



**CLAIMS ALLOWANCE POLICY**

**FOR**

**ARCELORMITTAL SOUTH AFRICA**

**FLAT STEEL PRODUCTS**

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## **1. DESCRIPTION OF PROCEDURE**

### **1.1 INTRODUCTION**

ArcelorMittal South Africa strives to consistently provide high quality products to meet or exceed the requirements of customers. Due to the nature of the steel production process, it is not possible to guarantee that 100% of the delivered product will be free of defects.

The Claims Allowance Policy has been developed to compensate customers for abnormal defect levels and to minimize the processing of defective material by customers. The Claims Allowance Policy further delineates ArcelorMittal South Africa's procedures for resolving product quality claims in a timely and satisfactory manner.

Please Note: All coil and plate material received from ArcelorMittal S.A must be checked for dimensional correctness prior to it being processed. This includes thickness and width checks. If not carried out and material is processed, it may result in the rejection of claims in this regard.

### **1.2 COIL QUALITY GUARANTEE -GENERAL**

#### **1.2.1 Hot Rolled, Cold Rolled and Coated (excluding Tin and DWI).**

Due to the problems common to the manufacturing of steel products, ArcelorMittal South Africa guarantees 97% satisfactory product in coil of Hot Rolled, Cold Rolled and Coated products (excluding Tin and DWI).

- No claims will be entertained for outside diameter or inside diameter wraps for handling damage.
- If, after processing an entire coil, the mass of defective material is found to exceed the 3% defect allowance (including inside and outside diameter wrap), a complaint may be registered. If accepted by ArcelorMittal South Africa, the customer will be compensated for total mass affected.
- If a repetitive or excessive defect is detected, a complaint may be registered on the entire coil. If accepted, full credit for the total coil mass will be passed.
- In the case of Hot rolled coil, Pickled and oiled, Cold rolled and Coated products (excluding Tin and DWI), it is expected that at least 5% of a coil be processed before defects are regarded as repetitive or excessive. In specific cases the ArcelorMittal quality representative will have the opportunity to request that more than 5% be processed during

inspection to verify the defect. If multiple coils from the same dispatch order show the same imperfection and are being rejected, processing of additional coils should be discontinued pending discussion with an AMSA technical representative.

- Defects caused by handling (e.g. scratches, dents, mandrel marks etc.) on partially processed coils shall not be accepted.
- Hot rolled non-temper rolled coils can develop coil breaks especially the lower strength steels. AMSA will not accept claims for coil breaks on non-tempered coils.

## 1.2.2 Tin and DWI

### **Mechanical Defects**

#### **(a) Tinsplate coil**

- For unsorted coils a yield of 85% per individual coil is guaranteed for surface related processing defects. If this is not achieved, the material cut from the coil and the balance of the uncut coil should be kept apart and will be treated as separate claims. These coils will not be included in determining the unsorted yield for a specific month.

For unsorted coils, defects such as incorrect properties, rust, shape, skin laminations and rolled in scale are excluded. Yield with respect to these defects is guaranteed to be 100%. Stoppage marks will be cut out.

- For assorted coils, a yield of 93% is guaranteed for surface related processing defects. Incorrect properties, rust, shape, skin lamination and rolled in scale are excluded as a yield of 100% is guaranteed in these instances.

#### **(b) Tinsplate cut lengths**

- While sheets with surface defects imperfections should have been identified and removed during the shearing operation, sheets with surface defects is limited to a maximum of 1% of the mass of the pack have to be accepted without claim.

#### **(c) DWI (Beverage and Food)**

100% yield is guaranteed.

### 1.3 RUST AND STAIN POLICY

- (a) If coils are found to be contaminated by moisture on delivery, the customer should, after endorsing delivery notes accordingly, and either:
  - (i) Endeavor to curb corrosion by processing the material on an urgent basis. Any coil balance should then be protected from corrosion by storing in a dry, well-ventilated area, or:
  - (ii) Advise (refer to SALES COMPLAINT ADVICE form) ArcelorMittal South Africa and register a complaint, as soon as possible but no later than a week, after which the material will be inspected and appropriate actions taken. The material will on acceptance of the claim be returned to ArcelorMittal South Africa. Please note that a claim will be declined if the condition of the material is not confirmed at the time of delivery.

