



# RULES COVERING THE RECYCLING SYSTEM OF DEPOSIT-BASED DRINK CANS

Suomen Palautuspakkaus Oy's (hereinafter "Palpa") business area involves the recycling and reuse of beverage containers used by both traders and the brewing and soft drinks industries, as well as the development, administration and supervision of the requisite return systems and other activities related to beverage containers. The Ministry of the Environment has granted approval to Palpa for the latter's deposit-based system, which Palpa has developed and maintained for the recycling of drink cans. In accordance with the decision (No. 38/42/95) of the Ministry of the Environment, for drink cans accepted into the system a reduction, pursuant to the Act on the taxation of soft drinks and alcoholic drinks, is granted on the surtax imposed on said cans.

These rules define the rights and obligations of traders affiliated with the recycling system. Such traders are obliged to abide by these rules when handling drink cans.



## 1. DEFINITIONS

The Deposit is a payment collected by the retail store through inclusion in the retail price of a beverage container; the retail store reimburses the deposit to the consumer upon the consumer's return, to the Recipient, of a Drink Can accepted into the system for forwarding for recycling. The amount of the Deposit is determined by Palpa's Board of Directors. However, the Deposit must never fall below the amount specified in the decision of the Ministry of the Environment.

**The Deposit Payer** is a brewer which uses Drink Cans in its production activities or an importer which imports soft drinks or alcoholic drinks in Drink Cans, said brewer or importer having been approved for the recycling system and having executed the payments specified under these rules and other decisions.

**The Recipient (store)** is a retail outlet which, being registered in Palpa's data systems, is entitled to receive deposit-based Drink Cans included in the recycling system, for which Drink Cans it has paid a Deposit to the consumer.

**The Drink Can** is a deposit-based steel or aluminium beverage container, for the packaging of soft drinks and alcoholic drinks, which meets Palpa's valid marking data sheet. Drink Cans accepted into Palpa's deposit-based recycling system must be marked using the symbols specified below.

**The Deposit Fee** is an amount of compensation paid by a Deposit Payer to Palpa in exchange for acceptance of its Drink Cans into the deposit-based recycling system. This payment is made when a batch of Drink Cans is sold from the tax-free warehouse or upon the batch being imported. The Deposit Fee comprises the Deposit paid for the Drink Cans.

**The Joining Fee** is an amount of compensation paid by a Deposit Payer to Palpa for investments required for the recycling system. The Joining Fee is paid upon registration as a member of the system. Palpa's Board of Directors determines the amount of the Joining Fee.

**The Annual Fee** is an alternative to the Joining Fee. It is an amount of compensation paid by a Deposit Payer to Palpa for investments required for the recycling system. It is payable each calendar year in which the Deposit Payer imports or puts into circulation a batch of Drink Cans included in the recycling system. Palpa's Board of Directors determines the amount of the Annual Fee.

**The Recycling Fee** is an amount of compensation paid by a Deposit Payer to Palpa for expenses originating from the maintenance of the recycling system. The Recycling Fee is paid in connection with the payment of the Deposit Fee. It is package-specific, which means that its amount is determined by the number of Drink Cans put into circulation. The amount of the Recycling Fee may depend on the type of Drink Can and packaging. The Board of Directors of Palpa confirms the basis on which the Recycling Fee is determined, however always in accordance with the matching principle and in line with the actual costs of the recycling system.

**The Barcode Fee** is an amount of compensation paid by a Deposit Payer to Palpa for keeping the code library of reverse vending machines used in the system, updated with the identification profiles of Drink Cans accepted into the recycling system. The Barcode Fee is paid when new packaging is registered in the system. The Barcode Fee is based on the costs of updating and checking the code library. Palpa's Board of Directors determines the amount of the Barcode Fee.

**The Security** is a safeguarding security provided by a Deposit Payer to Palpa to cover the liabilities under these rules and the other responsibilities deriving from the system. The security is set when a Deposit Payer registers as a member of the system. Palpa's Board of Directors confirms the amount of the security, which will be proportionate to the estimated annual number of Drink Cans put into circulation by the Deposit Payer. Should the scope of the Deposit Payer's operations change significantly, Palpa reserves the right to require the Deposit Payer to provide extra security in addition to the original security.



