



## **RULES FOR THE DEPOSIT BASED RECYCLING SYSTEM FOR PLASTIC BOTTLES**

The branch of industry of Suomen Palautuspakkaus Oy (hereinafter "Palpa") is recycling and reusing of the materials of beverage containers used both by trade and the brewing and soft drink industries, as well as development, administration and supervision of the necessary return systems and other activities related to beverage containers. Pirkanmaa Regional Environment Centre has granted Palpa authorisation to develop and administer the deposit based recycling system for plastic bottles. The plastic bottles that have been accepted into the recycling system are granted a tax benefit in accordance with the Finnish Act on Excise Duty on Certain Beverage Containers (1037/2004).

These rules define the rights and obligations of entrepreneurs affiliating to the recycling system. Any entrepreneur affiliated to the system is obliged to abide by these rules when handling or using recyclable plastic bottles in its activities.

### **1. DEFINITIONS**

**The Deposit** is a payment a retail store collects by including it in the price of a beverage container, and reimburses to a consumer when he returns a recyclable plastic bottle accepted into the system to the retail store for forwarding it to recycling. The amount of the Deposit is determined by Palpa's Board of Directors. The Deposit can, however, never be determined to be less than the amount specified by the Degree of the Finnish Council of State on Return Systems of Certain Beverage Containers (180/2005) or by any statute replacing it. The Deposit includes Value Added Tax.

**The Deposit Payer** is a producer, manufacturer, packer, or importer of beverages using recyclable plastic bottles for the beverages, or other party, who has been approved into the recycling system as a participant, who is committed to abide by its rules and who has executed the payments specified in these rules and in other decisions.

**The Recipient** is a recycling location that, having concluded an agreement with Palpa, receives recyclable plastic bottles from consumers, and of which it reimburses deposits to them.

**The Recycling Operator** is an entrepreneur approved and appointed by Palpa, who receives the recyclable plastic bottles for further processing.



**The Recyclable Plastic Bottle** is a deposit beverage container manufactured from recyclable plastic that meets with Palpa's specification guidelines (present guidelines as the Attachment 1) existing at any given time.

**The Deposit Fee** is an amount of compensation that a Deposit Payer pays to Palpa for getting the recyclable plastic bottles it uses in its activities into the deposit based recycling system. The payment is made when a batch of recyclable plastic bottles is put into circulation. The Deposit Fee per a Recyclable Plastic Bottle equates the Deposit paid for it.

**The Lifetime Membership Fee** is an amount of compensation paid by a Deposit Payer to Palpa for capital expenditures required for the start-up and development of the recycling system. An entrepreneur pays the fee when registering as a member in the system. The amount of the Lifetime Membership Fee is determined by Palpa's Board of Directors.

**The Annual Membership Fee**, an alternative to the Lifetime Membership Fee, is an amount of compensation paid by a Deposit Payer to Palpa for capital expenditures required for the start-up and development of the recycling system. The Annual Membership Fee is always made for a calendar year in which a Deposit Payer puts a batch of recyclable plastic bottles into circulation. The amount of the Annual Membership Fee is determined by Palpa's Board of Directors.

**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 and its amount is determined by the number of Recyclable Plastic Bottles put into circulation by the Deposit Payer. The Recycling Fee for different recyclable plastic bottles can vary depending on their size and colour. Palpa's Board of Directors confirms the determining principles of the Recycling Fee, yet specifying it according to the actual costs of the recycling system.

**The Bar Code Fee** is an amount of compensation paid by a Deposit Payer to Palpa for keeping the code system of reverse vending machines within the recycling system updated with the identification profiles and bar codes of all new recyclable plastic bottles accepted into the system. The Bar Code Fee is paid on the approval of the identification profiles and bar codes of the new recyclable plastic bottles. The Bar Code Fee is based on the updating costs of the code system. The amount of the Bar Code Fee is determined by Palpa's Board of Directors.



**The Security** is an amount pledged by a Deposit Payer to Palpa for securing the payment of the liabilities stated by these rules and other responsibilities deriving from the system. The security is set when a Deposit Payer registers as a member in the system. The amount of the security is confirmed by Palpa's Board of Directors, proportioned to the amount of recyclable plastic bottles the Deposit Payer is expected to put into circulation per annum. In case the extent of a Deposit Payer's activities changes significantly, Palpa withholds the right to oblige the Deposit Payer to pledge extra security in addition to the original security.

**The Deposit Fee** is an amount of compensation paid by Palpa to a Recipient for the recyclable plastic bottles a Recipient has received, for which deposits have been reimbursed to the consumers, and which are both identifiable and certified after inspection as bottles within the recycling system.

