



ThyssenKrupp Steel North America Claims Policy

1.0 Scope:

This Claims Policy (the "Policy") describes the general requirements of the Seller and the Purchaser in order to resolve claims based on materials purchased from ThyssenKrupp Steel North America (the "Seller"). The Policy cannot cover all claim situations, and the Seller reserves the right to handle each claim individually based on the details surrounding the claim. All claims are subject to the terms and conditions of the Purchase Order ("PO") between the Seller and Purchaser.

2.0 Claim Responsibilities - Purchaser

- A. The Purchaser must examine goods upon receipt without delay. Claims based on defects must be reported without delay in writing and concealed defects must be reported without delay after their discovery.
- B. When the Purchaser becomes aware of a defect, subject to the limitations discussed in section 4.0 (A), the Purchaser is required to notify either the TKSNA technical customer service department or the TKSNA commercial department. Upon notification a technical customer service representative (TCSR) will be assigned to the claim.
- C. It is the responsibility of the Purchaser to run at least 10% of a coil to see if any defect(s) clears up as many defects are limited to head/tail ends. Running at least 10% of a coil is standard practice throughout the automotive/IDS industry and is considered giving the coil a fair try.
 1. If the Purchaser attempts to claim a coil without running at least 10% of the material the TCSR has the right to ask the Purchaser to retry the coil (at no cost to the Seller) until at least 10% of the material has been tried.
- D. At the time of notification to the Seller the Purchaser must provide at least the following basic information for the suspect material:
 1. Coil Number
 2. Purchase Order Number
 3. Amount of goods rejected (number of coils, mults, blanks, etc. and total weight (kg/lbs))
 4. Reason for rejection.
- E. Pursuant to section 2.0 (A) the purchaser's ability to make claims for defective materials ends **six months** after Purchaser's receipt of the material, with limitations on rust and stain pursuant to section 5.0. After an agreed acceptance has taken place between the Purchaser and Seller, any complaint about defects which should have been discovered in the course of the acceptance procedures is excluded.
- F. It is the responsibility of the Purchaser to demonstrate why the subject material cannot be used and/or does not meet the agreed upon Industry Standards or Specification as defined in the PO.
- G. Purchaser is to provide the necessary samples requested by the TCSR to support each claim.
 1. At the discretion of the TCSR a claim sample may not always be necessary and this will depend on the circumstances of each individual claim.
 2. Claim samples are fundamental to the claim validation and investigation process and as such it is Standard Industry Practice that any costs to obtain claim samples are the responsibility of the Purchaser.



- H. Material shall not be scrapped or removed without prior permission from Seller.
- I. Scrapping or removing rejected material, unauthorized deductions, non-payment for material, or sale of material **prior to claim settlement** may result in a shipping hold, credit hold, or claim denial.

3.0 Claim Investigation

- A. During the investigation process the Seller will attempt to develop a full understanding of the Purchaser's claim regarding the suspect material. The Purchaser is required to cooperate fully with the Seller so that a thorough and complete investigation can be made in order to validate the claim.
- B. The investigation process may involve gathering representative samples of material for subsequent testing/investigation and demonstration of reasons for rejection. The TCSR may request samples during the inspection process, including without limitation, any on site investigation at the Purchaser's facility.
- C. Purchaser shall provide Seller with access to Purchaser's records related to the claimed material.
- D. Seller may request that Purchaser re-test or re-try the material. When the next re-test or re-try is scheduled at the customer location, the Seller's TCSR may request to be present and observe and document the material's performance.
- E. Process modifications may be explored and/or recommended to the Purchaser in order to make the material successfully usable.

4.0 Guidelines for Claims:

- A. Certain amounts of defects or features according to product, standards, or contract are to be expected and accepted by the Purchaser. Coils normally contain a certain limited number of defects or features and the Purchaser should adjust its production according to this knowledge. Quality control is to be carried out by the Purchaser during processing material. Any defects or features that range within the expected amount cannot be claimed.
 - 1. Current Standard Industry Practice dictates the 2% rule such that 98% of the coil must be defect free and any defects totaling less than or equal to 2% of the coil weight cannot be claimed.
 - 2. Exceptions to section 4.0 (A) (1) must be agreed upon prior to material delivery in the PO between the Seller and Purchaser.
 - 3. Nonferrous inclusions might be present in the as-rolled and/or under the as-coated steel substrate which may not be visible during the mill quality inspections. These types of defects may only appear after steel forming or painting when the steel sheet is introduced to mechanical deformation or elevated temperatures.
 - 4. This type of nonferrous inclusion condition inherent to the steelmaking process would likely affect $\leq 1\%$ of a prime coil. TK applies the industry "2% rule" (stated in Point 1) above to our steels where we guarantee 98% of a coil to be prime and 2% or less of the coil to contain some sort of defect.