**The Deposit Refund** is an amount of compensation paid by Palpa to a Recipient for the deposit-based Drink Cans that the Recipient has received, for which the Recipient has paid a Deposit to consumers, and which are identifiable and certified, following an inspection, as belonging to the recycling system.

**The Handling Fee** is an amount of compensation paid by Palpa to the Recipient for the handling of the deposit-based Drink Cans and for the reimbursement of deposits to consumers. This compensation is paid to the Recipient upon the payment of the Deposit Refund. The compensation is paid for inspected Drink Cans accepted into the system and delivered to the Recycling Operator. The amount of the Handling Fee may depend on the type of Drink Can concerned. On the basis of the principles mentioned above and corresponding costs, Palpa's Board of Directors determines the amount of the Handling Fee per Drink Can.

**The Recycling Operator** is a trader approved and designated by Palpa, to whose collection points returned, deposit-based Drink Cans are transported for further processing.

**The Transport Fee** is an amount of compensation paid by Palpa to the transport company or other party, for the transportation of Drink Cans marked with Palpa's label from the Recipient into intermediate storage or to the Recycling Operator, based on the number of transport packages. On the basis of the corresponding costs, Palpa's Board of Directors specifies the amount and the determination principles of the Transport Fee.

## 2. DESCRIPTION OF THE SYSTEM

Based on the recycling system for Drink Cans managed by Palpa, when Drink Cans are sold from a tax-free warehouse or when they are imported as described above, a Deposit Payer pays Palpa a Deposit Fee, based on the number of Drink Cans being circulated. The payment ensures that the Deposit Payer's Drink Can packaging is included in the recycling system, provided that the Drink Cans are furnished with the agreed identification code.

When a product packaged in a Drink Can is sold to a consumer, the consumer pays a Deposit for the packaging that is at least equivalent to the amount specified by the Ministry of the Environment. When the consumer returns the Drink Can to a Recipient's store, the consumer is reimbursed for the Deposit paid for the Drink Can. Palpa reimburses the Recipient for the Deposit and for costs deriving from the handling of the returned Drink Can.

A distributor having business with the Recipient's store collects the Drink Cans returned to the Recipient and forwards them to the Recycling Operator. Palpa reimburses the distributor for the costs it incurs in transporting the Drink Cans.

The consumer is reimbursed only for Drink Cans covered by the recycling system, and which are correctly marked, identifiable and undamaged. The consumer may, however, return all Drink Cans to the Recipient, and Recipients are obliged to accept and recycle even those Drink Cans that are not covered by Palpa's recycling system. Responsibility, and liability for costs, for the further processing of Drink Cans outside the recycling system lie with the store that accepted the returned Drink Cans as well as the transport company that collects Drink Cans from the Recipient's store under the system. Non-deposit-based Drink Cans, which are outside the scope of the recycling system, but which have been received into the system, are the property of Palpa.

## 3. MARKING AND IDENTIFICATION OF DEPOSIT-BASED DRINK CANS

Drink Cans introduced into the system are marked with an EAN code and a visual marking. Palpa specifies this EAN code and the visual markings. A Deposit Payer is given the code and markings for use on its Drink Cans when it joins the system. Palpa has sole rights in Finland to the EAN code used in the system. Palpa has also applied for the registration of its visual marking design. Neither may be used without Palpa's consent.

All reverse vending machines used in the system must be able to automatically read the aforementioned identifiers.

Palpa pays Deposit Refunds, Handling Fees and Transport Fees only for those Drink Cans that have been accepted into the system and that are identifiable as such.



## 4. JOINING THE SYSTEM

### 4.1 Deposit Payer joining the system

The deposit-based recycling system for cans is open to any Deposit Payer who agrees to abide by its rules and to assume responsibility for its part of the costs arising from the recycling system.

