NON-CONFORMANCE POLICY

Addendum to Terms & Condition of Sale

Foreword.

Plas-Pak WA Pty. Ltd. aims to achieve a product of acceptable quality, fit for purpose, first time right, with zero harm to employees, customers and end users.

In order to achieve this, Plas-Pak WA performs random sampling of products during manufacture in line with ISO-2859-1 and although not governed by this standard, aims to achieve or excel this standard as best practice.

For manufacturing & non-conformance purposes, the classification of product manufactured or outsourced at Plas-Pak WA is deemed as low margin and non-critical, with over 90% of manufactured product used for the packaging industry and therefor falls within the Acceptable Quality Levels (AQL) of sample testing General 1.

AQL General 1 provides a guideline to sample methods, frequencies and sample size.

In order to remain competitive within the market whilst maintaining customer satisfaction, the sampling period of product manufactured at Plas-Pak WA consists of 2 samples per hour conducted at random, 2 additional samples per 8-hour shift conducted at random and 1 independent review of samples taken per 24-hours of production.

This generalization of sample taking is expected to meet or exceed the AQL General 1 rule.

Plas-Pak WA manufacturing currently consists of a 50/50 manual and automated production.

Although manual operations involve each product made being physically handled by an employee and therefor the likelihood of a defect being identified out of the AQL General 1 rule, the identified product failures are not to be considered as a sample taken, nor are they to be classified as reason as to why a non-conformance may not have been identified.

Plas-Pak WA also considers the human factor during all non-conformance investigations and reasonable expectations during the manufacturing of product.

Industrial Expectations.

Manufacturing of plastic products at Plas-Pak WA is achieved through various methods and machinery consisting currently of Blow Moulding and Injection Moulding technology.

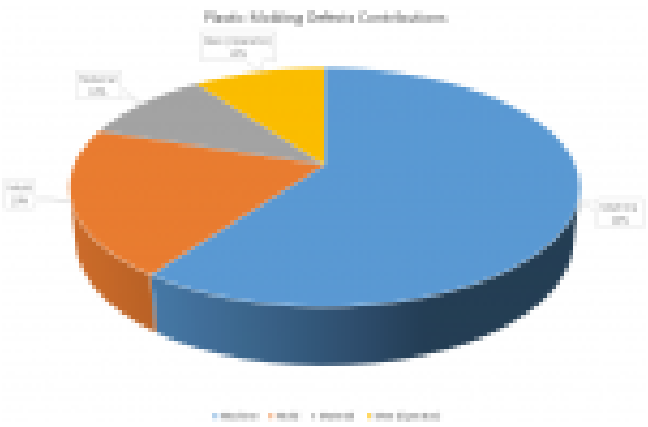
The industrial complexities of such machinery vary from product to product and expected Defective Parts Per Million (dppm) vary with the classification of machinery used and the complexity of the product being manufactured.

Industrial expectations show that as a rule, the type of product manufactured at Plas-Pak WA falls within the 2 categories of expected rejection as listed below,

1. Injection Moulding – 5000-10000 dppm or 0.5 – 1%
2. Blow Moulding – 10000 – 30000 dppm or 1 – 3%

The above dppm is the expected dppm recognised and found during production and not the expected rejection rate of delivered product to the customer.

The identified dppm are expected to fall within the table below.



Expected DPPM reaching the customer.

Plas-Pak WA is to undertake all reasonable precautions to ensure that defective product does not reach the customer.

To ensure that Plas-Pak WA remains accountable for its delivered product being fit for purpose,

A formal non-conformance investigation is to be raised when the delivered product exceeds the following rule –

Formal Non-Compliancy Rule

The delivered product,

1. Could injure the customer or end user, under reasonable circumstances and use, without neglect on behalf of the user and it would be expected that the customer or end user would not easily identify the danger under normal circumstances, or it would be expected that the end product would reach the end user without being identified during the filling, application or use of the supplied product.

2. The non-conforming product is found to be a continuous & repetitive fault which exceeds the testing period and should have been identified within the quality sampling test periods of production.
3. The product exceeds the value of 3000 dppm or 0.3% of the supplied lot of product unfit for sale classified as use for dangerous goods.
4. The product exceeds the value of 5000 dppm or 0.5% of the supplied lot of product unfit for sale classified as use for non-dangerous goods.
5. The product exceeds the value of 10000 dppm or 1% of the supplied lot having a defect which does not deem the product unfit for use but is classed as a variation of specification which can still be used by the customer and end user.
6. The non-conformance of delivered product results in a product recall, regardless of quantity.
7. The non-conformance is found to be a direct result of a violation of standard operational procedures.

