

Joining the UN Global Compact

As of 2008 Herco has joined the United Nations Global Compact, an initiative between companies, UN Agencies and groups representing Labor interests and civil society. It stands for responsible corporate governance and the realization that business governance can play a big role in finding solutions for the challenges imposed by globalization.

The United Nations Global Compact is structured around 10 principles related to human rights, labor practices, environmental protection and combating corruption.

As Global citizens we have to play our part in combating the negative effects of globalization and we have to take our responsibility. We in the West are privileged and in the possibility to be a role model. By focusing on sustainability in our business model, we are protecting the general interests as well as our own company interest.

European labor laws are protecting our employees' and customers' rights against abuse, but we should also consider the companies we are cooperating with. Our responsibility does not stop at our doorstep. Supporting bad governance at our suppliers is also our responsibility.

Treating our employees in a good and fair way enables us to attract good people and build a solid team.

Staying away from corruption and human rights violations is the decent thing to do and protects us from legal liabilities.

Optimizing our operations in order to reduce our raw material and energy use is a key factor to save costs, reduce our effect on the environment and build a sustainable business.

In 2009 Herco has been investing in building a new and energy efficient factory. Our focus lies on creating a healthy workplace, drastically reducing energy use and increasing transparency of operations. We decided to build this new production unit in Europe in order to stay close to the market and as a result reducing lead times and transportation of our raw materials and ready products.

Herco provides all its stakeholders – employees, customers, suppliers and others – with information about sustainability goals and performance. We will include our Communication on Progress related to the Global Compact in our ISO 2001 related communications toward all our stakeholders.

Filip Scheers
Directing Manager
Herco Ltd

UN Global Compact: COMMUNICATION IN PROGRESS

Herco Ltd has been a participating member of the UN Global Compact since 2008. In order to permit clear information on the subject of sustainability, the Communication on Progress associated with the Global Compact will be integrated into Herco's sustainability reporting. The following table summarizes the essential points. Some further information on the respective corporate goals and results can be found in the following communication that will be submitted end of October 2012. Herco is a small company that is trying to be a responsible corporate citizen.

Topics	Summary, measures and results
Human rights	
<p>Principle 1: Business should support and respect the protection of internationally proclaimed human rights</p>	<p>Herco has an internal code of conduct which clearly states that Herco undertakes to be a reliable and fair business partner and employer at all times. Herco recognizes and complies with all local, national and international laws, directives and standards.</p>
<p>Principle 2: Make sure they are not complicit in human rights abuses.</p>	<p>To ensure that our suppliers act in accordance with internationally recognized standards concerning Human Rights, Herco monitors it's suppliers. We cooperate mainly with European companies who respect human rights. We try to cooperate with our suppliers to make sure that our companies respect the same rights and obligations.</p>
Labor	
<p>Principle 3: Businesses should uphold the freedom of association and the affective recognition of the right to collective bargaining.</p>	<p>Our employees are free to join labor unions and associations. Around 30% of our employees currently are member of a labor union.</p>
<p>Principle 4: The elimination of all forms of forced and compulsory labor.</p>	<p>Our code of conduct excludes forced labor. Being a European company, we are working according to European and polish labor regulations. Herco is mainly working with European companies. The few companies outside of the European union Herco cooperated with are North American, Korean, Taiwanese and USSR companies. These companies are also excluding forced labor.</p>

