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## **Essar Steel Claims Flat-Rolled Claims Policy**

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

### **Complaint Resolution**

An Essar 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 Essar's Conditions of Sale. The TSR is also accountable to address all customer requests for corrective actions and to liaison with Essar's commercial and operating staff to help focus Essar's efforts towards continuous improvement in the products and services provided by Essar 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, Essar's policy is to pay material costs only. The customer will therefore be credited an amount equal to the invoiced price of the steel.

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

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. Essar 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.
4. Essar 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 appear 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. Essar'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 the 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 Essar 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 Essar will not have any opportunity to inspect the shape condition of the final product. If a claim for flatness is presented, Essar will use the flatness tolerance specified in ASTM A568 for non-

processed hot rolled sheet cut to length as the reference spec to determine the validity of the claim.



### **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 that cut to length sheets.

The customer will be expected to accept without claim the inner and outer coils 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 Essar's standard practice to oil or chemically treat coiled product. If required, Essar 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.

Essar 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. Essar 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 Essar recommends that the customer order Semi Exposed Surface and not Standard Surface product. Essar **will not** be responsible for sorting or for inspection costs for pickle stop stain on Standard Surface Product.

Customer should note that Essar 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 Essar can supply product to meet the end use. If the customer reapplies steel to an end use other than that vetted, Essar 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, Essar will supply a generic product to the purchase order as written to meet the physical, chemical, and quality properties of the specification.