findings of the analysis are reviewed by management.

Risk assessments

Within Vydraulics, we have assessed our production, logistic and service operations and determined the potential risks to take appropriate preventive measures, such as the deployment of appropriate personal protection equipment (PPE).





Resources

Vydraulics' management determines and provides timely resources needed to implement and improve processes and increase customer satisfaction. Providing resources includes providing sufficient budget for the company's operations, allocating personnel and ensuring sufficient infrastructure for the company's operations.

Facilities and working environment

Vydraulics has identified and provided adequate resources and facilities to achieve conformity of its services, carry out work safely, prevent damage to the environment and strive to keep them in good condition. Resources must also comply with legal requirements and be safe to use. Resources and facilities include:

- Offices, workplaces, warehouses and sites.
- Cars and other means of transport.
- Machinery, equipment and tools.
- Inspection and testing equipment for testing materials and products.
- Personal protective equipment (PPE).
- Computer hardware and software, including software for design work.
- Telecommunication facilities.

Where the maintenance of facilities and infrastructure is required, these supporting services can be outsourced through contracts or other procurement documentation.

Vydraulics ensures that physical and human factors in the work environment are identified and managed to achieve product and service compliance, including:

- Attention to ergonomics.
- Security needs, including the protection of its information.
- Safety in the workplace where required by law.
- Maintaining a conducive environment suitable for staff to work in.

People have been appointed to coordinate resources

and facilities; they are responsible for the requirements indicated in the instructions.

Human resources

Vydraulics has motivated and technically competent staff. The competence of the staff is qualified by determined by their academic/technical qualifications, training and work experience in the industry.

It is the company's policy to train all staff to improve their working capacity while performing their duties. Fresh staff is usually trained through on-the-job training to ensure that they are familiar with the requirements of the company's management system.

Relevant training is given to all staff levels to enable excellent performance. Training can be delivered internally or externally. The responsible manager evaluates the effectiveness of the training after completion. As part of the quality records, appropriate training records and results of the evaluation of training effectiveness are maintained, including records of education, experience, training and/or qualifications.

All staff are aware of the relevance and importance of their activities and how they contribute to achieving quality objectives. Staff are assigned to specific tasks based on their skills, education, training and experience. For tasks assigned to external parties, only personnel with required skills, education, training and experience are hired.



Realisation

Vydraulics controls the customer ordering process by applying the documented processes and procedures.

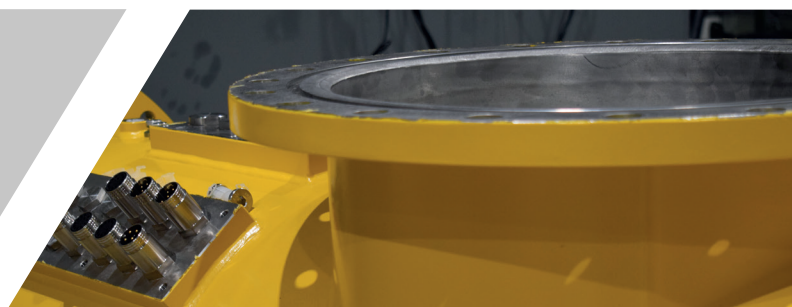
The degree of control includes the following activities, based on the chapter layout of the procedure manual
Operation:

- Sales: assessment of quotation requests and customer orders.
- (Project) engineering: formation of project team and project planning, design verification and validation, compliance with relevant legislation.
- Procurement: selection and evaluation of suitable suppliers and subcontractors, procurement of materials.
- Operations: verification of purchased products by checking incoming goods, storage, production or assembly including visual inspections, functional tests and factory acceptance tests (FATs) under supervision of the customer representative, maintenance and commissioning on site.

Vydraulics also offers its customers other on-site inspection, testing or commissioning and consultancy services to its customers through its technical staff as part of its value-added services. Details regarding operational processes are part of the applicable procedures manual. The procedures apply to all MUs of Vydraulics. There may be differences between MUs in terms of work instructions, which are an elaboration of the processes. Every procedure related to the customer ordering process is set out in flow charts with text as detailed information.

Return receipts

There is a special procedure for so called Return Material Authorisations for repair or warranty requests, or to take a component back in stock.





Measurement and improvement

Vydraulics is committed to continuous improvement of its management system by using the continuous improvement cycle to improve its processes and services. To enable continuous improvement of the management system, Vydraulics plans and manages its continuous improvement cycle through the evaluation of its policies and objectives, non-conformities, customer feedback, audit results, suggestions for improvements, data analysis of its monitoring and measurements, corrective and preventive actions and management reviews. Employees are expected to play an active role in assuring and improving the system.

Customer satisfaction

Vydraulics monitors customer satisfaction and complaints through the information collected by the sales and marketing department. The sales department reviews and analyses this feedback and the results of customer surveys to determine and improve the level of customer satisfaction.

Internal audits

The processes are measured and monitored through regular internal audits to verify that the management system is operating in accordance with applicable standards and to determine the effectiveness of the management system. The audit program considers the status and importance of the processes, the areas to be audited and the results of previous audits. The audit program also ensures that the auditor is independent of the areas to be audited.

Deviations will be rectified in a timely manner if detected. The management of the controlled areas ensures that the causes are identified in a timely manner and corrective actions are taken and that verification is executed and reported.

