

MAKING **ZERO DEFECT** REALITY

CHEP QUALITY PRINCIPLES

QUALITY VISION

HANDLING THE WORLD'S
MOST IMPORTANT PRODUCTS.
everyday.

- ***CHEP delivers pooled pallets that are fit for use, safe, stable under load, compliant to specification, free of contamination and cosmetically acceptable, every day.***
- ***We will achieve this by continuing to invest heavily in quality and***
 - *Ensuring no critical defects*
 - *Careful management of scrap*
 - *Performance measurement and corrective action*
 - *Customer support and training*



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NO CRITICAL DEFECTS

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- ***Staff trained to identify critical defects – in place***
- ***Clear definition of what constitutes a critical defect (posters, diagrams, visual aids at the benches – see below)***
- ***QA organisation no longer reports into the plant operations organisation – change completed***
- ***Defined SOPs for identifying various sources of contamination – in place***



TESCO
Every little helps

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CRITICAL DEFECT AWARENESS

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The image shows two blue posters mounted on a wall. The left poster, titled 'CHEP Safety Critical Issues', lists five categories of defects with corresponding photographs: 'Any Missing Component', 'Cross Grain Splits on Structural Elements', 'Greater than 50% missing material in the nail zone', 'Open horizontal split across any block', and 'Any baseboard not securely nailed'. The right poster, titled 'CHEP Gauge Use', shows four photographs of a gauge being used on a block, with text indicating repair requirements: 'Greater than 77mm needs repair', 'Greater than 35mm needs repair', 'Less than 275mm no need for repair', and '76mm left on block, no need for repair'.

CHEP Safety Critical Issues

- Any Missing Component
- Cross Grain Splits on Structural Elements
- Greater than 50% missing material in the nail zone
- Open horizontal split across any block
- Any baseboard not securely nailed
- Glass, animal and bird contamination, insect infestation or substances that constitute a hazard or are harmful to health

CHEP Gauge Use

- Greater than 77mm needs repair
- Greater than 35mm needs repair
- Less than 275mm no need for repair
- 76mm left on block, no need for repair



SCRAPPING SOPS

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- **Definition**
 - *Any pallets with contamination*
 - *3 broken stringers*
 - *multiple elements (bringing this down in 2009)*
- **FIFO system – in place**
- **Re-inspection of any pallets that have been in long term storage**
 - *If a specific proportion are scrap we scrap the whole batch*
 - *All scrap is re-cycled for energy generation, reclaimed elements or fibre board.*
 - *New Hoddesden plant generates 450kW of green energy from scrap pallets – now running*



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MEASUREMENT OF COMPLIANCE

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- ***Compliance to PQS by employee, shift, plant and network every week – in place***
- ***Gauge R&R – calibration of quality compliance by external QA auditors – in place***
- ***KPI's published throughout CHEP senior leadership team***
- ***Corrective action for individual employees if non compliance occurs***
 - *initially control and containment, root cause analysis, more training, disciplinary action as a last resort*
- ***Pilot bonus scheme for plant staff now linked to repair quality rather than only productivity – Being rolled out for whole organisation from 1st July***
- ***Perfect shift concept in place in 3 plants and expanding***
 - *Roll out across entire network in 2009*



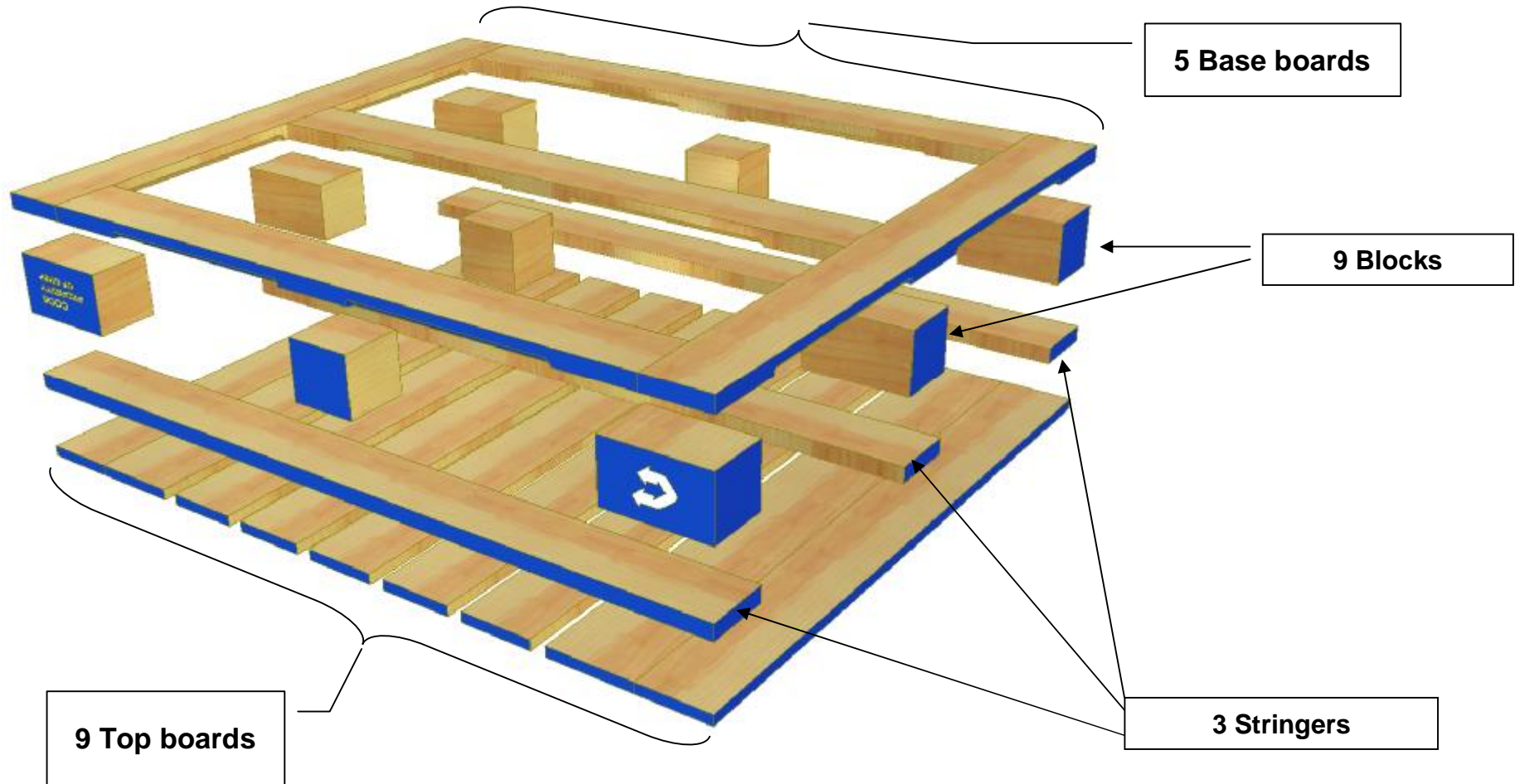
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- ***Automated warehousing - CHEP offers a service to all customers to help optimise the set up of automated pallet handling systems***
- ***CHEP has a team of engineers expert in equipment handling, sensor placement and management of the tolerance of pooled equipment***
- ***CHEP offers training in best practice handling, understanding of quality specification and sortation for exchange and MR customers***