An internal non-conformance investigation is to be raised when manufactured product exceeds the following rule –

Internal Non-Compliancy Rule

Manufactured product,

1. Exceeds 50000 dppm or 5% for blow moulded products.
2. Exceeds 30000 dppm or 3% for injection moulded products.

Initial internal investigations are to be conducted by both management and supervisors on site at which point it is to be determined whether the non-conformance is to be investigated formally or informally.

Informal investigations do not require the findings of the investigation to be documented.

Investigation findings which may have exposed the customer to a non-compliance risk are to be documented and recorded internally.

The decision on whether the investigation is to be formal or informal remains within the senior management level of Plas-Pak WA.

Internal non-conformance reports are not shared outside of the business organisational structure.

Actions on raised Non-Conformance goods being supplied to the customer.

Upon receival of a non-conformance issue, Plas-Pak WA is to –

1. Contact the customer within 24-hours, where practical, to determine the severity of the non-conformance and provide an immediate solution where possible.
2. Provide both technical and non-technical assistance to the customer and recommendations accordingly based on information received.

3. Conduct an initial assessment on the category of non-compliance in line with the **"Formal Non-Compliancy Rule"**
4. Request the information required to perform a non-compliancy report and investigation.
5. Provide the customer with a credit or replacement of defective goods within 10 working days after the conclusion of the non-conformance investigation in which it is identified that Plas-Pak WA is at fault.
6. Provide the customer with a formal non-conformance report once the investigation is finalised and the resulting non-conformance falls within the formal non-conformance parameters, within a reasonable timeframe.
7. Provide the customer with an update of findings if the investigation into root cause is exceeding 10 working days of evidence received.

Rules for Non-Compliancy reporting and issued credits or replacement.

1. The decision on a credit being raised or a product being replaced remain the decision of Plas-Pak WA senior management.
2. Credit or replacement will only to be actioned once clear evidence is provided of the affected product by the customer and the investigation findings conclude that Plas-Pak WA. is at fault
3. Providing of evidence remains the customers responsibility, however Plas-Pak WA is to ensure any and all assistance is provided to allow the customer to achieve this with minimal disruption to operations.
4. Non-conformance reporting and associated actions will not commence until all facts are known and supporting evidence is provided within 30 days of delivery.
5. Under the terms and conditions of sale, the inspection of product received remains the responsibility of the customer.
6. An internal Quality Alert will to be raised on all non-conforming supplied product regardless of formal reporting and affected quantities.
7. Reductions in productivity due to experienced or suspected non-conformances remain with the customer and the decision to reduce output or efficiencies remain the decision of the customer and cannot be compensated by Plas-Pak WA without prior agreements being made after consultation.
8. Plas-Pak WA under the terms and conditions of sale, is not responsible for any additional cost involved with non-compliant product being delivered other than the cost of the product itself.
9. Any and all decisions for compensation to a customer for losses, reduced output or efficiencies, additional inspections, administrative costs and disposal, remain with the senior management level of Plas-Pak WA and are to be assessed on a case by case scenario.
10. Plas-Pak WA will not be held responsible for any costs of disposal by the customer unless this is mutually agreed upon by both Plas-Pak WA senior management and the customer in writing.
11. All decisions made by the Plas-Pak WA management team are to be based on the code of conduct and fair business practices of Plas-Pak WA Pty. Ltd.

Rules on Non-Conformance Investigations & reporting – External & Internal.

Best practice manufacturing has identified multiple tools for use in identifying root cause of non-compliancy issues. The tool of choice at Plas-Pak WA is the 5why template, however additional tools of choice may be used in the identification of issues in conjunction with the 5why if deemed required or useful.

These tools may expose detailed information on machinery, processes, SOP's or employees which could result in a violation of privacy or provide details to competitors of Plas-Pak WA of operational

procedures and manufacturing processes or equipment used in reducing manufacturing costs and ensuring compliancy of product delivered.

