



DSP CLAIMS ALLOWANCE POLICY

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1. PURPOSE

The claims allowance policy serves as guidance for customers in resolving quality issues timeously with Duferco Steel Processing (DSP).

It covers typical quality concerns but does not cover all circumstance that might arise. DSP reserves the right to handle each claim individually based on the circumstances surrounding the claim in question. All claims will be evaluated on the basis of technical merit in line with the relevant quality standards as ordered by customers from DSP.

DSP reserves the right to make final arrangements on accepted claims. DSP retains the right to investigate/ require a representative sample prior making a final decision on customer claims. Unauthorized or unidentified deductions before a claim is dispositioned or settled constitutes non-payment and could result in credit hold, shipping hold and or loss of discount privileges.

2. GENERAL

Due to the nature of the steel manufacturing, handling and transportation process it is not possible to guarantee 100% of a coil to be free from defects. Front ends are particularly exposed to potential transport, handling and storage damages, whilst tail ends are prone to handling, transport and mechanical damages (mandrel) for example. Both front and tail ends can have dimensional variations, and unprocessed portions stemming from our re-rolling mill process as well as dents from rollout rollers and saddle cars.

Due to aforementioned any such defects within the first 10 meters or last 10 meters will not be considered for claims.

All non-prime material 2nd, 3rd, 4th and scrap is sold voetstoots. Customer should take note that other defects can be present as well that have not been reported.

In the event that customers use own transport, DSP will be exempted from all claims with regards to transport/storage corrosion, fretting and any transport related damages suffered in relation thereto.

3. CONSEQUENTIAL LOSSES

For claim settlement only the original net paid value (i.e. contract price less discounts and rebates where applicable) of the material under claim will be considered for credit notes.

Consequential damages such as processing, transport etc. incurred by the customer will not be considered for compensation, unless a prior written agreement with DSP has been reached.

4. CREDIT

DSP retains the right to scrap defective material up to 1 ton at customer premises to contain logistical costs for uplifting such small quantities. The debit for material scrapped will be reduced with the applicable month's DSP scrap rate.

Should customer insist to have all material uplifted a handling fee of R500/t will be deducted from the pay-out value.

5. ENDORSEMENTS

Great care is taken to protect our material during the transportation process to our customers. Special rubber saddles have been distributed to our transporters to reduce the risk of fret marks. Greater focus has been placed on covering loads and ensuring all loads leaving DSP are protected when dispatched from DSP premises.

It is of utmost importance that customers should endorse the DSP copy of delivery documentation as to the received condition of material and trucks to avoid that future claims can be rejected.

No endorsement indicates that the customer found the received condition of the load and material acceptable.

6. DEFECTIVE PORTIONS.

No claim can be lodged on the suspicion of a defect to be present. At least 5% of a coil is to be processed prior a claim can be lodged. If defects persist after 5%, processing should be stopped and the affected material should be isolated for inspection. In cases where defects exceed 5% and are found to be justified, customers will be compensated for the full defective mass.

Once it has been confirmed that defects are present and a reasonable conclusion can be made that other, not yet processed, related, material can be rejected for the same defect, processing of such coils should be stopped pending discussions with a DSP representative where after it can be logged as a claim on DSP.

7. CLAIM TIMEFRAME

No claim will be accepted after 9 months from delivery date, irrespective of the defect.

8. TRACEABILITY

Customers are required to be able to prove 100% traceability of all claimed material to the specific original DSP coil number referred to on the claim documentation, whether in coil or processed form.

9. CLAIMS PROCEDURE

Claim forms can be obtained from DSP website www.duferco.co.za or from the DSP sales team. To ensure a fast and easy claim resolution process, submit details of the claim material with as much information as possible, the description of the claim should be supported by clear photographs showing the reason for the complaint in coil form before processing and after processing, All relevant information must be forwarded to DSP Marketing Department as soon as possible. Where applicable DSP representatives could be asked for an onsite visit to assist with information gathering and additional photographs.

