IWTO
BLUE BOOK

ARBITRATION AGREEMENT AND OTHER INTERNATIONAL AGREEMENTS

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PREFACE & INTRODUCTORY NOTE

The current edition of the IWTO "Blue Book" has evolved to take account of the needs of the wool-textile industry as they have developed over the years. In its present form, its represents the fruit of many decades of international co-operation to which have contributed many outstanding personalities in the wool-textile trade and industry. Whilst it would be impossible to mention each and every one of them, it is nonetheless appropriate to make special reference to the following former Presidents and/or exceptional personalities, without whose initiative and effort the organisation itself, and this publication, would not be what they are today:

Mr. Maurice DUBRULLE, Founder-President

Baron PELTZER, Former President

Mr. A. R. BAINES, Former President

Mr. C. H. WALTHAUSEN, Former President

Dr. F. J. MAYER-GUNTHOF, Former Committee Chairman

Mr. S. S. NEVILE, Former President

Mr. C. M. D. ROBERTS, Former President

Mr. D. G. PRICE, Former Secretary-General

Mr. H. GRUNZKE, Former President

Mr. D. J. WARD OAM, Former Committee Chairman

Whereas the original text of this Blue Book was drawn up in French, the IWTO Assembly agreed in November 2004 that the English version shall be the definitive text for Arbitration purposes.

The International Agreements contained in this publication apply to international contracts covering transactions in all products of the wool textile industry, including:

- greasy, scoured, carbonised or skin wool, and fine and coarse animal hairs;
- tops, carded sliver, noils and other by-products of wool and/or other fibres;
- worsted and woollen yarns of wool and/or other fibres; and
- fabrics of wool and/or other fibres.

It is understood that sellers, intending to sell under the conditions of these International Agreements must advise their buyers of the fact. If the seller and buyer agree to make their contract subject to these International Agreements, IWTO recommends that this be stipulated in writing, so as to form an integral part of the contract.

Notwithstanding any rights and obligations to the contrary specified herein, contracting parties may add to, delete and/or otherwise vary these provisions to establish an alternative and jointly-agreed contract.

In the event of different or additional conditions being stipulated in writing between seller and buyer when the contract is concluded, such conditions shall also form an integral part of the contract.

These International Agreements are also intended to apply when a difference of opinion or dispute arises between parties to a contract on a matter on which a contract itself is silent or imprecise.

The International Agreement shall serve as a basis for Arbitration conducted under the rules of IWTO, unless modified by other conditions arranged between buyer and seller.

The provisions of these arrangements may apply to transactions between contracting parties in the same country, but it is not intended that they shall apply in preference to any national agreements covering transactions in these products made between organisations representing companies trading in these products within the confines of their own national boundaries.

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NOTE: *Except when the Assembly or the Heads of Delegation Council or Specialist Committees exercising powers delegated by the Assembly determine otherwise, amendments to this IWTO Blue Book shall be implemented with effect on and from 1st March or 1st September, whichever occurs first after the decisions have been finalized. (IWTO Statutes, Version November 2004 et seq)*

INTERNATIONAL WOOL TEXTILE ARBITRATION AGREEMENT & SUPPLEMENT

Article I

The member organisations of the International Wool Textile Organisation hereby agree formally to recommend to their respective members to submit all disputes to arbitration, with the object of avoiding as far as possible the intervention of courts of law, and of establishing closer relations between the members of the International Wool Textile Organisation.

Article II

The member organisations of the International Wool Textile Organisation hereby agree formally to recommend to their respective members to stipulate in their contracts that all disputes be submitted to international arbitration, in accordance with this Agreement. Member organisations are encouraged to recommend that buyers and sellers nominate an agreed country's National Committee to conduct any arbitration in the contract's dispute resolution provision.

Where no arbitration clause is formally recommended by the National Committee so as to conform with national law, the following clause, or a clause of similar effect, must be included in all contracts, if contracting parties wish to ensure their legal right to have disputes resolved through the provisions of this Arbitration Agreement:

"Any dispute or difference arising out of this contract shall be settled by Arbitration in accordance with the International Wool Textile Organisation Arbitration Agreement and the competent body to conduct the Arbitration pursuant to its Arbitration Regulations shall be ……".*

(Insert the name of the IWTO National Committee, Chamber of Commerce or other competent body of the country of the seller, entrusted with the task of carrying out the provisions of Article IV of this Arbitration Agreement.)*

Article III

(a) The competent body to arrange and preside over the Arbitration shall be in the country of the seller. In case of dispute with a commission processor abroad, the Arbitration shall take place in the country of the commission processor, the commission processor being deemed the seller, and the party which gave out the work the buyer.

