



Essar Steel Algoma Inc.
5515 North Service Rd.
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Phone: 905-331-3400

Essar Steel Algoma Flat-Rolled Claims Policy

The following sets out Algoma's policy and process for dealing with customer claims. Please note that Algoma's Conditions of Sale, as contained on the back of Algoma's order confirmation, and the limitations on Algoma's liability, as set out therein, apply to all products sold by Algoma.

Complaint Resolution

An Algoma Technical Service Representative (TSR) is assigned to each customer. The TSR will investigate all quality related complaints and resolve any customer claims in accordance with Algoma's Condition of Sale. The TSR is also accountable to address all customer requests for corrective actions and to liaison with Algoma's commercial and operating staff to help focus Algoma's efforts towards continuous improvement in the products and services provided by Algoma to its customers.

Claim Process

1 Claims are to be made promptly and the TSR must then be given a reasonable opportunity to investigate the claim. The TSR will require that evidence of the claim be presented in order to assess the claim. If sufficient evidence is not presented, the claim will be refused until such evidence is provided. The customer should note that products are not to be returned without the TSR's approval and that claims are to be filed not later than 12 months after delivery. As per the Conditions of Sale, orders are F.O.B. Mill and, as such, the delivery date is deemed to be the date of shipment.

2 If the TSR validates the customer's claim, Algoma's policy is to pay material costs only. The customer will therefore be credited an amount equal to the invoiced price of the steel.

Algoma will expect to recover the current market values for any scrap or coils if the steel is not returnable to Algoma. The TSR will determine this value in consultation with the customer based on guidelines established by Algoma. The disposition of rejected material will be as agreed upon between the customer and Algoma.

Steel determined to be unusable because of quality concerns should be set aside for review with the TSR. Coils or slits should be set aside only after a minimum of 10% of the coil has been processed.

For HR Black unprocessed coil product, the customer is expected to accept, without claim, a maximum yield loss of 3% by weight. This yield loss allowance does not include pickle or edge slit yield losses incurred as a result of subsequent processing done by the customer.

3. Algoma does not accept charges other than material costs incurred in the production of a part or fabrication. However, if the TSR agrees that sorting, reworking or refinishing of the parts would be the more economical alternative and the proposed costs are agreeable, the TSR will direct the customer to proceed. These agreements must be preauthorized by the TSR in writing.



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4. Algoma will consider mutually agreeable performance standards for determining defect allowances for sheet steel, however, these must be negotiated prior to the order acceptance.
5. The customer may appeal a determination by the TSR to the Technical Service Manager who will, in turn, provide the final response to the customer.

Specific Policies

The following are policies for the resolution of claims related to specific product attributes. Algoma's TSRs will follow these policies in assessing the nature of the complaint and recommending a suitable course of action.

Sheet and Strip Products – General Surface Descriptors

Product surface has been classified into three categories.

Standard – Surface defects that can be seen and felt but are not injurious to the fabrication, formability or engineering design of the part are acceptable. Should only be ordered where appearance is not critical. Some surface defects will show through paint. Pickled hot rolled products may be subject to pickle stop stains. Please refer to the section entitled Stains for additional information.

Semi-Exposed – Surface defects that do not affect formability or the application of surface coatings are acceptable. Some surface defects that can be seen are allowed and may show through paint as highlights.

Exposed (CR and HR Pickled Product Only) – Surface to be free of defects that may affect the uniform appearance of a quality paint or coating. Although defects may be seen, they will not show through the surface coating. This standard requires that a textured surface be applied.

OEM/Fabricator: Criteria will be developed with each OEM/Fabricator for each application.

Flatness

The Algoma price book offers standard full ASTM tolerances. Better than full tolerance is to be inquired.

The flatness tolerance quoted is the maximum deviation from a flat surface, as defined in the flatness tolerance tables of the appropriate ASTM specifications, after adequate leveling or flattening operations are performed by the customer.

HR BK Unprocessed Coil is shipped direct from the Hot Mill and it is to be recognized that Algoma will not have any opportunity to inspect the shape condition of the final product. If a claim for flatness is presented, Algoma will use the flatness tolerances specified in ASTM A568 for non-processed hot rolled sheet cut to length as the reference spec to determine the validity of the claim.



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Minimum Claim

When Coils are ordered, it is to be expected that they may contain some isolated major surface imperfections and also more frequent minor surface imperfections than cut to length sheets.

The customer will be expected to accept without claim the inner and outer coil wraps that may be damaged during handling and transit.

When surface imperfections (slivers, seams, stains, holes etc.) are encountered in parts, blanks, slits or cut lengths from processed coils, the customer is expected to accept up to 2% by weight of the coil involved without claim.

Rust

It is Algoma's standard practice to oil or chemically treat coiled product. If required, Algoma will produce dry product (no oil) which can include Hot Rolled pickled dry and Cold Roll dry. It should be noted that the effective start date for all rust claims is the ship date that is listed on the Bill of Lading. However, a delay in shipment that is directed by the customer will result in the start date beginning on the ready ship date.

The following time limitations apply to all products delivered to and accepted by the customer:

HR Pickle – dry lube – by inquiry Dry – no oiled – claims will not be accepted HR Pickled - Oiled at Pickler – claims will not be accepted after 60 days HR & CR – Oiled at Temper Mill – all - claims will not be accepted after 60 days HR BK -rust claims are not accepted

Algoma has the option of adding edge sealant. However, if the customer prohibits the application, the shelf life for CR decreases by 30 days.

Stains

Claims for all stains will not be accepted after **90** days.

Pickle Stop Stains are the result of unplanned stoppages that occur occasionally during the continuous pickling process. Algoma will accept a claim for the weight in excess of the 2% Minimum Claim rule. However, if the appearance of Pickle Stop Stains **is not** acceptable and cannot be isolated during the manufacturing process, then Algoma recommends that the customer order Semi Exposed Surface and not Standard Surface product. Algoma **will not** be responsible for sorting or for inspection costs for pickle stop stain on Standard Surface Product.



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Customers should note that Algoma has published guidelines, available from the TSR, on potential carrier claims for damage or rust.

Vetting

The “vetting” process involves a technical evaluation of new orders to assess whether Algoma can supply product to meet the end use. If the customer reapplies steel to an end use other than that vetted, Algoma will only consider a claim for failure to meet the physical, chemical and quality properties of the specification.

If the customer waives the vetting process, Algoma will supply a generic product to the purchase order as written to meet the physical, chemical and quality properties of the specification.