COMPONENT PARTS

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138 Ring shank nails

45 x 35 mm

93 x 90 mm



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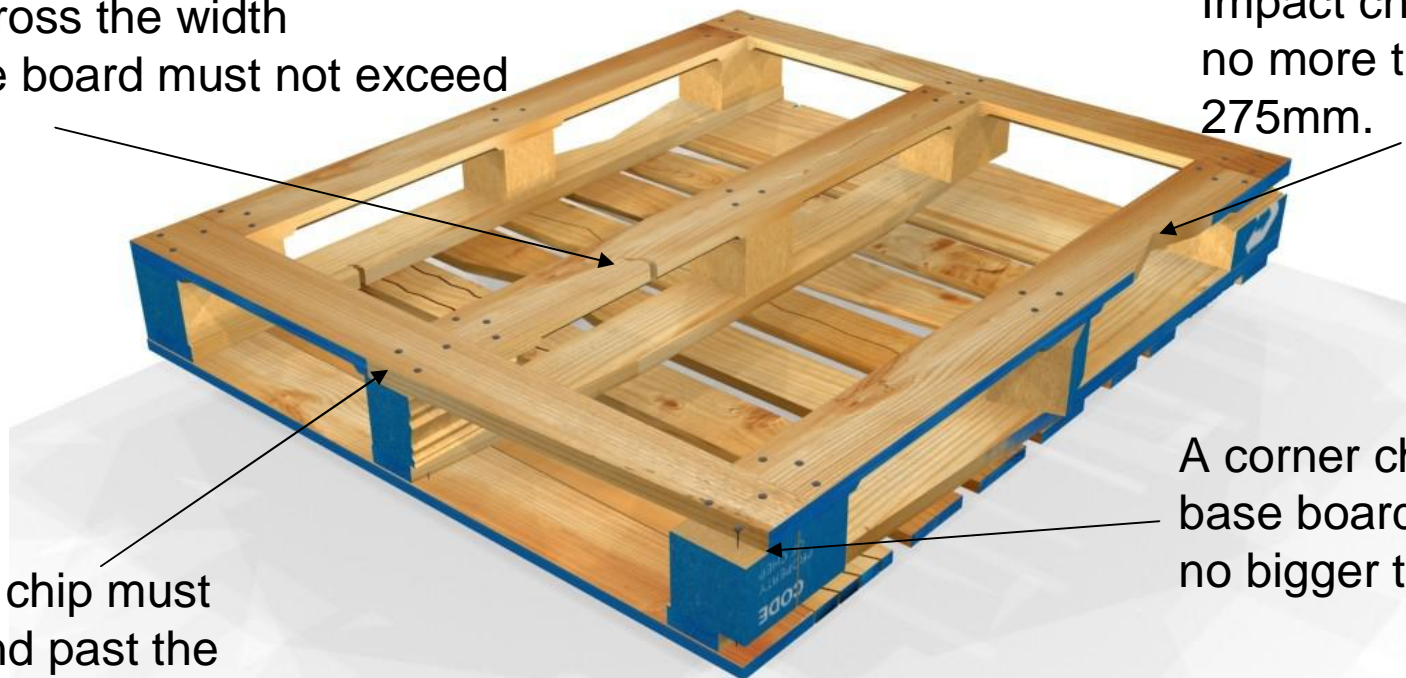
ALLOWABLE BASE DAMAGE FOR CHEP PALLETS

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All boards should be securely nailed.

Splits across the width of a base board must not exceed 35mm.

Impact chips should be no more than 35mm X 275mm.



A corner chip must not extend past the next block.

A corner chip on any base board should be no bigger than 35mm.

A twisted block should be less than 10mm out of square



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SUMMARY

HANDLING THE WORLD'S
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- ***CHEP is investing in pallet quality***
- ***In first instance, please contact you CHEP Key Account Manager regarding any aspect of CHEP's service offer, including CHEP pallet quality***



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The background is a deep blue color with a subtle grid pattern. There are several glowing, curved lines in a lighter blue hue, resembling arcs or orbits, positioned at the top and bottom of the page. The overall aesthetic is futuristic and technical.

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