(b) The designated body shall carry out its responsibilities promptly. From the day upon which it received a request in due form to conduct the Arbitration, it shall:

- within 15 days of receipt advise the other party(ies) concerned of the dispute and allow it (them) a period of four (4) weeks thereafter to make its (their) first comments and observations;
- within a further period of 4 weeks nominate (or have nominated) the Arbitrator(s), draw up the Agreement to Arbitration and send it for signature by all parties. The parties shall sign and return the above Agreement within a period of two (2) weeks, so that the Arbitration shall be formally constituted not more than 12 weeks from receipt of the request;
- acquaint the Arbitrator(s) with the facts of the case, as soon as he (they) has (have) been nominated;
- the Arbitrator(s) shall make his (their) award within a period of six (6) months from receipt of the signed and returned Agreement and, in any case, no longer than a period of nine (9) months from the date when the request for Arbitration was received.

The designated body shall inform all parties in writing of the award and the reasons for it, within 15 days of it being made.

(c) If one of the parties involved refuses the Arbitration or declines to sign the Agreement to Arbitration within the above-mentioned periods of time, the body competent to conduct the Arbitration shall continue ex parte the procedure laid down in this Arbitration Agreement in the same form and within the same period of time.

(d) The provisions of paragraphs (b) and (c) of this Article shall apply, except to those countries where they would be incompatible with national legislation.

(e) If the body competent to arrange and preside over the Arbitration refuses or unduly delays in carrying out its responsibilities, and more particularly, does not respect the abovementioned time limits for completing the various phases of the Arbitration procedure, either of the parties involved may request the intervention of the

President and/or Director General of the International Wool Textile Organisation. If consultation with and formal notice to that body has not resulted in the appropriate action within 15 days, the President and/or Director General may inform all National Committees of the failure of the body organising the Arbitration.

(f) If the National Committee or other competent body in the country of the seller is unable for whatever reason to conduct the Arbitration and unless both parties agree to other arrangements, the Arbitration shall, subject to the prior agreement of both parties, be conducted by the IWTO Arbitration Tribunal under the Regulations set out in APPENDIX 1 of the present Blue Book.

Article IV

The terms of reference will be established and the Arbitration will be carried out in accordance with the rules and procedure of Arbitration of the body competent to conduct the Arbitration, but notwithstanding any provision in such rules and procedure to the contrary, the following conditions shall be met.

(a) No payment of fees shall be made to Arbitrators for their service in IWTO Arbitration. Arbitrators may be reimbursed only for expenses they have actually incurred, after approval by the body responsible for conducting the Arbitration.

(b) Except when an Arbitration is to be conducted by the IWTO Arbitration Tribunal pursuant to the provisions of Article III (e) or Article VII, or when the buyer formally requests that his National Committee be required to make a specific number of appointment(s), the Arbitrator(s) shall be nominated by the National Committee or other competent body in the country of the seller and shall normally be located in that country. Upon receipt of any such written request from the buyer, and provided that the parties have not reached prior agreement to accept a single Arbitrator, the National Committee in the country of the buyer shall appoint up to one half only of the total number of Arbitrators, as required, from the available nominees in either country.

(c) Arbitrators shall be impartial, independent, and shall not act as advocates for either of the parties.

Article V

The decisions of the Arbitration Tribunal shall be made by a simple majority. When the Arbitration Tribunal is made up of an even number of Arbitrators, in the event of disagreement, the Arbitrators shall immediately designate an umpire who shall give his award with a period of six (6) weeks from the day of his designation. Failing agreement on the designation of the umpire and upon request from either party, the President of the International Wool Textile Organisation shall nominate the umpire as soon as possible.

The decision of the Arbitrators or of the umpire is final and irrevocable.

Article VI

If one of the parties involved in the Arbitration refuses to submit to the rules and procedure laid down in Articles III and IV, the procedure shall be continued ex parte, in accordance with Article III (c).

If one of the parties refuses to abide by the award made by the Arbitration Tribunal, the National Committee of either of the parties concerned may bring the matter to the attention of the chief executive officer of the International Wool Textile Organisation and name the party in breach of its undertakings.
This may be done without prejudice to the continuation of the Arbitration procedure or to measures for executing the award.

Article VII

Where a dispute arises between a Seller whose country has a National Committee and a Buyer from a country that does not and the parties agree to arbitration in accordance with this Agreement:

(a) The Sellers National Committee shall request that the International Wool Textile Organisation (IWTO) provides it with a list of arbitrators drawn from a panel of suitably qualified persons nominated from time-to-time by the various National Committees.