**The Handling Fee** is an amount of compensation paid by Palpa to the Recipient for the handling of the recyclable plastic bottles the Recipient has received. Palpa pays the Handling Fee to the Recipient together with the Deposit Fee. The amount of the payment is determined by the quantity of plastic bottles, which have been certified and qualified after inspection, which have been delivered to the Recycling Operator, as well as by costs resulting from the handling of the Recyclable Plastic Bottles. The Handling Fee can vary depending on the type of the Recyclable Plastic Bottle, or on the type of the return station, e.g. if recyclable plastic bottles are handled by a return station with manual reception in the HoReCa sector. The amount of the Handling Fee for Recyclable Plastic Bottles is determined, according to the preceding principles, by Palpa's Board of Directors.

**The Transport Fee** is an amount of compensation made by Palpa to the transport company or other party for the transportation of Recyclable Plastic Bottles from the Recipient to an intermediate storage or to the Recycling Operator, basing on the amount of Recyclable Plastic Bottles being transported. The Transport Fee can vary depending on whether the bottles have been compressed or are they intact. The amount of the Transport Fee for Recyclable Plastic Bottles is determined, according to the preceding principles, by Palpa's Board of Directors.

## **2. DESCRIPTION OF THE SYSTEM**

Palpa determines which recyclable plastic bottles are eligible for the recycling system for plastic bottles managed by it. Those recyclable plastic bottles that are accepted into the system must comply with the packaging directives in Attachment 1, and they should be furnished with the agreed codes and markings listed in Attachment 2.



In the recycling system for recyclable plastic bottles managed by Palpa, a Deposit Payer pays, when putting the bottles into circulation, to Palpa a sum equivalent the number of bottles released. With the payment, the Deposit Payer is allowed to introduce its recyclable plastic bottles into the recycling system, prerequisite that recyclable plastic bottles are furnished with the agreed codes and markings.

When a beverage packed in a Recyclable Plastic Bottle is sold to a consumer, he pays a Deposit of it in the price of the bottle. When the consumer returns the recyclable plastic bottle to the Recipient, the consumer is reimbursed for the Deposit. Palpa reimburses the Recipient for the Deposit it paid, and for costs deriving from the handling of Recyclable Plastic Bottles.

The transport company or companies, selected by the Recipient, who collect the Recyclable Plastic Bottles that have been returned to the Recipient, transport them further to the Recycling Operator. Palpa pays a Transport Fee to the company or companies.

The Deposit is paid to the consumer only for correctly marked and identified plastic bottles, which have been accepted into the recycling system.

### **3. MARKING AND IDENTIFICATION OF RECYCLABLE PLASTIC BOTTLES**

The Recyclable Plastic Bottles introduced into the system are to be marked with an EAN code, as well as with a visual marking. All the requirements of EAN codes and visual markings, of which Palpa publishes a marking directive (Attachment 2), are defined by Palpa. A Deposit Payer accepted into the system must get clearance for the codes and markings of Recyclable Plastic Bottles from Palpa before the Bottles are put into circulation. It is forbidden to use EAN codes and markings without a prior written acceptance from Palpa. A Deposit Payer commits to using the EAN codes they register only for Recyclable Plastic Bottles it sells in Finland.

Reverse vending machines acquired and used in the system shall be able to read the aforementioned codes in accordance to the principles stated in the marking directives (Attachment 2).

Palpa pays Deposits, Handling Fees and Transport Fees only for those recyclable plastic bottles that have been accepted into the system and that are identifiable as such. The reverse vending machines identify the bottles based on the EAN codes and the manual return stations by visual markings.



#### **4. JOINING THE SYSTEM**

The recycling system for plastic bottles is open to all entrepreneurs who agree to abide by its rules and assume responsibility for costs arising from participation in the system.

Deposit Payers and Recipients joining the recycling system for recyclable plastic bottles administered by Palpa file a registration application addressed to Palpa. In connection with the registration application the applicant agrees to abide by these rules as well as assume responsibility, for its own part, for costs arising from participation in the recycling system for recyclable plastic bottles. A Deposit Payer agrees to pay the fees set by these rules, including the Lifetime Membership Fee, or alternatively the Annual Membership Fee, as well as the Security set by Palpa's Board of Directors, prior to commencing the recycling activities in accordance with the system.

Any entrepreneur joining the recycling system commits to approve supervision by Palpa, as well as other matters affecting the administration of the recycling system, and shall be obliged to provide Palpa with any required information that will be forwarded to public authorities as specified in these rules.

