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Proposed Changes to the Transaction Guidelines of the ISRI Paper Stock Specifications

Preamble

These standards and practices apply to paper stock for re-pulping. Transactions may be modified by mutual agreement between Buyer and Seller. Once Buyer and Seller come to an agreement regarding the transaction there will either be a purchase or sales agreement outlining the transaction, terms and conditions which will be used for the signed transactions. This agreement will serve as the “governing document” for the transaction.

“Good Faith” Relationship between Buyer-Seller

The following principles of “good faith” have been established:

1. Seller must use due diligence to ascertain that shipments consist of properly packed paper stock and that shipments are made during the period specified.
2. Arbitrary deductions, cancellations and/or rejections by the Buyer are counter to acceptable good trade practices.
3. Seller shall provide the quality of paper stock agreed upon but shall not be responsible for the use of the paper stock or of the manufactured product.

I. The Purchase Agreement

Each transaction covering the purchase or sale of paper stock shall be confirmed by either a purchase or sales agreement which may include the following:

1. Quality

Where possible, purchases shall be specified in accordance with the grade as defined in the latest paper stock section of the ISRI Scrap Specification Circular. Any deviation from the grade listed in the circular should be otherwise specified and agreed upon by both parties in the purchase or sales agreement.

2. Quantity

- a. The Buyer and Seller shall establish minimum weights for each load
- b. The quantity for the purchase or sale of the paper stock shall always be specified in terms of a definite number of short tons of 2000 pounds each or metric tons of 2204.6 pounds each. In addition, the number of loads shall be specified.
- c. Packing unit type, such as bales, skids, roles, pallets, boxes, securely tied bundles or loose, should be specified in the Agreement.

3. Pricing and Terms



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Each transaction covering the purchase or sale of paper stock shall be confirmed in writing stating the negotiated price and payment terms agreed to by both the buyer and seller.

4. Shipping Period, Terms and Instructions

- a. Period shall be understood to be within 30 days of the date of the order unless otherwise specified and subsequently agreed to by both buyer and seller.
- b. Shipping terms shall be indicated by the use of the International Chamber of Commerce's Incoterms for shipping that can be found in the addendum at the end of the preamble.
- c. The Shipping instructions for each load should clearly specify shipping schedule routes, carrier and destination. Shipping instructions shall be provided by the buyer at the time of the order. These instructions should also be included on the bill of lading when shipping for export. Information should include documentation, inspection requirements and pictures if required.

II. Fulfillment by the Seller

The practice of the Seller shall be in accordance with the following:

1. Acceptance

All orders shall be confirmed.

2. Grading

Paper stock which is sold under the grade names appearing in the paper stock section of the ISRI Scrap Specifications Circular shall conform to those grading definitions.

3. Packing

Each unit must be sufficiently secured to ensure a satisfactory delivery.

4. Tare

If agreed to by the Buyer, sides and headers may be used to make a satisfactory delivery of the bales but must not be excessive. The weight of skids, Gaylord boxes and other similar materials shall be deducted from the gross invoice weight.

5. Loading

Paper stock shall be loaded as follows:

- a. Before they are loaded, railcars, trucks, trailers and containers shall be free from objectionable materials and odors, and shall have clean sound floors and doors.



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- b. All loads should consist entirely of one grade of paper stock unless otherwise agreed to.
When two or more grades are included in the same load, units of each grade should be kept together in a separate part of the railcar, truck, trailer or container.
- c. Paper stock must be loaded in a manner that will minimize shifting and breakage. Excessive breakage due to improper loading can be cause for a claim or rejection.
- d. Paper stock shall be loaded in accordance with the customer's preferred safe loading practices or industry safety best practices such as outlines in the ISRI/AF&PA Shipping Guide for Baled Paper Products as a reference.

Please refer to the following guide for valuable safety information: <http://www.isri.org/safeshipping>

6. Shipping Notice/Bill of Lading

A bill of lading or shipping notice shall accompany each shipment to the Buyer and should include the following:

- a. Date of shipment
- b. Release number (if applicable)
- c. Number of units
- d. Grade of paper units
- e. Weight of load – For combination loads, individual unit weights may be indicated.
- f. Name of trucking company, trailer, rail car or container number and driver's signature
- g. Routing Instruction (If applicable)
- h. Destination (If applicable)
- i. Shipper's signature

7. Invoicing

Invoices, if required, should conform to instructions on the order and include the following data:

- a. Date of shipment
- b. Railcar, truck number or container number
- c. Customer's order number
- d. Release Number (if applicable) / Bill of Lading number



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- e. Shipper's invoice number
- f. Point of sale
- g. Number of units
- h. Weight and grade
- i. Price and extension
- j. Payment terms, including credit terms and discounts

8. Downgrade Claims / Rejections

When notified of a claim/rejection, the Seller should advise the Buyer, within two business days, as to which of the following procedures the Seller has decided upon:

- a. Agree with the Buyer to a compromise acceptance and settlement.
- b. Inspect the quality of the rejected material. The inspection and final disposition by the Seller should take place within five business days of the notification. By mutual agreement, this time limit may be exceeded.
- c. Order repossession of the material (if applicable).
- d. Request that the Buyer agree to submit the rejected shipment to arbitration.

Seller is responsible for any demurrage and/or other related costs that may occur during this period.