(b) The Buyer and the Seller's National Committee shall each nominate half of the agreed number of arbitrators from the list provided by IWTO.

(c) The Sellers' National Committee shall determine the availability of the selected arbitrators, liaise with the Buyer as necessary and once finalised, the arbitration shall proceed under the Article III, subject to appropriate adjustments to recognise this situation.

Where a dispute arises between a Seller whose country does not have a National Committee and a Buyer from a country that does and the parties agree to arbitrate the dispute:

(a) Where the Seller is prepared to permit the Buyer's National Committee to conduct the arbitration, the Buyer's National Committee shall request IWTO to provide it with a list of arbitrators drawn from a panel of suitably qualified persons nominated from time-to-time by the various National Committees.

(b) The Seller and the Buyer's National Committee shall each nominate half of the agreed number of arbitrators from the list provided by IWTO.

(c) The Buyer's National Committee shall determine the availability of the selected arbitrators, liaise with the Seller as necessary and once finalised, the arbitration shall proceed under Article III, subject to appropriate adjustments to recognise this situation.

Where a dispute exists between a Seller and Buyer and there is no National Committee in both the Seller's and Buyer's country and/or where there is no National Committee in the country of the Seller and the Seller does not agree to arbitration being conducted in the country of the Buyer:

(a) The parties can request the IWTO Arbitration Tribunal to conduct the arbitration in accordance with the then current Arbitration Regulations.

(b) The Chair of the Arbitration Tribunal may appoint a panel of suitably qualified persons nominated from time to time by the various National Committees to constitute the Arbitration Tribunal or may request that a National Committee conducts the arbitration. In such later case, the National Committee shall conduct the arbitration under the terms of Article III herein.

Supplement to the International Arbitration Agreement

Where, for whatever reason, a valid Arbitration clause does not form part of the contract, but one of the parties requests Arbitration in the spirit of the International Wool Textile Arbitration Agreement, the following procedure will be applied.

(a) If one of the parties to the contract does not abide by the terms of the contract or makes unjustified claims, the party which considers itself aggrieved shall report the matter to the Secretary of its National Committee.

(b) The Secretary of the National Committee shall examine the relevant correspondence and, if in his opinion the refusal to abide by the terms of the contract seems unjustified, he shall write to the appropriate National Committee of the other party or, if no such association exists or he is not a member of any association, direct to the other party to obtain their explanations.

(c) If no explanation is forthcoming within a reasonable period of time, or if the explanation given provides no basis for settlement, he shall write to the other party to invite him to submit the case to Arbitration and will also request the appropriate National Committee to support the request for Arbitration.

(d) If the steps taken in accordance with the above paragraph do not produce a satisfactory settlement, and if the National Committee of the plaintiff considers that the case should be reported for the purpose of maintaining good faith and preserving the principle of sanctity of contracts, they may table the matter for discussion by the next meeting of the Heads of Delegation Council which shall take such measures as it considers appropriate to further the afore-mentioned principles in the spirit of the International Wool Textile Arbitration Agreement.

NOTES ON CONDITIONING

A. PRINCIPLES

All textile materials are hygroscopic, which means that the amount of moisture they contain varies according to the atmospheric conditions in which they are placed.

Wool is particularly sensitive in this respect, since its moisture content varies from 12% to 23% without any readily noticeable effect on its "handle".

This brings about uncertainty in the determination of the invoice weight, for if the material is too moist the buyer would have to pay for the excess moisture at the same cost as the material itself; conversely, if the material is too dry, the seller would have to deliver a greater quantity. Hence, the need for an agreed method of establishing the "correct" invoice weight in commercial transactions.

The principle of the method adopted is that the correct or "conditioned" weight is the weight of the dry material plus an agreed allowance for moisture, known as "the standard of regain". This enables the "fair and merchantable" weight to be obtained.

Example:

On drying the samples drawn from the lot, the conditioning house establishes that the sample contains:

84.52% Dry Wool
15.48% Water
100.00% Total

At a standard regain of 17%, the amount of moisture contained in the wool would normally be:

$$\frac{84.52 \times 17}{100} = 14.37\% \text{ water}$$

It is thus necessary for the Conditioning House to make a reduction of 1.11% (i.e. 15.48% - 14.37%).

If the lot weighed 1,200 kg at the time of sampling, the correct invoice weight at 17% regain is:

$$1{,}200 \text{ kg} \times \frac{(100 - 1.11)}{100} = 1{,}200 \text{ kg} \times 0.9889 = 1.186.68 \text{ kg}$$

In the case of a relatively dry wool, an increase or allowance would have to be made in the same way as above.