Palpa will approve the registration application if a Deposit Payer or Recipient who applies for a membership in the recycling system fulfils the requirements set forth in these rules.

#### **5. PALPA'S RIGHTS AND OBLIGATIONS**

Palpa, as the administrator and supervisor of the recycling system for plastic bottles, shall be entitled to collect membership fees from Deposit Payers affiliating to the system, or alternatively, entitled to collect an annual membership's fee. Palpa also has the right to collect the Recycling Fee, the Deposit Fee and the Bar Code Fee from Deposit Payers, as well as ask the Deposit Payer to set a Security referred to in these rules.

Palpa may return the Recycling Fee to a Deposit Payer, either partially or in total, if it is not required for the coverage of the annual operational costs of the system. The return can also be made in a manner where the amount exceeding the annual expense can be used to cover the Fees or other costs of the following year or years, and, to correspondingly lower the future Recycling Fees.

Palpa, as the supervisor of the recycling system for plastic bottles, shall be entitled to receive, from Deposit Payers as well as from Recipients, information required for statistical purposes as well as for reporting to public authorities the quantity and return rate of Recyclable Plastic Bottles put into circulation.



Palpa's representative is entitled to inspect and make an inventory of the store of Recyclable Plastic Bottles by the entrepreneur, whether a member of the system or an applicant. Palpa is entitled to inspect the contents and quantities of transportation units. Palpa is under obligation not to reveal, except to the supervising authorities, any information categorised as business secrets of any individual Deposit Payer, Recipient or other entrepreneur.

Palpa is obliged to attend to the collection of payments connected to the system, as well as to provide, according to the system, the Recipients with compensation for Deposit and Handling Fees. Whenever possible, the Fees will be paid out to the Recipients who have reverse vending machines on a basis of electronic information. In case any mistakes need correcting, the Recipients must preserve the receipts for at least three (3) months. Palpa is also obliged to pay a Transport Fee to the transport companies who collect the returned recyclable plastic bottles from the Recipients for further transport to the Recycling Operator. However, Palpa is not obliged to pay system-related Deposit and Handling Fees in clear misuse situations, i.e. where a Recipient, within the framework of its supervisory responsibilities, should have observed that deposits have not been paid for recyclable plastic bottles even when furnished with the appropriate identification codes or markings.

Palpa collects information about imported and packed beverage where appropriate recyclable plastic bottles are used. Palpa is also obliged to report the return rates to the supervising authorities as necessitated at the granting of the authorisation for the recycling system of plastic bottles, or as provided by tax benefits or other regulations.

Palpa is obliged to develop the recycling system for plastic bottles as well as to maintain the service level of the system. Palpa shall be entitled to invest funds deriving from fees and compensation in the further development and maintenance of the recycling system for plastic bottles. Palpa is entitled to subsidise automatic reverse vending of recyclable plastic bottles to the extent where it can be seen as a means of reducing the expenses of the recycling system.

The determining principles for and the amounts of Deposit, Membership and Recycling Fees paid to Palpa, as well as for the principles and of the amounts of Deposit, Handling and Transport Fees paid by Palpa, shall be decided by Palpa's Board of Directors. The decisions shall be current and valid until further notice by Palpa's Board of Directors.

## **6. DEPOSIT PAYER'S RIGHTS AND OBLIGATIONS**

A Deposit Payer is entitled to use Recyclable Plastic Bottles and the bottle codes and markings required within the system in its activities. Additionally, a Deposit Payer shall have the right to use its



membership in the recycling system for plastic bottles for its marketing purposes, and shall receive, of deposit payments made and its affiliation with the system, a requisite report with which, for the purposes of obtaining tax allowances, the Deposit Payer will be able to demonstrate to public authorities that it is affiliated to the recycling system.

A Deposit Payer shall also be entitled, in case the recyclable plastic bottles for which Deposits have been paid will not be sold or returned empty to the deposit system, to be reimbursed for Deposits that it has paid to Palpa. It is under the Deposit Payer's obligation to demonstrate that this has occurred.

A Deposit Payer is obliged, in all its actions, to abide by these rules, and when joining the system, to pay either the Lifetime Membership Fee or, alternatively, the Annual Membership Fee as compensation for the capital expenditure and expenses already paid on or for the recycling system. In addition, before commencing its activities within the system, a Deposit Payer is obliged to pledge a Security set by Palpa for securing the payment of the liabilities stated by these rules and other responsibilities deriving from the system.