A Deposit Payer can join the recycling system managed by Palpa by filing a registration application addressed to Palpa. In connection with the registration application, the applicant agrees to abide by these rules and to assume responsibility for its part of the costs arising from the recycling system. A participating Deposit Payer is also obliged to accept that Palpa will carry out controls and administration in connection with the recycling system for cans. The Deposit Payer undertakes to furnish Palpa with any necessary information, which Palpa may forward to the authorities as set out under these rules.

Palpa will approve the registration application, provided that the Deposit Payer applying for membership of the system meets the requirements set out in these rules. A Deposit Payer joining the system is obliged to pay a specific Joining Fee as compensation for the investments already made in, and costs already incurred by, the system. Alternatively, an Annual Fee may be paid, representing an annual amount of compensation for the same costs. The Deposit Payer must also in advance provide the Security specified by Palpa's Board of Directors before operation under the system can commence.

### 4.2 Recipient joining the system

A Recipient joining recycling systems managed by Palpa is required to register in Palpa's data system for Deposit Refunds and Handling Fees. Joining the system by the Recipient is effected by filing a registration application addressed to Palpa. The Recipient is obliged to maintain its information and notify Palpa of any changes.

The Recipient is entitled to choose which recycling systems it joins. By returning packagings in Palpa's return units, marked with Palpa's identifiers, the Recipient signals its intention to join a system. When the Recipient returns packs, it agrees to abide by the rules of the recycling system in question. When returning Drink Cans, the Recipient agrees to abide by these rules and to assume responsibility for its part of the costs arising from use of the recycling system for cans.

A participating Recipient is obliged to accept that Palpa will carry out controls and administration in connection with the recycling system. The Recipient undertakes to furnish Palpa with any necessary information, which Palpa may forward to the authorities as set out under these rules.

## 5. PALPA'S RIGHTS AND OBLIGATIONS

As the administrator and supervisor of the recycling system for Cans, Palpa is entitled to collect a Joining Fee, or alternatively, an Annual Fee from Deposit Payers affiliating to the system. Palpa also has the right to collect a Recycling Fee, Deposit Fee and Barcode Fee from Deposit Payers, as well as requesting that the Deposit Payer set a Security as referred to in these rules.

Palpa may return to the Deposit Payer any part of the Deposit Fee or Recycling Fee not required for covering the annual operating costs of the system. This return of fee may be performed so as to ensure that said fee can be used in the following years to cover Deposit Fees and Recycling Fees.

As the supervisor of the can recycling system, Palpa is entitled to obtain any information from Deposit Payers and Recipients required for statistical purposes and for reporting to the authorities on the quantity and return rate of deposit-based Drink Cans.

Palpa is obliged to attend to the collection of Deposit Fees and other payments connected with the system, as well as providing the Recipient with the Deposit Refunds and Handling Fees, in accordance with the system. The Recipient is reimbursed for the Deposit Refunds and Handling Fees on the basis of the electrical information sent by the reverse vending machine or obtained by Palpa, based on a count of the collection bag contents. However, in circumstances where misuse is evident, i.e. where a Recipient, within the framework of its supervisory responsibilities, should have noticed that a Deposit Fee has not been paid for appropriately marked Drink Cans within the system, Palpa is not obliged to pay any system-related Deposit Refunds or Handling Fees to the Recipient.

The Deposit Refunds and Handling Fees are reimbursed based on electrical information, only on the condition that the Recipient has access to an electrical connection compliant with Palpa's current definition of electrical connections. Palpa's Board of Directors determines the requirements that an electrical connection must meet at any given time. Based on the content count of the collection bags, the Deposit Refunds and Handling Fees are reimbursed only on condition that the bags have been returned in accordance with Palpa's manual return guidelines.

Palpa is also obliged to remit a separately agreed Transport Fee to the transport company, specified in the system, which conducts business in the Recipient's store and collects the Drink Cans returned to the recipient store for forwarding to the Recycling Operator and which reports the number and the transport of the transport packages relating to the collected Drink Cans to Palpa as Palpa has specified. However, in circumstances where misuse is evident, Palpa is not obliged to pay any system-related Transport Fees to the transport company.