B. LABORATORY LICENSING

It is the responsibility of the IWTO Licensing Panel to manage the system by which laboratories are licensed by IWTO, in accordance with the criteria it establishes to this end from time-to-time.

The Panel issues an updated annual list of IWTO Licensed Laboratories, valid as from 1st January, indicating the Licence Number and the specific IWTO Test Methods for which each laboratory is licensed to issue IWTO Certificates.

IWTO Test Certificates may only be issued by an IWTO Licensed Laboratory. Certified documents issued by any other (i.e. unlicensed) laboratories are invalid and cannot meet the requirement of any contract specifying that an IWTO Certificate shall be delivered. Consequently, in the event of a dispute and subject to the relevant Regulations governing check tests and retests, the Arbitrator(s) shall ensure that:

- if the contract requires an IWTO Certificate and nominates a specific laboratory, that laboratory must be a current IWTO Licensed Laboratory;
- if the contract requires an IWTO Certificate but does not nominate a specific laboratory, any IWTO Licensed Laboratory may conduct the testing and/or retesting; or
- if the contract is silent as to which laboratory shall conduct the testing and/or retesting, the Arbitrators may choose any laboratory - provided that it is independent of the parties in dispute and the parties have specifically agreed that an IWTO Certificate is not required.

Notwithstanding the foregoing, if the contract itself stipulates an arbitration process other than that imported under IWTO standard contract conditions, the Arbitrator(s) must act accordingly.

C. STANDARDS OF REGAIN

Except where other standards of regain have been expressly agreed between the parties, and notified to the testing house, the standards which will be applied by the testing house will be the conventional rates in the following list drawn up by the International Wool Textile Organisation.

Clean Scoured Wool	17%
Washed Wool, but not Clean Scoured (1*)	18%
Carbonised Wool and Carbonised Combing Wastes	17%
Tops - in Oil	19%
Tops - Dry Combed	18.25%

Carded Sliver	18.25%
Worsted Yarns - in Oil (1*)	18.25%
Worsted Yarns - Dry Combed (2*)	18.25%
Laps and Ring Laps (1*)	18.25%
Noils: Schlumberger	16%
Lister and Noble	14%
Carbonised and Washed	17%
Shoddy and Mungo	17%
Woollen Yarns (1)	17%

In respect of other fibres, the internationally recognised standards apply.

NOTES

(1) The standards of regain of the four (4) items marked (1) must be applied to the dry and fat free weight. Except for the four items marked (1), standards of regain must be applied to the dry weight and not the dry and fat free weight. For blends, the standards of regain are applied in proportion to the declared percentage of textile content.*

(2) Transactions in all wool, dry combed worsted yarn for weaving purposes will continue to take place on the present regain of 18.25%.*

Nevertheless, it is recommended that the regain be that naturally resulting from the spinning and/or twisting process, no further addition of moisture being allowed. A weight correction will be made on the invoice.

D. TOLERANCES

Tolerances for grease and oil are considered as ceilings, to be calculated on the average of the consignment, and are based on Near Infrared Reflectance procedures or extraction by Dichloromethane in a Soxhlet, according to the methods laid down in IWTO-10 for combed wool sliver.

Tolerances for grease and oil calculated on the dry and fat free weight are as follows:

Clean scoured wool	1.25%
Tops - dry combed	1.00%
Tops - in oil	4.60%
Worsted yarns - dry combed	1.25%
Scoured woollen yarns	1.25%

NOTE: *The above tolerances are applicable only to pure wool lots. In the case of blends, extraction by dichloromethane may give misleading results.*

The percentage of oil for yarns combed in oil varies according to type and count. In like manner, in the case of woollen yarns, other than scoured woollen yarns, in view of great differences in raw material content, in count, and consequently in sinkage, no single percentage can be fixed. In these two (2) cases, therefore, it is for the parties to the contract to come to agreement beforehand.

GENERAL CONDITIONS

A. LOCATION OF JURISDICTION & PAYMENT

Unless otherwise agreed, the location of the contract shall be that of the country of the seller, and payment shall be made according to the seller's instruction.

B. FORCE MAJEURE

The following provisions concerning cases of Force Majeure are applicable to transactions concluded within the framework of these conditions.

(i) Force Majeure may be invoked either by the seller or the buyer.