<p>Principle 5: The effective abolition of child labor.</p>	<p>Our code of conduct excludes child labor. Being a European company, we are working according to European and Polish labor regulations. Herco is mainly working with European companies. The few companies outside of the European union Herco cooperated with are North American, Korean, Taiwanese and USSR companies. These companies are also excluding child labor.</p>	
<p>Principles 6: Eliminate discrimination in respect of employment and occupation</p>	<p>Our code of conduct reflects our ethical values in terms of discrimination. We have no preferential treatment for male or female employees or people from different origin. The share of women within different positions depends often on the nature of the work (which attracts more or less women) and not on discrimination. We also have a number of disabled people in our team, and this is working very well.</p>	
<p>Environment</p>		
<p>Principle 7: Business should support a precautionary approach to environmental challenges.</p>	<p>Herco is aware of climate change and therefore we are doing everything to reduce the consumption of natural resources.</p> <p>Our factory is built with local materials and with the focus on saving energy. Operational as of 2010, we were able to effectively reduce consumption of oil and electricity. This is not only good for the environment, but also for our financial performance.</p> <p>We are producing our products in central Europe, in between our suppliers of raw materials in the Eastern Europe, and our clients in Central and Western east. This way we reduce the road transport.</p>	
<p>Principle 8: Undertake initiatives to promote greater environmental responsibility.</p>	<p>In response to the climate change and the scarcity of raw materials, Herco is focusing on reducing its consumption of energy as well as raw materials. To do this, in 2009 Herco has spent 20 million PLN to modernize the production unit and the production lines. The focus lies on increasing efficiency and making more while using less.</p> <p>Herco is encouraging its employees too reduce the consumption of energy, water, paper and other resources. Our motto is that every small saving is an important contribution in saving our planet.</p> <p>We are informing our clients about our business principles and therefore promoting them.</p>	

<p>Principle 9: Encourage the development and diffusion of environmentally friendly technologies</p>	<p>As our final product is very simple and does not change the world, we are trying our best to reduce all unnecessary steps in the production process and therefore making a more sustainable end product.</p> <p>In the last year we were able to reduce internal transport by forklifts and replaced it by conveyers. We have also changed machines to much more efficient ones. Therefor the output for the same energy consumption has tripled.</p> <p>Herco's aim is on making high quality products for the most demanding clients.</p>	
<p>Anti-Corruption</p>		
<p>Principle 10: Business should work against corruption in all its forms, including extortion and bribery.</p>	<p>Herco is working according all Polish and European accounting roles. We are only doing official business and are never involved in any form of corruption. We are not working with companies or local governments, which require bribes or other forms of illegal payments.</p> <p>Herco does not make any donations to parties or politicians. Instead, we are sponsoring local initiatives that help the community, such as the Rawa Days, which are neutral from a party political point of view.</p>	

Who are we

Herco is one of Europe's largest independent nail manufacturing companies. We have a history of almost 20 years, and are based in Poland. For 15 years we have produced our products in our factory in Rawa Mazowiecka, but in 2010 we moved to our new facility in Cieladz.

Over the years we have established a stable client base in Europe and in a smaller way in the US. We are specialized in making customer branded products and are manufacturing only for order.

We are focused on producing collated nails. We are at present increasing our product range by introducing new product families, using the most advanced equipment in the industry.

We were one of the few nail manufacturers that is investing in its production site in Europe, as the focus for producing nails and other fasteners lied more and more in the Far East and more precise in China. However, we believe in producing as close to the market as possible. And we have seen over the past year that also other companies are again looking to expand production in Europe. It is our hope that the outsourcing of production to low cost countries will come to an end and that we can again see a more balanced economical picture in Western Europe between production on the one hand and sales and services on the other.

What are we doing to reduce our footprint?

For year Herco has been producing its products in it's production plant in Rawa Mazowiecka. Spread over different building, using different types of technologies and old infrastructure, our production was consuming lots of energy in terms of heating oil and electricity. Over the years, improvements had been made to the production lines and the production plant, but drastic reductions on our consumption were not possible.

In 2008 Herco decided to drastically cut back on the consumption of natural resources, by building a new production plant. For this plant, we have not been looking for the cheapest materials, but we have been investing in order to cut back on future expenditures. We have used as much as possible natural materials, without trying to be a pioneer. Our sister company has build a Eco office, and we have taken our lessons from their experiences.

Natural sunlight

The new building has 13% of the roof covered with isolated roof lights. This

reduces the usage of our energy saving electric gas lights and helps to create a comfortable working place. Our offices are facing northwest and have a complete isolating glass façade. This way our offices are filled with natural light during working hours, while eliminating overexposure to sunlight. All our interior walls are either glass or cupboards, making the office very transparent and promoting contact between colleagues.