For this reason, under no circumstances will the following information be provided in an external non-conformance report –

1. Actual names, titles or position of employees other than "operator"
2. Any disciplinary action which may have resulted from an investigation of any type, even if the employee is no longer with the organisation.
3. Previous details of investigations conducted which may divulge employee performance.
4. Classification or type of machinery used in production of goods.
5. Classification or type of machinery used in the testing, or inline testing of product quality.
6. Supporting documentation which details testing methods used in the production facility.
7. Actual documents of production records whether electronically or manually recorded.
8. Photographs taken during any part of the investigation without prior approval.
9. Detailed explanations on SOP's within the organisation unless these details cannot be used by competitors or do not form part of generalised operational procedures used by all organisations within the industry.
10. Samples taken from production / lot runs.
11. Details of internal non-conformance issues during the production run without prior approval.

The details and sharing of an investigation and its findings remain at the digression of the Plas-Pak WA management team and are released upon review accordingly.

Once the investigation is closed, supporting documents to finding root cause are not required to be stored.

Details of the non-conformance (the non-conformance report) are to be stored electronically at Plas-Pak WA and may be used by Plas-Pak WA when identifying repeated events. The report is to be shared with the customer and actions resulting from non-conformances are to be completed where possible within a reasonable timeframe if found to be practical and of value. During quality audits from recognised industrial organisations, the reports may be shared with auditors but are not to be removed from site as evidence without authorisation.

Justification of Policy.

The policy and code of non-conformance reporting of defective product, the test methods to which the manufacturing facility adheres, the introduction of automation and inline compliancy checks and the information which is shared during a non-compliance of product, is conducted and executed in such a way that the overall goal is to provide the customer with compliant product at the lowest cost whilst maintaining best practice standards & customer relations without subjecting the business or customers of the business to excessive costs or administrative duties which will provide no value.

An example of the justification can be explained as outlined below –

Example A

A customer receives a quantity of product in which 300 parts in the lot are found to be defective.

The product defect is continuous and consecutive, and it would be expected that the product sampling interval is every 185 pieces.

Therefore, the customer should receive a non-conformance of the product in question even if the dppm or % rejected product is below the minimum level of expected dppm reaching a customer.

Plas-Pak WA should seek to understand how the failure to sample within the expected limits occurred and how to rectify that this would not occur again.

The samples taken would not be shared with the customer, or details on any automation which failed other than the failure itself. If the person operating the equipment at the time is formally disciplined, their personal details or the disciplinary action would not be disclosed.

Example B

A customer receives a quantity of 10000 bottles.

During the use of these products by the customer, it is identified that there is a total of 20 defects in the batch provided.

The defects range from 6 products with contamination, unfit for use, 2 of which will leak during filling and are found randomly.

6 products with a poorly formed neck of which 3 are still fit for use and 8 bottles in which the surface finish is poor but can still be labelled by the customer by hand.

These findings should be shared in a quality alert with the manufacturing team.

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A credit should be raised for the customer for the bottles which are unfit for use.

An investigation into the reported issues is unlikely to provide any findings of value to prevent a reoccurrence.

The human factor of an operator not identifying the 18 faults during handling of 10000 products or the mishandling of 2 rejected products during automated leak detection must be considered and applied. Random testing of the 10000 products on automated machinery is unlikely to identify the 0.2% rejected product if during production no defective samples are taken.

Given the product value of AUD $1, the implementation of computerised inspection eyes at a value exceeding AUD $50000 and the return value, exceeds the non-compliance value and is financially unviable for the operation unless it was found that the business is consistently falling out of the dppm values during manufacture or the business is consistently failing to fall within its expected dppm delivered.

Given the nature of the identified faults, a justification and compensation for reducing operational output of the customers production line is also unjustifiable and although customer product would or could leak on their equipment, this could also occur during their normal filling of product and it would be expected that the customer is adequately equipped to deal with such events on a daily basis.

It would however be fair business practice to compensate the customer for product which later leaked due to a non-conformance of supplied product which was a direct result of a

manufacturing fault at Plas-Pak WA and the customer was then required to rectify packaging within their stores accordingly.

If for whatever reason, a customer is experiencing high product reject rates and after consultation with Plas-Pak WA management team an agreed upon decision is made to work through the issue accordingly, then the customer should expect to receive a compensation accordingly.

The issue should be identified and verified before this conclusion or decision is made and the actual business value of the product in question should be taken into consideration.

General Manager

Plas-Pak WA Pty. Ltd

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