Palpa collects information on beverages imported and packed in Drink Cans included in the system. Palpa is also obliged to ensure that the controlling authority is kept informed of the return rate, insofar as the approval granted for the can recycling system and the terms of the tax relief benefit granted for it so require.

Palpa's representative is entitled to inspect and make an inventory of the stocks of drink can packagings included in the system and held by a trader who has joined or is about to join the system. Palpa is obliged to further develop the can recycling system and to maintain the level of service. Using the funds collected through payments and fees, Palpa is entitled to invest in the maintenance and further development of the can recycling system. Palpa is entitled to subsidise the automatic reverse vending of cans to the extent where this can be deemed a means of reducing the expense of the recycling system. Furthermore, if it so wishes, Palpa is entitled to subsidise ventures relating to the protection of the environment or, more specifically, non-profit environment protection ventures linked to recycling. Non-deposit-based drink cans, which are outside the scope of the recycling system, but which have been received into the system, are the property of Palpa.

Palpa's Board of Directors decides on the principles for determining the Deposit Fees, Joining Fees, Annual Fees, Recycling Fees and Barcode Fees, due to Palpa, as well as those for determining the Security set for Palpa and the Deposit Refunds, Handling Fees and Transport Fees paid by Palpa. This decision is made in accordance with the principles set out in these rules. The decisions will be valid until further notice is given by Palpa's Board of Directors.

## 6. DEPOSIT PAYER'S RIGHTS AND OBLIGATIONS

The Deposit Payer is entitled to use deposit-based Drink Cans and the can identifiers as required by the system. Furthermore, the Deposit Payer is entitled to exploit its membership of the deposit-based recycling system in its marketing and to receive details on the Deposit Fees that it has paid and on its membership of the system, as necessary to demonstrating its membership of the system to the authorities and consequently obtaining any tax relief due.

Furthermore, the Deposit Payer is entitled to reimbursement for Deposit Fees, if the Drink Cans, corresponding to the respective deposits, are not sold or are not returned empty to the deposit system. It is the Deposit Payer's responsibility to demonstrate that the above circumstances have occurred.

In all of its actions, the Deposit Payer is obliged to abide by these rules and, upon joining the system, to pay either a Joining Fee or, alternatively, an Annual Fee as compensation for investments already made in the system. Furthermore, the Deposit Payer is obliged to set a Security to Palpa before the commencement of the operation under the system, to cover the liabilities under these rules as well as other liabilities linked to the system.

No later than one (1) month before importing or putting into circulation a deposit-based batch of Drink Cans, the Deposit Payer undertakes to obtain clearance from Palpa for the Drink Cans' EAN code and visual markings, unless they have already been approved. Furthermore, the Deposit Payer undertakes to register the new, approved identifiers in the system's code bank in line with valid guidelines. The Deposit Payer is obliged to pay Palpa a Barcode Fee for the registration.

Since the import and use of Drink Cans not included in the recycling system complicate the supervision of the system and generate additional costs, the Deposit Payer is obliged to ensure that Drink Cans imported or used by it, which are not included in the recycling system, cannot be confused with the identifiers registered for the Deposit Payer, which are included in the system. The Deposit Payer is obliged to ensure that cans accepted into Palpa's deposit system and marked as such are not sold in other countries or in "tax-free" outlets.

The Deposit Payer is also responsible for ensuring that the EAN code on the Drink Cans that it puts into circulation under the system is legible in reverse vending machines and that the outward aspect of the Drink Cans enables easy reading of the EAN code during manual inspections.

The Deposit Payer is obliged to pay the required Deposit Fee and Recycling Fee into the bank account designated by Palpa no later than on the date of import or on the date when the cans are sold from a tax-free warehouse. At monthly intervals, or whenever Palpa so requires, the Deposit Payer is obliged to notify Palpa of the number of Drink Cans included in the system, which have been warehoused/packed and put into circulation, as well as the stock balances.

In order to cover the liabilities specified under these rules and the other liabilities linked to this system, the Deposit Payer shall set a Security to Palpa, the amount of which shall be based on the Deposit Payer's estimate of the packagings to be included in the system during the course of the year. The amount of the required Security will be determined in line with the security table confirmed annually by Palpa's Board of Directors.