(ii) The interpretation of Force Majeure varies according to the laws of the different member-countries of IWTO. However, in order to unify, as far as possible, the interpretation of Force Majeure for the benefit of the contracting parties, as well as giving guidance to Arbitrators, cases of Force Majeure to be considered in all contracts subject to the IWTO rules are indicated in the following paragraph.

(iii) In general, Force Majeure comprises exceptional events due to phenomena which cannot be foreseen and overcome, such as thunderbolt, earthquake, etc. In all contracts subject to IWTO rules, there may also be considered as Force Majeure such occurrences which in the prevailing circumstances cannot be foreseen and/or prevented such as:

- War and Government regulations that render the execution of the contract illegal or impossible; and
- additional exceptional occurrences, such as fire, strikes, lock-outs, riots, floods, epidemics, major machinery breakdowns and other causes which prevent the execution of the contract.

(iv) If by reason of Force Majeure, as defined by Paragraph (iii), the execution of the contract is delayed, the time for delivery shall be extended accordingly.

If, however, the delay exceeds a reasonable period of time, taking into consideration the types of goods sold, the contract may be cancelled. If for this reason the execution of the contract is rendered illegal or impossible, it shall be cancelled.

(v) If one of the parties wishes to invoke Force Majeure, it must immediately advise the other party. At the same time, it may also send copy of this advice to its National Committee, which will retain the document on file for reference in the event of dispute.

(vi) If a dispute over a case of Force Majeure is submitted to Arbitration under IWTO rules, the Arbitrators must, while conforming to the law of the country which governs the contract, also adhere to the spirit and substance of the IWTO rules.

The following questions require to be considered within the limits of terms of reference in the submission, namely:

(a) if (bearing in mind the respective obligations of sellers and buyers) the case of Force Majeure is well established:

- should the delivery be delayed; and
- should the contract be cancelled.

(b) if the claim of Force Majeure is not well established:

- has the contract to be executed; and
- has the buyer or the seller a right to damages, and, if so, how much.

C. DEFINITION OF TRADE TERMS

All terms such as "ex-works", FOR, FOB, FAS, CEF, CIF, etc. shall be subject to the definitions adopted by the International Chamber of Commerce, under the provisions of the latest published version of INCOTERMS.

D. FIRM OFFER

The expression "firm offer" implies that the seller undertakes to sell a stated quantity of goods of a definite specification at a stipulated price and delivery within a given period of time, provided that the buyer accepts the offer within the time limit stipulated by the seller. The buyer, by making a counter-offer, terminates the validity of the firm offer.

E. WEIGHT CONVERSIONS

Conversion of weights is to be made on the following basis in accordance with the agreement reached by the International Wool Textile Organisation:

1 kg = 2.20462262 lbs and/or 1 lb = 0.45359237 kg

F. TESTING

An IWTO Test Certificate issued by an IWTO Licensed Laboratory (see Section 4.B. LABORATORY LICENSING) agreed upon by the parties to a contract shall be final and binding, unless it can be proved that the Certificate is invalid by reason of patent error.

Contracting parties have the right to request testing by any laboratory agreed by the parties.

G. MISCELLANEOUS

Raw Wool

IWTO defines Raw Wool as:

"Greasy wool; wool which has been scoured, carbonised, washed or solvent-degreased; scoured skin wools, washed skin wools; and slipe wools. It consists of wool fibre together with variable amounts of vegetable matter and extraneous alkali-insoluble impurities, mineral matter, wool waxes, suint and moisture."

Libor

Any reference to this term in this publication is understood to be the 3 month "London Inter-Bank Offer Rate" as fixed by the official broker at 11.00 a.m.

Electronic Data Transmission

IWTO formats and protocols for electronic data transmission are set out in APPENDIX 5.

SPECIFIC CONDITIONS APPLYING TO CERTAIN PRODUCTS

A. GREASY WOOL, SWEATED SKIN WOOL & SLIPE WOOL

Formation of the Contract

1. Unless otherwise specified in the contract and regardless of the quantity, orders in greasy wool may be executed within a margin of 5% above or below the number of bales or the weight of wool stipulated.

2. Contracts shall stipulate the quantity, the specifications of the wool, the price, the basis on which the invoice weight is to be calculated, the terms of payment for the wool, and the delivery terms.

   The price shall be based on either:

   (a) the Clean Scoured Yield as established by processing (see APPENDIX 3);

   (b) the IWTO Clean Wool Content as established by Core Test (see Clause 5);

   (c) the IWTO Estimated Commercial Top and Noil Yield (specified combing method and TFM content) as established by Core Test (see Clause 5);

   (d) the IWTO Estimated Commercial Carded Sliver Yield as established by Core Test (see Clause 5);

   (e) the IWTO Scoured Yield at R% Regain as established by Core Test (see Clause 5); or

   (f) any other Commercial Yields, as defined in the current IWTO Core Test Regulations.