III. Fulfillment by the Buyer

The practice of the Buyer shall be in accordance with the following:

1. The Buyer will confirm all orders

2. Unloading

While unloading the shipment the buyer is to inspect the contents so far as possible.

If the shipment appears to be in accordance with the purchase or sales agreement, the buyer shall proceed with the unloading.

The Buyer is obligated to supply the Seller with the weight of all the received material.

If the shipment does not appear to be in accordance with the purchase or sales agreement, the Buyer shall immediately notify the Seller.

3. Claims and Rejections



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In the event of a claim or rejection, the Buyer shall be responsible for any paper stock used and the freight thereon. The buyer should use due diligence to maintain all controversial or rejected paper stock from external deterioration or contamination.

IV. Miscellaneous Practices

1. Ownership

- a. When loaded the shipment is purchased “ex works” shipping point (INCOTerm – EXW) and is in accordance with the purchase agreement covering the transaction, it becomes the property of the Buyer
- b. When the shipment is purchased on a “delivered” basis and is in accordance with the purchase or sales agreement covering the transaction, it remains the property of the Seller until it is delivered to the Buyer and verified with proof of delivery.

2. Carrier Selection

- a. When shipment is on an EXW basis, selection of the carrier is at the discretion of the Buyer unless otherwise agreed.
- b. When the shipment is on a delivered basis, selection of the carrier is at the discretion of the Seller unless otherwise agreed.

3. Excess Freight and Charges

- a. Any excess freight charges accruing on a shipment due to the failure by the Seller to adhere to the purchase agreement is the liability of the Seller and includes switching and freight charges.
- b. Any excess freight charges accruing on a shipment due to the failure of the Buyer to adhere to the purchase agreement is the liability of the Buyer and includes switching and freight charges
- c. Any demurrage accruing on a shipment due to the failure of the seller to ship in accordance with the purchase agreement except with respect to quality is the liability of the seller
- d. In the event that a rejection for quality stands, any demurrage accruing on the shipment prior to notification to the Seller shall be the Buyer’s liability.

4. Weight Discrepancies

In the event of a weight discrepancy between the buyer and seller, the buyer’s weight will govern as long as the weight is taken from a certified scale.



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In the event that the buyer does not have a certified weight ticket then the seller's weight will govern as long as it is produced from a certified scale.

No adjustments shall be made on any shipment of paper stock when the weight variation is 1% or less for domestic loads and 2% or less for export loads.

If the variation exceeds 1% for domestic loads or 2% for export loads, the Seller may initiate a Weight Review by submitting a certified scale weight (showing the gross, tare and net of the load) and/or a loading tally showing individual bale weights. The Buyer shall then review the data and either:

- a. Adjust the received weight, or
- b. Decline the appeal, in which case the Buyer's weight shall prevail.

5. Moisture Content

All paper must be packed dry with a moisture content of 12% which is deemed to be the maximum dry limit. Prior to shipment the buyer and seller shall agree to a moisture percentage and a method by which moisture is to be tested. The agreement is to be confirmed through the purchase agreement and/or the shipping agreement.

Where and when excess moisture is suspected and determined to be present in the shipment, the Buyer has the right to request an adjustment and if a settlement cannot be reached, the Buyer has the right to reject the shipment. The buyer will conduct testing either by using the mutually agreed upon method or in accordance with the American Forest & Paper Association's Moisture Guide for Measuring Moisture in Recovered Paper Bales. In the event that excess moisture is detected the buyer has the right to request a weight adjustment and if a settlement cannot be reached, the buyer has the right to reject the shipment.

Information: www.afandpa.org/docs/default-source/one-pagers/bale-moisture-guide.pdf

V. Arbitration

In the event of a dispute where agreement cannot be reached between Buyer and Seller, the dispute may be submitted to ISRI arbitration as long as one of the parties is a member of the association. Refer to ISRI Arbitration Services section of this document for further information.

VI. Grade Definitions

The definitions which follow describe grades as they should be sorted and packed. Consideration should be given to the fact that paper stock, as such, is a secondary material produced manually and may not be technically perfect. Definitions may not specifically address all types of processes used in the manufacture or recycling of paper products. Specific requirements should be discussed between Buyer and Seller during negotiations.



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1. Outthrows

The term “Outthrows” as used throughout this section is defined as “all papers that are so manufactured or treated or are in such a form as to be undesirable for consumption as the grade specified.”

2. Prohibitive Materials

The term “Prohibitive Materials” as used throughout this section is defined as:

- a. Any materials which by their presence in a packing of paper stock, in excess of the amount allowed, will make the pack unusable as the grade specified.
- b. Any materials that may be damaging to equipment.

3. Zero Tolerance

The term “Zero Tolerance” as used throughout this section is defined as:

Any material that contains any amount of Medical, Organic, Food Waste, Hazardous, Poisonous, Radioactive or Toxic waste and other harmful substances or liquids.

4. Other Acceptable Papers

The term “Other Acceptable Papers” as used throughout this section is defined as “all other papers that are deemed acceptable by the buyer and allowed in that buyer’s pack up to the percentage allowed.”

5. Glossary of Terms

A supplemental glossary of paper stock terms is located at the end of the Domestic Transactions section. The purpose of this limited list of terms is to help the user better understand specific grade definitions contained within this Circular.