Note: Where “Own Transport” has been used, ArcelorMittal South Africa will not accept claims stemming from moisture contamination during transit. (“Own Transport” for purposes hereof, implies transport not provided by ArcelorMittal South Africa or any of its contractors.) The onus vests with the user of “Own Transport” to ensure that all materials are appropriately covered and protected to avoid water ingress or any other form of moisture contamination”.

- (iii) For Tin and DWI, please note that a separate check list must be completed during loading by the packaging contractor and transporter at AMSA. Similarly, during off loading at the customer, the check list must be completed by the customer and transporter. Failure to do so will result in complaints being rejected by AMSA.
- (b) A Claim for rust regarding material placed in storage will only be considered by ArcelorMittal South Africa if it has been properly stored in a dry, ventilated warehouse, and the claim is submitted within the periods prescribed in ArcelorMittal South Africa’s Packaging Specification for the different packaging codes. The packaging codes and corresponding corrosion guarantees (allowed claim period per surface treatment) are available in the Flat Steel Customer Website under Product Catalogue, Packaging specifications.  
Once protective packaging has been removed and material is taken into stock, ArcelorMittal South Africa will not consider any claim for corrosion.

#### **1.4 MECHANICAL PROPERTIES (TIN and DWI ONLY)**

As ageing of material occurs within 2 months after manufacturing at AMSA, the mechanical properties can increase and hence the customer is advised to process the material within this time frame. No claims for mechanical properties will be accepted if aging occurs after 2 months from despatch date.

#### **1.5 TRANSPORT DAMAGE**

Claims for transit damage on material received by truck should be forwarded to ArcelorMittal South Africa immediately after receipt of the product. Delivery documents must be endorsed accordingly and for Tin and DWI the check list must also be completed.

#### **1.6 SPECIAL CASES**

##### **1.6.1 Slit Coils**

The defect allowance for slit coils will be based on 3% of the mother coil.

##### **1.6.2 HR Material for Cold Re-rolling**

A specific Reclamation Policy is available where customers are willing to reclaim defective material. If customers have suitable reclamation facilities, they can contact their Account Managers for more detail.

#### **1.7 CLAIMS PROCEDURE**

To ensure fast and effective claim resolution, details of the claim should be forwarded as soon as possible to the relevant Marketing Account Manager, subject to the following conditions:

### **1.7.1 Claims allowance period**

Claims must be submitted within 12 (twelve) months from date of dispatch. (Refer to the SALES COMPLAINT ADVICE form)

### **1.7.2 Submission**

- (i) ArcelorMittal South Africa's order number, SAP number, product specific number and coil number, defect description and the estimated mass of defective material to be provided at the time of claim submission (refer to ArcelorMittal South Africa Customer Complaint Advice form).
- (ii) Contact details of a representative within the purchaser's organization who is able to negotiate a final claim resolution.
- (iii) Evidence of the defect shall include a representative sample of the defective material and where possible a clear photograph of the defect. The sample should clearly identify the rolling direction of the coil, as well as the coil number. All material being claimed must be available for inspection by the AMSA representative. Disposal of such material is not allowed until the claim has been finalized by the AMSA representative.
- (iv) Defect position in the coil to be indicated (edge, middle, top, bottom) where relevant.

### **1.7.3 General**

- (i) Any claim submitted in terms hereof does not necessarily mean that such claim will be accepted by ArcelorMittal South Africa. ArcelorMittal South Africa reserves the right to investigate and reject any unfounded or unsubstantiated claim, with relevant reasons provided.
- (ii) Material accepted on claim by the investigating official may be recommended to be returned to ArcelorMittal South Africa, downgraded or scrapped. Downgrading shall be in accordance with TECH10, such recommendations are forwarded via the SAP complaint system to Sales and Marketing and the grading shall be applied irrespective of whether retention or upliftment of the material takes place.