- B. Special arrangements and agreements about certain defects can be agreed upon by the Seller and Purchaser in the PO prior to material delivery.
- C. Potential sorting and processing activities and costs must be discussed and agreed to between the TCSR/Seller and Purchaser in advance of these activities taking place.
- D. Any costs for production interruptions, losses in productivity, compensatory buying and similar requests will not be accepted.
- E. The Seller produces products which are designed to be coil break and cross break free when proper processing equipment is used. Therefore the Seller will not accept claims for coil breaks or cross breaks on unprocessed hot rolled bands. Unprocessed hot bands are those which are shipped directly off of the hot mill with no additional processing, such as temper passing or pickling.
- F. A variation up to 1% between TKSNA'S invoiced actual weight and the Purchaser's scale weight shall be permissible variation. Purchaser's credit or debit will be issued if the weight variation involving multiple coils has a sum total showing differences greater than 1% per month or order and must take into account both underweight and overweight coils for the corresponding time frame. If the total shipped weight was more than 1% underweight the shortage will be credited in its entirety.

5.0 **Rust and Stain:**

- A. For claims concerning physical damage or rust as a result of storage or transportation, it is the responsibility of the Purchaser at the location of delivery to evaluate the condition of the material being delivered during unloading.
- B. Any physical damage or rust must be documented by photograph and communicated to the Seller immediately. Claims will not be honored without such documentation provided immediately upon loading or unloading.
- C. Seller will not accept rust and/or stain claims for rust or stain related to the following:
 - 1. Improper storage or handling at Purchaser's facility
 - 2. Material stored outdoors or not protected against moisture or sudden temperature changes
 - 3. Rust or stain for material shipped beyond the original shipment destination
 - 4. Material where the Purchaser requested sub-standard packaging that does not meet the Seller's minimum packaging standards.
 - 5. Material where the Purchaser requested no oiling or sub-standard oiling that does not meet the Seller's minimum oiling standard for transportation and storage.
- D. Rust or stain claims will not be accepted after 60 days from receipt of material into customer inventory.

6.0 **Coil Weight Claims**

- A. Coil weight claims are to be subject to the following:

A full weight coil, with or without welds, is any coil weighing more than 75% of the specified or required maximum coil weight which is negotiated between buyer and seller on the basis of mill normal coil weight production practice. Orders will not be accepted for a minimum coil weight or exact weight coils. Light weight coils accruing from production will be shipped up to 20% of the ordered item weight. A light weight coil is any coil under 75% of the specified or required maximum coil weight.



7.0 **Scrap Credit**

- A. It is Standard Industry Practice for the Purchaser to award scrap credit at the current market price to the Seller for all defective material that is claimed and scrapped at a customer location.
- B. For any credits, debits, or reimbursements given to the Purchaser as a result of an accepted claim, the Seller must receive a scrap credit from the Purchaser on all material that is retained by the Purchaser to be scrapped. The scrap credit will be deducted from the Purchaser's claim debit at the current (closest local) market scrap price for #1 bundles as reported in the American Metal Market, less a \$25 handling fee.

8.0 **Claim Settlement**

- A. The time limit for a customer to file any claim is 6 months from the date the material is received into the customer's inventory. All claims filed after 6 months are time barred.
- B. If the reason for the rejection is timely and validated by the TCSR investigation then the claim will be accepted on a technical basis, and the TCSR will coordinate with Purchaser on how to proceed.
- C. In the event that claims are unjustified, the Seller reserves the right to request compensation from the Purchaser for excessive costs related to the claim investigation.

9.0 **Corrective Action Requests**

- A. In the event that a claim is accepted per section 7.0 (A) the Purchaser has the option to request a corrective action report (CAR) or 8D report from the Seller.
- B. The Seller will make every effort to complete the CAR or 8D within 10-15 business days after the claim is accepted however some claims may require additional investigation time and additional training, equipment, etc. to implement corrective actions.
- C. There may be instances where a corrective action is not possible for certain types of defects or claims due to current processes or technology.