Isolation

The building is isolated using 18cm Rockwood. This increases fire safety of the building and reduces the loss of energy. The isolation helps to keep the heat in during winter, and keep the heat out during summer. The outside of the building is in a light gray color, in order to fit in with the natural surrounding and to reflect the sunlight during the long hot summers. During summer, 16 roof lights open automatically to allow the heat to go out from the top. To keep the heat out, automatic pannels cover the windows that are exposed to the sunlight. In winter this system is switched off so the sun can heat up the space.

Heat saving technologies

In wintertime the heat produced by the compressors is used to partly heat the production hall. We also use a kathalizador to burn the acetone damp that is a side product from coating our nails. The heat produced by the acetone burner is reused to heat partly our production hall. This way we are heating most of our building using the heat that is created as a side product of our production process.

Water saving

All taps and toilets are equipped with water saving appliances. This way we can save on our water consumption. All water is filtered and collected in separate wells and tanks.

Bottled drinking water is one of the biggest polluters due to packing and transport. Some of the best water comes out of the tap. In 2012 we have replaced all bottled water by water taps that deliver hot, cold and sparkling water.

Car pooling

Herco is promoting carpooling by covering a big part of the transportation costs for all employees who come to work with 4 in 1 car. We are not covering any costs of people who are driving by themselves to and from work. We also have shower facilities for office workers to promote using the bicycle as a means of transportation.

Saving the forests

Herco has a clear policy on reducing and limiting the use of paper in the company. We are working with an integrated computer system called Teta 2000. By implementing this system, Herco has drastically reduced the consumption of paper. We are also limiting the number of printed and copies documents. We have introduced a central printing location that is used by all office workers. This to increase the effort of printing and therefore reducing the number of unnecessary prints. We are also promoting to recycle already used paper for unimportant or internal documents.

How are we valuing our employees?

Over the years we have been working hard to improve the valuation of our employees. Currently we have invested efforts and money in order to improve our workplace, from production floor to office place. In 2013 our aim is to improve employee satisfaction while increasing efficiency.

Being a family owned company and carrying family values, we organise every year a family day. On this day, all our employees can bring their family to the company and show them what it is that keeps them busy 8 hours a day, 5 days a week. We offer food, drinks and entertainment for the whole family. These gatherings usually take place before the christmas holiday.

As we are a small company, opportunities to grow within the company are limited. However, we look for opportunities for people to grow their skills and find satisfaction in their work.

Improving the workplace

In our new production unit, Herco has invested in increasing the ventilation and dust sucking by x3 in order to reduce the dust from our production technology. We have also invested in a top end ventilation and acclimatization system for the offices. This will create a healthier working place for all our employees.

We have also invested in new technologies that are using water-based coating of our products, rather than the acetone-based coating we used before. We will still be using acetone-based coating on a small part of our production for some time.

We have put all our production steps in one space, increasing the contact between workers and the transparency. Office and production are in one building, increasing contact between office and production workers. Using a lot of glass increases transparency.

We have been successful in reducing the noise level. this was a very difficult and

time consuming process that was taking us years. In 2012 we finally managed to do it.

We have invested in new accommodation for the social spaces, to increase the standard as well as the cleanliness.

Everybody is important

Because we know that everybody within our company is important, we organize weekly and monthly meetings in order to listen to new ideas or problems. These regular meetings, which are short and are followed up afterwards to make sure they serve a purpose, have to prevent small problems (business or personal) to becoming big and opportunities from going lost.

Our management is in close contact with our labor union, in order to increase cooperation. In October 2012, less then 30% of our workforce joined a labor union. This number is down from 80% in 2007 and shows the improved contact between the workforce and the top management.

Herco is ISO 9001:2000 certified and as such offers training to its employees. In 2010, training is focused on implementing 5S and later Lean manufacturing principles into our cooperation. By implementing 5S, we are looking to improve visibility, increase safety and reduce mistakes.

Herco Ltd, working everyday to make today better then yesterday.