Customers will be given 1st option to retain defective material at a mutually agreed discount. In cases where DSP is expected to uplift material from customer premises, credit will be issued once material has been delivered back to DSP.

Mass and condition of returned material must be confirmed by DSP logistics department. DSP retains the right to reject the claim or, to reduce Credit values in line with the actual mass and condition of material returned to DSP. (Condition, refer to changes with regard to original as delivered condition, this includes but is not limited to, for example, Oval or collapsed coils, Physical damage, Paint markings, Surface contamination, Surface damage.)

DSP retains the right to deduct any unplanned expenses incurred as a direct result of customer negligence from the initial credit value.

10. TYPES OF DEFECTS

The following typical defect categories apply.

10.1 CORROSION CLAIMS – Customers should familiarize themselves with the relevant protection guarantees related to the packing code as ordered from DSP. This is available in the DSP packing brochure and can change without prior notification.

DSP differentiates between transport/storage and process related corrosion as it would require a different approach as to how claims are settled. Any such corrosion defects will not be accepted unless it is still in Coil form, and processing has been attempted within the guarantee days.

10.1.1 TRANSPORT – Upon receipt of cargo that have been in contact with water, customer should endorse the delivery documents and obtain photographic evidence. The information must to be send to DSP Marketing as soon as possible and where applicable with the relevant claim form.

10.1.1.1 If water clearly penetrated the protective packing material and the material can be processed immediately (within 5 working days), all defective material related to the water ingress can be claimed. If immediate (within 5 working days) processing is not an option, coils must be claimed in full.

10.1.1.2 If there is no clear evidence that water penetrated the packing material, the material should be processed within the relevant guarantee, days and claims submitted for defective material related to the water ingress.

Where customers failed to endorse delivery documentation with regards to the received condition of the material, claims could face rejection if transportation shortcomings at the time of receiving have not been reported to DSP.

The customer should endeavour to process/unpack the material immediately to confirm if the water penetrated through the packing material.

If the material is wet, register a complaint and process material immediately if possible. Affected material should be isolated for inspection and if not suitable for further processing, arrangements will be made to uplift the material.

In cases where DSP Transporters did not deliver the material to the destination from where the claim originates, customers automatically lose their right to claim.

10.1.2 STORAGE - Storage corrosion claims will only be considered under the following conditions. Material must be stored in a dry well ventilated warehouse.

The packing method as selected by the customer directly influence the number of days under which DSP will consider rust claims. Please see DSP packing brochure for more detail with regards to recommended storage days. Rust claims raised outside the maximum storage days will not be considered for claims.

Ordering galvanized material as not passivated increases the risk for white rust formation. DSP recommends that not passivated material is ordered oiled to reduce the risk. Material ordered as not passivated and not oiled are recommended to be ordered with export packing for which no corrosion claim will be considered irrespective of the packaging method used.

Cold finished material ordered as Not oiled have a high risk for corrosion due to the very limited corrosion protection offered by the wet temper solution, it is thus suggested that cold finished material is ordered with protective oil.

10.1.3 PROCESS - During investigations DSP will differentiate between process related and storage/transport related corrosion damage.

10.2 FRETTING

Fretting, also known as either friction marks or friction stain can occur superficially on hot dip galvanized and cold finished coils. It is caused by the interaction of two surfaces in contact with one another, which are simultaneously subjected to either high or low frequency vibration. For this reason, fretting, if encountered, may be present when material is transported on trucks over relatively long distances.

The fretting is observed as black patches on hot dipped galvanized which is a superficial phenomenon only confined to a few microns on the materials surface of the 1st few outer wraps of the coil. The galvanized zinc layer of the material is not compromised by the presence of fretting. It may be of aesthetic concern to some end-users, but from a functional point of view the material may be applied accordingly.