Management reviews

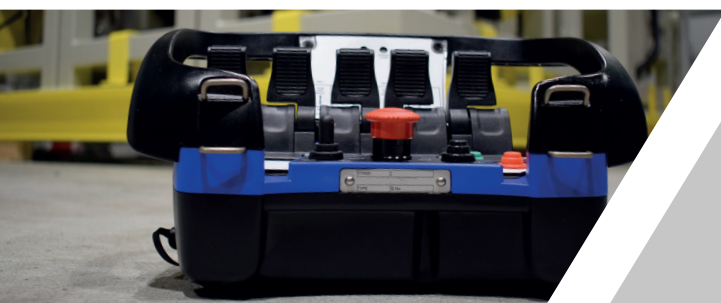
The management teams regularly conduct a formal

review of the management system to assess whether it meets the requirements of laws and regulations, international standards and the stated policies and objectives. The assessment is directed to the relevant parties to take the necessary corrective or preventive actions. The review also evaluates the need for changes to the management system, including the policies and objectives, as well as opportunities for improvement with respect to the management system. Records of such assessments are kept as part of the quality records.

Non-conforming products

Products that do not meet customer requirements and specifications are identified and checked to prevent them from moving on to the next stage of the production process. Non-conforming products are reworked or corrected before they are allowed to move on to the next stage of the production process.

Products that have been rectified will be re-inspected and retested as appropriate to ensure that the products meet requirements and specifications. Where concession is required, approval is first obtained from the customer and such approval for concession obtained from the customer is appropriately documented. Proof of product conformity with acceptance criteria and indication of the authority responsible for the release of the product or



service is maintained as part of the quality records. A procedure is in place to ensure the correct handling of risks that may arise from delivered products that do not meet the prescribed specifications and standards. So that the customers are informed and the cause is removed in time.

Supplier management

Potential suppliers are selected based on specifications. A supplier audit can be performed to check the ability to supply goods or services to Vydraulics, to verify that they comply with relevant laws and certifications or even additional end customer requirements. Or for corrective purposes.

By means of so called 'vendor rating' the performance of (critical) suppliers is regularly assessed based on ISO9001 and/or ISO14001 related criteria.

Data analysis

Vydraulics has established a system to collect and analyse appropriate data to determine the suitability and effectiveness of the management system and to evaluate where continuous improvements can be made. This data includes that collected from measurement and monitoring activities and other relevant sources.

The data collected is analysed to provide, where appropriate, information related to:

- Effectiveness of production (Quality Control).
- Customer satisfaction conformance to customer requirements and specifications and legal requirements.
- Characteristics and trends of the products and services provided by Vydraulics including opportunities for preventive action.
- Performance of suppliers and subcontractors of Vydraulics.

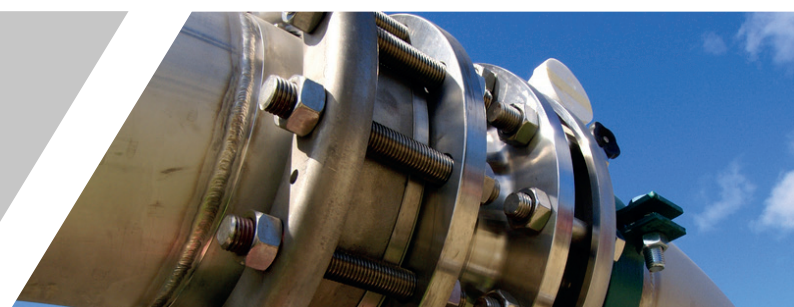
Corrective and preventive actions

Vydraulics takes the necessary measures to remove the causes of non-conformities to prevent recurrence. Root cause analysis is performed to find out the real cause, based on the five whys method. Optionally, the 8D method is used. Corrective action is appropriate for the impact of the problem encountered. Vydraulics will take preventive measures to remove the causes of possible non-conformities. The measures taken are adapted to the impact of the potential problems.

Improvements may be proposed by any part of the organisation, but actions are initiated by management and delegated to an individual or a department.

The relevant manager assigned to the preventive or corrective action establishes an action plan and the objectives according to the improvement action form. The relevant manager is responsible for setting the target and regularly reviewing it. Depending on the results of the evaluation, the appropriate manager may decide to take corrective action to correct the process. The progress of improvement actions and possible measures can be announced and discussed by via the consultation structure. After implementation, the relevant manager should evaluate the effectiveness of the corrective actions.

Improvement actions can lead to adjustments in the management system. As a result of the implementation of improvement actions, management may consider it necessary to adjust the existing business processes or may add new processes to the management system.





Ethics

In a complex, competitive business, the choices a person faces at work are not always clear-cut. Ethical dilemmas are the reality of our world, and the Vydraulics Group's Code of Conduct provides us with a framework to identify and address them.

We strive to create well-being for our employees and those of third parties by ensuring the health and safety of all employees. Vydraulics also strives to treat the environment with care to prevent pollution as much as possible. To achieve this, procedures have established and Vydraulics pursues active policies in accordance with legal requirements and the requirements of quality, health, safety and environmental standards.

The policy is aimed at optimising safety and the environmental conditions. Vydraulics must ensure that company policies are applicable to local law. This policy forms an integral part of the overall corporate policy and is discussed at every management review and adjusted when policy changes. In the implementation of this policy, Vydraulics is supported by an occupational physician and a Health and Safety at Work expert.



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