## 7. RECIPIENT'S RIGHTS AND OBLIGATIONS

The Recipient is entitled to receive from consumers deposit-based Drink Cans included in the system. By accepting deposit-based Drink Cans, the Recipient is entitled to compensation (Deposit Refund) from Palpa for the Deposits it has paid, as well as a separate Handling Fee (Handling Fee) for handling the cans and reimbursing the Deposits to consumers. Compensation to the Recipient will be paid no more than 21 days from the date on which Palpa received the electrical refund information, or the corresponding information obtained by counting the bag contents, on the number of deposit-based cans that the Recipient has received, verified by inspection, and forwarded. The payments may be made into a bank account only, cash payments or credits, from brewers for instance, not being permitted.

At separate cost, the Recipient is entitled to receive, either from the central retailer, brewer or, if necessary, from a contract supplier of Palpa, the Drink Can collection bags, boxes, stickers and despatch notes used in the system. The Recipient is also entitled to obtain transportation for the Drink Cans that it has received, for delivery as return deliveries by the central retailer or brewer, via possible intermediate storage depots, or directly to the Recycling Operator for inspection. Palpa is liable for transport costs. The Recipient is obliged to notify Palpa of the name of the transport service provider for the transport of the Drink Cans that the Recipient has received.

The Recipient shall be a trader. When receiving clean and undamaged Drink Cans furnished with the correct identifiers, which can easily be identified as belonging to the scope of the system, the Recipient is obliged to reimburse the consumer for the Deposit it has collected as part of the product price.

The Recipient is obliged to accept metal drink cans, irrespective of whether or not they belong within the scope of the deposit-based system. The Recipient is not entitled to compensation from Palpa for any cans it may receive outside the scope of the system. Neither is the Recipient obliged to pay a Deposit to the consumer for cans that fall outside the scope of the system. However, the Recipient is entitled to hand over cans not included in the system, to be transported as part of returns collections by the central retailer or the brewer, free of charge. Any non-deposit drink cans not included in the system, but which have been received by it, are the property of Palpa.

The Recipient is obliged to supervise the returned Drink Cans and to take any measures necessary to prevent obvious cases of fraud. In obvious cases of fraud, for instance if a system-related identification code has been forged, the Recipient is entitled to withhold the Deposit otherwise due to the consumer. Similarly, Palpa is not obliged to reimburse the Recipient if the fraud is obvious and the Recipient should have noticed this.

The Recipient is obliged to maintain, at its own cost, an electronic connection approved by Palpa from the reverse vending machine in the store to Palpa's data systems, and to ensure that the information referred to in these rules is electronically transferred by the Recipient to Palpa. The electronic connection must be compliant with Palpa's current definition for electronic connections.

The Recipient is also obliged to use the bags and boxes designated by Palpa when packing Drink Cans. These bags and boxes must be packed full and stored in a dry location. When receiving Drink Cans manually without an automated vending machine, the Recipient is obliged to sort, into different return units, deposit-based Drink cans and those that do not belong to the system. The Recipient must mark the bags or boxes using the identifier supplied by Palpa. The Recipient will not count packagings that have not been received through the reverse vending machine; these packs will be counted by the Recycling Operator.

The Recipient is obliged to ensure that return units reported as containing deposit-based Drink Cans, only contain deposit-based Drink Cans within the scope of the system which have a clearly visible, system-related identifier. Furthermore, the Recipient is obliged to ensure that the reverse vending machines are maintained and cleaned in accordance with the instructions provided by the manufacturer of the machine, and that the electrical connections from the machines are fully serviceable. The electronic connections must be compliant with Palpa's current definition for electronic connections.

If the Recipient closes down its business or becomes permanently incapable of fulfilling its obligations under the system in some other way, it is obliged to issue written notice thereof to Palpa no later than one (1) month prior to closing down its business, or as soon as is practically possible, while in other respects observing the procedure agreed in Section 9. The Recipient's notice of the closure of its business or its resignation notice under Section 9 do not, even in part, free the Recipient of the obligations imposed by these rules, until its membership or operations are terminated.