   A "tel quel" transaction is one in which a buyer buys wool on the basis of his own appraisal of the actual lot to be delivered. The lot becomes his property at the conclusion of the transaction and the seller gives no guarantee as to the yield or quality or other properties of the lot. The expression "tel quel" is also sometimes used in a transaction on a sample or description basis to indicate that the weights to be delivered are actual net weights.

3. When an order is given or an offer accepted on a Core Test basis, without an explicit specification of the yield basis for the determination of invoice weight, the term "Commercial Yield as established by Core Test" shall always be understood to be based on the IWTO Estimated Commercial Top & Noil Yield (Schlumberger Dry Combed, 1.0% TFM).

4. Tare allowance shall be based on the trade practice in the country of origin. Claims relating to IWTO Certificates shall be determined in accordance with the relevant IWTO Test Regulations and any other claims shall be dealt with under the procedures adopted by the trade and managed by a Wool Exchange or industry Association in the country of the seller.

Yield and Fibre Diameter by Core Test

5. In the case of Core Testing, the Yield is to be determined using the standard Test Method IWTO-19, and Fibre Diameter is to be determined using IWTO-28 (Airflow), IWTO-12 (Laserscan) or IWTO-**47** (OFDA), applied strictly according to the requirements laid down in the current IWTO Core Test Regulations.

   NOTE: *Unless otherwise stated, the airflow value will form the basis of the contract, except for Australian raw wool, NZ Merino raw wool and South African raw wool.*

Colour by Core Test

6. If Colour is specified as a requirement in the contract, it is to be determined using the standard Test Method IWTO-56, applied strictly in accordance with the current IWTO Colour Test Regulations.

Staple Length & Staple Strength

7. If Staple Length & Staple Strength are specified as requirements in the contract, they are to be determined using the standard Test Method IWTO-30, applied strictly in accordance with the current IWTO Staple Test Regulations.
8. Where a delivery is comprised of individual parts, all of which have been tested in accordance with appropriate IWTO Test Methods and the current IWTO Test Regulations, an IWTO Combined Certificate may be calculated by the Testing House nominated in the contract for delivery against the contract. The

specific titles for such Certificates are defined in the current IWTO Regulations and the certified results are calculated according to the standard Test Method IWTO-31.

9. Contracting parties may come to prior agreement on the Testing House(s) to issue the Certificate(s), such Testing House(s) being independent of the sales transaction and having undertaken to carry out tests in accordance with the current IWTO Test Regulations. Valid Certificate documents are only those originally issued by the Testing House or certified copies thereof.

When required, Certificate(s) shall be sent to the buyer as soon as possible after their receipt by the seller.

Any overyields and/or underyields resulting from differences between the invoiced weight and that shown on the Core Test Certificate(s) shall be settled by the contracting parties within 30 days of the date of the Certificate and in the currency of the confirmation of the contract.

Guarantees and Retests

10. Guarantees and Retest Procedures are specified in the relevant IWTO Test Regulations and shall be strictly applied, if invoked. In particular, the following principles and obligations should be noted.

General Principles

(a) Test Houses are financially responsible for ensuring that their testing is correctly carried out in accordance with the relevant IWTO Test Methods declared on the Certificates, on samples obtained in strict accordance with the current IWTO Test Regulations.

(b) Where an IWTO Combined Certificate has been issued, the Test House issuing that Certificate shall accept full financial responsibility in the first instance. The acceptance of this responsibility in no way limits the responsibility of other Test Houses whose Certificates may form part of the IWTO Combined Certificate.

(c) When an IWTO Certificate issued by a Test House forms part of the basis of a contract, it shall be binding unless proven to be in error. Any new Certificate resulting from Check Test and/or Retest procedures shall be based on all available measurement data, except where evidence exists that certain data is incompatible or in error. The original Certificate shall automatically be withdrawn and cancelled.

(d) A lack of concordance between the Core Test result and the processing yield does not automatically imply that an error has occurred during the course of processing. Conversely, subjective assessments and/or processing results do not constitute proof that an error has occurred for Wool Base, Vegetable Matter Base or Mean Fibre Diameter. Except where an obvious error is detected by check testing, an error can only be proven by retesting all the bales certified by the original Test House. Retesting must be carried out by the original Test House and any other agreed Test House, using approved IWTO. Test Methods and sampling in accordance with the relevant IWTO Test Regulations.