A Deposit Payer shall agree, no later than one (1) month before the import or use of Recyclable Plastic Bottles, to get clearance for the bottles' EAN codes and visual markings from Palpa, if they have not been cleared earlier. The codes and markings shall match those specified by Palpa. In order to get the new codes and markings updated into the system, a Deposit Payer is obliged to pay a Bar Code Fee to Palpa.

A Deposit Payer is, since the importation and use of recyclable plastic bottles not certified in the recycling system complicates the supervision of the system and generates additional costs, obliged to ensure that imported or used bottles not certified in the system are not confused with the coding and markings in the recycling system. A Deposit Payer shall be obliged to ensure that bottles approved for Palpa's deposit system and marked as such, are not sold in any other countries or in so-called tax-free sales.

A Deposit Payer is accountable for the system-approved EAN codes and markings on the bottles it puts into circulation to be in accordance with Palpa's marking directives, and that the exterior of the plastic bottle allows visual inspections to be carried out without effort.

A Deposit Payer is obliged to pay the required Deposit and Recycling Fees to the bank account designated by Palpa by the day of putting the bottles into circulation. A Deposit Payer is also obliged to provide statistical information regarding the number of bottles



put into circulation, as well as on storage balances to Palpa twice a month.

## **7. RECIPIENT'S RIGHTS AND OBLIGATIONS**

A Recipient is entitled to receive Recyclable Plastic Bottles certified in the system from consumers. By receiving Recyclable Plastic Bottles a Recipient is entitled to receive a Deposit Fee and a Handling Fee from Palpa. Compensation shall be paid within 28 days from the date Palpa has received a report from the Recycling Operator regarding the quantity of Bottles that a Recipient has collected, inspected and certified, and which have been delivered for further processing. Compensation is always paid to a bank account stated by a Recipient.

A Recipient is entitled to receive, from a party appointed by Palpa, plastic bags, corrugated cardboard boxes and stickers to be used for the Recyclable Plastic Bottles within the system, as well as covering letters and transportation, at a separate cost. Additionally, a Recipient is entitled to get transportation for the Bottles to be delivered, either through intermediate storage depots or directly, to the Recycling Operator for inspection. Transportation is carried out, in accordance with the decision made by Palpa's Board of Directors, at Palpa's expense. A Recipient is obliged to notify Palpa the name of the transport service provider that is performing the transport of the Recyclable Plastic Bottles the Recipient has received.

A Recipient is obliged to reimburse the Deposit it has collected in the product price to the consumer when receiving clean and undamaged Recyclable Plastic Bottles with the correct codes, and which, without effort, can be identified to belong within the recycling system.

A Recipient is obliged to supervise recyclable plastic bottles it receives and to take necessary measures in order to prevent clear frauds. A Recipient shall have the right, in case of a clear fraud, for example if an identification code has been fabricated or forged, to decline the Deposit from the consumer. Correspondingly, Palpa is not obliged to reimburse the Recipient if a misuse has been clearly discernible and it should have been detected by the Recipient.

A Recipient is obliged, at its own cost, to attend to that reverse vending machines located in the Recipient's stores are connected to Palpa's data system and that the data defined in these rules shall be electronically transferred to Palpa. When Recyclable Plastic Bottles are received manually, a Recipient is obliged to pack the bottles in Palpa's return units and to keep count of the number of bottles in return units.



Recyclable plastic bottles that are not certified in the recycling system must not be packed in Palpa's return units nor brought into to Palpa's recycling system.

A Recipient is obliged to use the bags and boxes designated by Palpa when packing Recyclable Plastic Bottles. The bags and boxes must be packed full and stored in a dry location. A Recipient shall affix to each return unit, bag or box a covering letter specified by Palpa, indicating the Recipient's information, date of retrieval, number of deposit packages (by deposit values) and the name of the transport service provider.

A Recipient is obliged to ensure that the return units reported to contain Recyclable Plastic Bottles referred to in these rules contain only such bottles, and on which the codes and markings are clearly visible. A Recipient is also obliged to ensure that reverse vending machines are maintained and cleaned according to instructions provided by the manufacturer of the reverse vending machine.

In case a Recipient closes down its business or becomes in some other way incapable of fulfilling its obligations deriving from its membership in this system, it is obliged to give a written notice to Palpa no later than one (1) month prior closing down the business, or immediately when it shall de facto be possible, by a manner defined in Section 9 (Notice / Resignation). A Recipient's notice regarding the closing down of business or of a resignation referred to in Section 9 shall not discharge the Recipient even partly from the obligations based on these rules which accrued prior to the end of the membership or the closure down of the business.