## 8. ACTIONS IN BREACH OF OBLIGATIONS

If a Deposit Payer affiliated with the system fails to abide by these rules or other instructions issued by Palpa to members of the system, Palpa will have the right to remove the Deposit Payer's codes from the reverse vending machines and ban the Deposit Payer from using visual coding on its drink cans that corresponds to the identifier used on deposit-based Drink Cans or that could be confused with it. Palpa will also be entitled to refuse to accept, within the scope of the recycling system, any drink can batches from such a Deposit Payer.

If the Recipient fails to ensure that the return units that it forwards for processing have been sorted in order to contain either only deposit-based drink cans or drink cans outside the scope of the system, or if the quantities declared by it or the markings do not correspond to the content of the return unit, Palpa is entitled to refuse to pay any Deposit Refunds or Handling Fees to the Recipient.

If the Deposit Payer or the Recipient fundamentally violates the duties set out under these rules, the party violating the rules must pay a contractual penalty of fifty thousand (50,000) euros to Palpa. If, due to the failure to fulfil the contractual duties, Palpa has incurred damage greater than the amount of the contractual penalty, the violating party is liable to pay the exceeding amount as compensation for damages. Decisions on claiming contractual penalty and damages are made by Palpa's Board of Directors.

If a trader who is a member of the system continuously and fundamentally violates the duties set out in these rules or is guilty of gross negligence in the performance of its contractual duties, Palpa's Board of Directors has the right to give the trader notice of the termination of its membership of the system, to take effect within one (1) month of the date on which the termination notice is verifiably delivered. Should the trader's membership be cancelled in such a way, the trader will not be reimbursed for any Deposit Fees, Joining Fees, Recycling Fees or Barcode Fees.

## 9. RESIGNATION FROM THE SYSTEM

A Deposit Payer affiliated with the system may resign from the system within one (1) month of the date on which it notified Palpa of its intention to resign and when sales of the Drink Cans used by it have ended. However, with respect to such a resignation the Joining Fees, Annual Fees, Recycling Fees or Barcode Fees paid by the Deposit Payer to Palpa will not be reimbursed. Even after the resignation, the Deposit Payer remains liable for all costs arising from Drink Cans that it has put into circulation under the system.

A Recipient is entitled to give notice that its membership of the system will terminate within one (1) month of the date on which the written notice has been received by Palpa. The Recipient is responsible for fulfilling all obligations imposed on it under these rules, until such time as membership is terminated. Even after membership is terminated, the Recipient is responsible for fulfilling all obligations as well as settling any resulting costs which might have arisen prior to the termination of membership.

If the Palpa's Board of Directors so decides, Palpa has the right to discontinue the system it maintains within six months (6) of the date on which it has notified the Deposit Payers and Recipients in writing of the discontinuation of the system.



## 10. ARBITRATION CLAUSE

Any disputes arising from these rules will be resolved by arbitration in accordance with the Arbitration Proceedings Act. The arbitration clause also applies to the contractual penalties specified in these rules. The parties in dispute may agree that the conflict be resolved through proceedings involving a sole arbitrator. If the parties are unable to reach an agreement, the plaintiff and the defendant shall each appoint one member of the tribunal, and the appointed members shall appoint the chairman thereof. If a party does not appoint an arbitrator within twenty (20) days of being requested to do so, or if the members of the arbitration tribunal do not reach a consensus on the chairman of the arbitration tribunal within the stated time limit, the member or chairman of the arbitration tribunal will be appointed by the Arbitration Board of the Central Chamber of Commerce.

Notwithstanding the aforementioned, if it so wishes Palpa has the right to bring any dispute arising from these rules before the Helsinki District Court.

## 11. AMENDMENT OF THE RULES

Palpa reserves the right to unilaterally amend these rules. Any such amendments must be notified in writing to all of the affiliated Deposit Payers and Recipients registered in the system without delay. Upon receiving information on the amendment of the rules, Deposit Payers and Recipients are entitled to terminate their membership as specified above in Section 9.

**If discrepancies occur between different language versions, the Finnish version shall prevail**