Shenzhen HSJ Fab Co., Ltd

Non-Conforming Product Control & Disposition Procedure

1.Purpose

This procedure is formulated to standardize the identification, segregation, review, disposition, traceability and improvement process for non-conforming raw materials, work-in-process, finished goods and returned defective products from customers. It prevents non-conforming materials from mixing with conforming products during production and delivery, stabilizes product quality, and meets customer requirements and ISO quality system control standards.

2.Scope of Application

This regulation applies to all sheet metal processing products of the company, covering full-process control of non-conformities including:

IQC incoming non-conformities

IPQC in-process non-conformities

FQC finished product non-conformities

OQC pre-shipment non-conformities

Customer returned non-conforming products

3.Responsibility Division

Quality Department

Responsible for identification, judgment, labeling, document issuance, re-inspection, statistical analysis, improvement tracking and document filing of non-conforming products.

Production Department

Responsible for segregation of non-conforming products, production shutdown to avoid mass non-conformities, execution of rework, repair and

scrapping, and on-site control.

Engineering Department

Conduct technical review for abnormalities in structure, process and dimensions; provide rework schemes and process improvement countermeasures.

Purchasing Department

Coordinate with suppliers for return, exchange and compensation of incoming non-conforming materials, and require suppliers to submit improvement reports.

Warehouse Department

Responsible for zoning and segregating non-conforming products to avoid mixing; separately store scrapped products for management.

4.Definition of Non-Conforming Products

Any materials, semi-finished products or finished products failing to meet drawings, ISO2768-mK tolerance standards, operation standards and customer requirements in dimensions, appearance, structure, welding, coating, assembly or performance shall be judged as non-conforming products.

5.Classification of Non-Conforming Products

IQC Incoming Non-Conformities

Inconsistencies in material, thickness, appearance and specifications of plates, profiles, purchased accessories and auxiliary materials.

IPQC In-Process Non-Conformities

Cutting burrs, out-of-tolerance dimensions, poor bending angles, incomplete/missing welding, deformation, tapping defects and other in-process abnormalities.

FQC Finished Product Non-Conformities

Out-of-tolerance overall dimensions, poor flatness/perpendicularity, coating defects, assembly failures and appearance flaws of finished units.

OQC / Customer Returned Non-Conformities

Non-conformities found in pre-shipment sampling inspection, customer returns, transit damage and batch quality abnormalities.

6.Complete Standard Closed-Loop Disposition Process

6.1 Identification, Labeling and Segregation of Non-Conformities (Execute Immediately)

After inspectors detect non-conformities, they shall immediately label the products with red non-conformance tags, clearly stating work order batch number, quantity of non-conforming items, defect description, process detected and detection date.

All non-conforming items shall be immediately placed in the dedicated segregated non-conformance area on-site. Mixing with conforming products, flow to subsequent processes and shipment are strictly prohibited.

In case of mass non-conformities, IPQC inspectors shall notify production to halt production of the batch immediately to stop continuous output of defective goods.

6.2 Issuance of Non-Conforming Product Disposition Report

The Quality Department shall uniformly issue non-conformance exception forms, recording batch information, non-conformance rate, defect photos and test data (dimensions, appearance, coating adhesion, etc.), and submit the forms for cross-departmental review.

6.3 Cross-Departmental Review & Judgment (Four Disposition Options)

Jointly reviewed by Quality, Production, Engineering and Purchasing departments; the final disposition shall fall into one of the four categories below:

Rework / Repair

Repairable non-conformities including minor dimensional deviations, slight deformation, partial coating blemishes, burrs and minor welding defects. After production completes rework in accordance with rework procedures, FQC shall conduct 100% re-inspection. Only products passing re-inspection may flow to subsequent processes.

Sorting via 100% Inspection

For batches with scattered non-conformities where the majority of materials remain usable. The Quality Department shall supervise production to conduct full sorting to separate conforming and non-conforming items. Conforming products proceed normally, while non-conforming items are disposed separately.

Concession Acceptance (Deviation Approval)

Only applicable to minor appearance flaws that do not affect function, assembly or usage. Written customer confirmation or senior management authorization is mandatory for concession approval, with complete filing records valid only for the specific batch.

Scrapping

Severely deformed parts, severely out-of-tolerance dimensions, burn-through welding, large-area coating peeling and other irreparable non-conformities shall be marked for scrapping with dedicated labels, segregated separately and disposed of uniformly on a regular basis.

6.4 Special Disposition by Scenario

Incoming Non-Conformities

Segregate → Issue report → Purchasing contacts suppliers for return, exchange and replenishment, claims compensation, and requires suppliers to submit improvement reports to prevent recurring defects.

In-Process Non-Conformities

Shut down production and segregate → Troubleshoot processes (molds, programs, parameters, operators) → Rework or scrap → Adjust process parameters before mass production resumes.

Finished Product Non-Conformities

Rework and re-inspect; qualified goods enter warehouse, unrepairable goods are scrapped and prohibited from mixing with conforming batches for shipment.

Customer Returned Non-Conformities

Segregate and review root causes, launch 8D improvement, revise internal processes, and respond to customers with corrective and preventive actions (CAPA).

6.5 Non-Conformance Statistics, Analysis & Continuous Improvement

The Quality Department compiles daily and weekly statistics on defect types,

non-conformance rates and defective process distribution. For recurring and mass quality abnormalities, the 8D improvement process shall be initiated to analyze root causes covering Man, Machine, Material, Method, Environment and Measurement. Corrective and preventive actions shall be formulated, tracked and verified for closure to avoid repeated issues.

6.6 Document Filing & Traceability

All non-conforming product disposition reports, rework records, scrap records, concession approval forms, 8D improvement reports and customer complaint handling records shall be archived both electronically and physically for a retention period of no less than 2 years, enabling full batch traceability to meet customer and system audit requirements.

7.Prohibited Practices

Non-conforming products without labels or segregation shall not be placed randomly;

Non-conforming products shall not flow to subsequent processes or be shipped without re-inspection;

Altering or destroying quality records of non-conformities without authorization is forbidden;

Out-of-tolerance products shall not be privately accepted via concession without formal approval.

8.Closed-Loop Process Summary

The full lifecycle management of non-conforming products follows a closed loop:

Detection → Labeling → Segregation → Document Issuance → Review & Judgment → Disposition → Re-inspection → Improvement → Filing & Traceability.

This ensures all non-conformities are controllable, traceable and improvable, delivering consistent and stable product quality.