

NOTICE TO SUPPLIERS



Subject: Suppliers Quality Cost

Originator: Andrew Robinson
Job Title: Head of Supply Chain
Product Line: Aero Derivative Gas Turbine (ADGT)
Siemens Business Unit: Siemens Canada Limited

NTS Number: SC005
Issue: 001
Date: 7th December 2015

For the attention of the Managing Director

Dear Sir or Madam

Introduction

Siemens Canada Limited (SCL) enters into an agreement with a supplier for the purchase and supply of Deliverables on the basis that such Deliverables will be fully contract compliant.

Without prejudice to SCL other rights and remedies (whether in contract or at law), for every occurrence of quality issues listed below, SCL will request from the supplier the payment of the amounts stated below representing an administrative charge to mitigate damages occurred in relation with the non-quality event. Without any other notice, SCL may deduct the amount from any payment due to the Supplier.

Description

The internal administration costs or damages incurred by SCL include, non- limitatively, the associated processing and technical assessment undertaken by SCL due to the occurrence of the following quality issues under the Suppliers' responsibility:

- Rejects at receipt
- Concessions
- Rejects as a result of complaints (Siemens, end customer, operator), etc

Global standard charges (US dollars)

Concessions submissions (New, Revised and Rejects):	\$600
Rejects at receipt:	\$850
Rejects as a result of assembly/test complaints:	\$1100
Rejects as a result of customer/operator complaints:	\$1800

The revised administrative charges noted above are a good faith estimate of the internal administration costs and damages suffered by SCL and are not penalties associated with the relevant quality incidents. These will be applied starting 1st January 2016.

With kind regards,