(e) When a Certificate is suspected to be in error, the Test House that issued the Certificate shall conduct a Check Test, before intention to retest is declared and retest procedures are initiated.

Commercial Obligations

(f) Any new Certificate(s) issued as a result of Check Tests or Retests will be binding and the invoice documents shall be amended accordingly, to ensure that neither party to the transaction gains at the expense of the other. Any new Certificate issued becomes final.

(g) When the original Certificate remains binding as a result of check testing and/or retesting, it becomes final and the party initiating the proceedings will be responsible for all actual costs incurred.

(h) When the original Certificate is withdrawn and cancelled as a result of check testing and/or retesting, the original Test House shall be responsible for all actual costs incurred in providing the correct Certificate(s).

NOTE: *This clause does not exclude the original Test House from responsibility for other costs arising as a result of the issue of the original Certificate. Such other costs may be determined by arbitration, but will exclude costs incurred as a result of actions taken without the approval of the Test House. Such approval should not be withheld without due cause.*

Payment

11. (a) In the case of late payment, i.e. if the buyer does not make payment by the due date in accordance with the terms of the contract, the seller has the right:

- to demand payment of interest at the rate of 2% above Libor applied to the currency of the confirmation of the contract, subject to a minimum of 6%, and all additional expenses arising from the recovery of this debt; this shall also apply in the case of late payment of Yield adjustments; in addition to interest for late payment as specified above, the buyer is responsible for any loss sustained by the seller due to any variation between the currency of the contract and the currency of the country of the seller between the due date according to the terms of the contract and the actual date of payment;

and after having served formal notice:

- to demand payment in advance (or any other equivalent security) for the delivery of the goods still to be delivered under the particular contract or under any other contracts existing at the time of default of the buyer, notwithstanding the terms of payment previously established;
- to withhold without prejudice to his further rights, subsequent deliveries, until all overdue payments have been made;
- to cancel the balance of the contract in question and of any other current contract, without the need for legal action, if the buyer does not make such advance payment or does not provide the equivalent security mentioned above within 10 days of receipt of the formal notice.

(b) The due date for payment of the invoice is calculated according to the date of the invoice. Consequences of delay take effect automatically as from the due date. The willingness of the buyer to pay interest does not imply that he has the right to delay payment.

(c) If the goods are sold "loco" the calculation of the due date is determined from the date on which the goods are placed at the buyer's disposal.

(d) Payment is considered as being made in time, only if and when the seller receives payment by the date on which the invoice falls due in the currency stipulated therein. If, however, the due date falls on a Sunday or Bank Holiday, payment may be made on the next business day.

(e) If the seller, contrary to the terms of the contract, is agreeable to accept a Bill, then discount, the drawing of commission and all other charges are to be borne by the buyer after agreement with the seller.

Claims

12. Minor divergence from type or description is not to be a "ground for rejection", but is to be settled by allowance based upon values ruling at the date of the contract. In cases of unreasonable divergence, buyer and seller shall have equal right to one replacement delivery, within a reasonable time to be agreed. If the seller fails to provide a replacement, or if the replacement does not conform to the details of the contract, the buyer has the right to cancel the contract and to claim damages for breach of contract.

Bales which are obviously misdescribed shall be set aside and invoiced back to the seller, with a Certificate that might enable him to be recompensed under any Wool Selling Regulations applicable to his original purchase. They do not have to be replaced, if the quantity falls within the 5% tolerance allowed in Clause 1.

13. Complaints must be made in writing not later than 90 days after the arrival of the wool at the place of delivery nominated in the contract. Claims based on alleged non-conformity or a fault ascertainable when the bales were being examined on receipt can only be lodged when the wool is still in its greasy state, in its original packing and has not undergone any kind of processing, except for the drawing of reasonable samples.

Where contracts are made on the basis of instrument measurements, the specifications, tolerances (if any), Test Methods (preferably identified by the IWTO Specification code number), and Testing House must be agreed at the time of the contract.

Shipment and Delivery

14. (a) For transactions involving wool stored locally, the term "prompt delivery" shall indicate that the wools are immediately available.

    (b) In the case of a contract for "immediate shipment", the seller must have the goods in stock and they must be shipped by the first available vessel.

    (c) In the case of a contract for "prompt shipment", the seller must have the goods ready for shipment within 30 days of the issue of the order or of the acceptance of the offer.

    (d) If the agreed contract terms call for shipment during a specified month, the seller must have the goods ready for shipment no later than the last day of that specified month.

    (e) If the agreed contract terms call for shipment during two (2) consecutive months, the seller must have the goods ready for shipment no later than the last day of the second month.