## **8. ACTIONS CONTRARY TO OBLIGATIONS**

If a Deposit Payer affiliated with the recycling system fails to abide by these rules or other instructions provided by Palpa for members of the system Palpa shall be entitled to remove the Deposit Payer's codes from the reverse vending machines, and forbid the Deposit Payer to use the kinds of visual markings on its plastic bottles that are alike the symbols for recyclable plastic bottles, or that could be confused with them. Palpa shall also have the right to reject this kind of Deposit Payer's bottle lot from the domain of the recycling system for plastic bottles.

If a Recipient fails to ensure that return units contain merely recyclable plastic bottles or if the quantities stated and markings used do not match the contents of return units Palpa shall have the right to withhold the payment of Deposit and Handling Fee to the Recipient. Recyclable plastic bottles that are not certified in the recycling system must not be packed in Palpa's return units nor brought into to Palpa's system.



If a Deposit Payer or Recipient essentially neglects the duties set forth in these rules, the party violating the rules shall pay a contractual penalty to Palpa to the amount of twenty thousand (20,000) euro. If the failure to fulfil contractual duties has incurred to Palpa greater damages than the contractual penalty would cover, the negligent party shall be liable for paying compensation for damage with an amount the actual damage is calculated to exceed the contractual penalty. The decision about claiming contractual penalties and compensation for damages is made by Palpa's Board of Directors.

If a member entrepreneur continuously and essentially violates the duties set forth in these rules, or is guilty of gross negligence in the performance of its contractual duties, Palpa's Board of Directors shall have the right to cancel the entrepreneur's membership in the system within one (1) month from the date that the cancellation notice, which is to be in a written form, has been verifiably delivered to the entrepreneur. In the event of cancellation, the entrepreneur shall not be reimbursed for Deposit Fees, Membership Fees, Recycling Fees and Bar Code Fees.

## **9. NOTICE / RESIGNATION**

A Deposit Payer affiliated with the recycling system may give notice/resign within one (1) month from the date that it has given in notice/resignation to Palpa, and when sales of Recyclable Plastic Bottles the Deposit Payer has put into circulation has expired. In case of a notice / resignation, any Lifetime or Annual Membership Fee, Recycling Fee or Bar Code Fee paid by the Deposit Payer to Palpa will, however, not be reimbursed. Even after the notice / resignation, the Deposit Payer shall be obliged to assume responsibility for all expenses arising from the plastic bottles it has brought into the recycling system.

A Recipient is entitled to give notice from its membership in the recycling system to end after one (1) month's time from the date when the Recipient's notice has been received by Palpa. The Recipient is obliged to fulfil all its obligations set forth in these rules until the Membership has ended. Even after the Membership has ended, the Recipient is obliged to fulfil all obligations and possible expenses that have occurred before the Membership expired.

Palpa, by a decision of the Board of Directors, has the right to terminate the system it manages to end after six (6) months time from the date it has given a written notification of the termination to all the Deposit Payers and Recipients.

## **10. ARBITRATION CLAUSE**

Any disputes arising out of or in connection with these rules will be solved by arbitration in accordance with the Arbitration Proceed-



ings Act. The arbitration clause also applies to the contractual penalties specified in these rules. The contracting parties may agree that the arbitral tribunal consists of one arbitrator. If the parties are unable to reach an agreement, the plaintiff and the defendant shall each appoint one arbitrator for the tribunal, and the parties thus appointed shall appoint the Chairman of the arbitral tribunal. If a party does not comply with its duty of appointment within twenty (20) days from the date the request was made or the members of the arbitral tribunal fail to reach unanimous agreement in appointing the Chairman, the arbitrator or Chairman shall be appointed by the Arbitration Institute of the Central Chamber of Commerce of Finland. Arbitration proceedings shall abide by the rules of the stated Institute.

Despite the above clause, Palpa withholds the right to take the dispute to be settled by the Helsinki District Court.

## **11. AMENDING THE RULES**

Palpa withholds the right, by its own decision, to amend these rules for the recycling system for plastic bottles. The amendments must without delay be notified in writing to all the affiliated Deposit Payers and Recipients. On receiving information about amending of the rules, Deposit Payers and Recipients are entitled to denounce their membership as specified in the aforementioned Section 9.

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## **ATTACHMENTS**

1. Palpa´s current packaging specifications for Recyclable Plastic Bottles
2. Palpa´s current marking directives as well as codes and markings for Recyclable Plastic Bottles