DSP generally do not accept any claims for fretting as the defect only effects a few outer wraps of a coil. DSP will therefore enforce a strict policy that 5% of a coil will have to be processed to determine if the fret marks affects more than 5% of a coil. If the appearance of fret marks still remains a claim can be logged on DSP for consideration.

DSP implemented rubber saddles for transportation to reduce the occurrence of fret marks. Should material arrive without proper protection between the coil and load surface, delivery documentation should be endorsed to avoid losing the right to claim

10.3 SURFACE IMPERFECTIONS

A. Galvanized

When material is ordered as, SURFACE NOT CRITICAL, surface imperfections such as, scratches, marks, pimples, passivation stains, inconsistent spangle size and appearance, etc. are considered normal and permissible

When material is ordered as, IMPROVED SURFACE, achieved by skin passing, Light surface imperfections such as, slight levelling breaks, light scratches, marks, pimples, light passivation stains, inconsistent spangle size and appearance, etc. are considered normal and permissible.

Only when material is specifically ordered as SURFACE CRITICAL, (Mini spangle, Best surface quality) achieved by skin passing and specifically suitable for high quality paint finish intended for EXPOSED applications, will DSP consider investigating claims for surface imperfections.

Material ordered on DSP without reference to specific surface requirements are only suited for NON-EXPOSED applications, if customers use non-exposed for exposed applications where surface condition plays an important role, DSP will not accept claims on such material. Coating sag can be expected irrespective if it has been skin passed or not; depending on gauge and coating thickness.

B. COLD ROLLED

When material is ordered as, SURFACE NOT CRITICAL, surface imperfections such as, slight scratches, marks, indentations, light colouring, etc. are considered normal and permissible.

Only when material is specifically ordered as SURFACE CRITICAL it is expected to be free from defects that might affect a uniform high quality paint or electrolytic coating.

10.4 MECHANICAL PROPERTIES / METALLURGICAL DEFECTS

All prime material is sold with a DSP Test certificate which confirms the chemical composition and mechanical test results.

All 2nd / 3rd choice material are issued a DSP Test report which only confirms chemistry and not mechanical test results. Whereas for 4th / scrap material are not issued with any report.

All 2nd, 3rd 4th and scrap are sold "voetstoots" for which no claim will be considered, the presence of other defects are to be expected.

DSP retains their right only to consider DSP tested results in the evaluation and acceptance of claims as tested and reported by DSP.

10.5 DIMENSIONAL/SHAPE DEVIATIONS

Material are processed and released according to the relevant tolerance as stipulated per quality norms of material as ordered by the customer on DSP. Claims for dimension and shape are evaluated against the ordered specification.

Shape deviations will not be accepted unless it is still in Coil form and witnessed as such. When shape defects are present during processing, customers should remove the coil and present it with the processed material to allow DSP to confirm the shape defect on the incoming coil balance.

Coils that have been fully processed and subsequently rejected by the customer or end user will not be considered for claims.

Kinks due to the winding of the material onto the coiler drum are to be expected due to the nature of the process and can only be claimed if it effects more than 5% of a coil.

10.6 DAMAGED MATERIAL (handling & transport damage)

The customer should endorse the delivery documents with regard to the outer condition of the coil when received. Damage on packing material is not necessarily an indication of similar damage on the material, to determine the damage to the material, packing material must be removed.

Should the damage exceed 5%, a claim is to be lodged and forwarded to DSP. All other claims for transport damage will only be considered, if submitted within 30 days of receipt of the material.

10.7 Mass differences

A Variation between DSP weighbridge and customer scale weight is to be expected. Up to 1% whether over or under is considered a permissible variation.

Continual difference exceeding the 1% is claimable and must be submitted not later than 7 days after receipt of material, supported by weigh bridge tickets of a weigh bridge that is certified by an independent inspection agency.

Where applicable DSP can choose to evaluate mass differences on the full load mass measured on the DSP weighbridge rather than per individual load item.