

## Cost Recovery Policy

The supplier shall be held financially responsible for all costs incurred as a result of a non-conforming product and/or late shipments to Raufoss.

Raufoss representative shall document all associated costs on template as shown below and send it to the supplier for review and approval. All costs related to the supply of non-conforming material incurred by Raufoss will be charged to the supplier such as:

- Scrap / Non-conforming Material Cost: For parts and/or assemblies up to the point in the process where the defect was discovered (less aluminium scrap value if applicable);
- Handling Fee: 3% of the material value;
- Labor Costs: Total cost to sort, rework, repair, etc.
  - Blue collar rate: \$35.00/h; ○
  - White collar rate: \$50.00/h;
- Administration fee: \$500.00;
- Transportation Costs: Inbound and Outbound;
- Outside Services: Third Party Sorting;
- Production overtime: Total cost;
- Penalty fees for unavoidable Raufoss production line stoppages due to non-conforming parts and/or delivery delays;
- Cost incurred per Raufoss in not meeting customer demand due to non-conforming parts and/or delivery delays.
- Extra testing fees: Gauge costs, external laboratory fees, etc.;

If the supplier believes it should not be responsible for part or all of the costs assigned, they must notify Raufoss within reasonable timeframe. After both parties come up to an agreement the supplier shall send a credit note.



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Raufoss Global Sourcing Manager



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## Example 1: Material Cost Recovery Calculation

RECOVERY COST FOR SCRAP PARTS														
Effective date 1-Apr-16										Scrap Metal Value (if applicable)	\$0.69			
Part Number	Description	Scrap Unit Quantity	Qty per Part	Material Cost	Labor Cost & Over Head	Transport Cost	Total Landed Cost per Part	Total Cost	Weight Per Part	Total Weight	\$\$\$ Metal Value			
A	Profile	100		\$15.00	\$0.00	\$0.23	\$15.22710	\$1,522.71	10.7670	1076.7000	\$748.1988			
B	Formed part		0.5	\$7.61	\$3.05	\$0.00	\$10.66355	\$0.00	3.4200	0.0000	\$0.0000			
C	Assembled part	100	0.5	\$7.61	\$6.42	\$0.00	\$14.03355	\$1,403.36	3.4200	342.0000	\$237.6558			
Total								\$2,926.07						
Handling (3%)								\$87.78						
Sub Total								\$3,013.85						
Extra Freight								\$0.00						
Admin. Fee								\$500.00						
Total Landed Cost + Fees								\$3,513.85	-	Total Metal Value	\$985.85	=	Supplier Claim	\$2,527.99
NCR xxxx														
RMA xxxx														

## Example 2: Sorting Cost Recovery Calculation

RECOVERY COST FOR INTERNAL SORTING, REWORK OR REPAIR PARTS								
Effective date 1-Apr-16								
Part Number	Description	Scrap Unit Quantity	Qty per Part	Material Cost	Labor Cost & Over Head	Transport Cost	Total Landed Cost per Part	Total Cost
A	Profile	100		\$15.0000	\$0.00	\$0.23	15.2271 \$	1,522.71 \$
B	Formed part		0.5	\$7.61	\$3.05	\$0.00	10.66 \$	0.00 \$
C	Assembled part	100	0.5	\$7.61	\$6.42	\$0.00	14.03 \$	1,403.36 \$
Handling (3%)							\$87.78	
Sorting Hour							20.00	
Rate / hour							\$35.00	
Sorting cost							\$700.00	
Admin. Fee							\$500.00	
Total Landed Cost + Fees							\$1,287.78	
NCR xxxx								