    (f) When the goods are ready, the seller is responsible for shipment at the first opportunity and the buyer has the right to call for documentary evidence to show that the seller has made reasonable efforts to obtain shipping space and effect shipment.

15. The buyer must take delivery of the goods ordered according to the terms of the contract. If he fails to do so, he will be considered to be in default and the provisions of Clause 11 shall then apply.

B. SCOURED & CARBONISED WOOL

Formation of the Contract

16. Unless otherwise specified in the contract and regardless of the quantity, orders in scoured or carbonised wool may be executed within a margin of 5% above or below the weight of wool stipulated.

17. Contracts shall stipulate the quantity, the specifications of the wool, the price, the basis on which the invoice weight is to be calculated, the terms of payment for the wool, and the delivery terms.

    The price shall be based on either:

    (a) Conditioned Weight at 16% or 17% Regain, calculated from the oven dried mass using IWTO-33 (see Clause 20); or

    (b) IWTO Clean Wool Content as established by Core Test (see Clause 5); or

    (c) IWTO Scoured Yield at R% Regain as established by Core Test (see Clause 5).

18. When an order is given or an offer accepted on a Core Test basis, without an explicit specification of the basis for the determination of invoice weight, the term "Commercial Yield as established by Core Test" shall always be understood to be based on the IWTO Scoured Yield at 17% Regain.

19. Tare allowance shall be based on the trade practice in the country of origin. Claims relating to IWTO Certificates shall be determined in accordance with the relevant IWTO Test Regulations and any other claims shall be dealt with under the procedures adopted by the trade and managed by a Wool Exchange or industry Association in the country of the seller.

Invoice Weight and Fibre Diameter by Core Test

20. In the case of Core Testing, the Invoice Weight (Calculated Invoice Mass) is to be determined using the standard Test Method IWTO-33, and Fibre Diameter is to be determined using IWTO-28 (Airflow) or IWTO-12 (Laserscan) or IWTO-47 (OFDA), applied strictly according to the requirements laid down in the current IWTO Condition Testing Regulations and IWTO Core Test Regulations, respectively.

    NOTE: *Unless otherwise stated, the Airflow value will form the basis of the contract, except for Australian scoured and/or carbonised wool and New Zealand merino wool.*

Colour by Core Test

21. If Colour is specified as a requirement in the contract, it is to be determined using the standard Test Method IWTO-56, applied strictly in accordance with the current IWTO Colour Test Regulations.

Fibre Length

22. If Fibre Length After Carding is specified as a requirement in the contract, the Test Method must be agreed and specifically stated in the contract.

Guarantees and Retests

23. Contracting parties may come to prior agreement on the Testing House(s) to issue the Certificate(s), such Testing House(s) being independent of the sales transaction and having undertaken to carry out tests in accordance with the current IWTO Test Regulations. Valid Certificate documents are only those originally issued by the Testing House or certified copies thereof. When required, Certificate(s) shall be sent to the buyer as soon as possible after their receipt by the seller.

24. Guarantees and Retest Procedures are specified in the relevant IWTO Test Regulations and shall be strictly applied, if invoked. In particular, the following principles and obligations should be noted.

General Principles

25. (a) Test Houses are financially responsible for ensuring that their testing is correctly carried out in accordance with the relevant IWTO or other Test Methods declared on the Certificates, on samples obtained in strict accordance with the current IWTO Test Regulations or Regulations associated with any other certified Test Method.

(b) When an IWTO Certificate issued by a Test House forms part of the basis of a contract, it shall be binding unless proven to be in error. Any new Certificate resulting from Check Test and/or Retest procedures shall be based on all available measurement data, except where evidence exists that certain data is incompatible or in error. The original Certificate shall automatically be withdrawn and cancelled.

(c) A lack of concordance between the Core Test result and subjective assessments and/ or processing results do not constitute proof that an error has occurred for Wool Base, Vegetable Matter Base or Mean Fibre Diameter. Except where an obvious error is detected by check testing, an error can only be proven by retesting all the bales certified by the original Test House. Retesting must be carried out by the original Test House and any other agreed Test House, using approved IWTO Test Methods and sampling in accordance with the relevant IWTO Test Regulations.

(d) When a Certificate is suspected to be in error, the Test House that issued the Certificate shall conduct a Check Test, before intention to retest is declared and retest procedures are initiated.

Commercial Obligations

26. (a) Any new Certificate(s) issued as a result of Check Tests or Retests will be binding and the invoice documents shall be amended accordingly, to ensure that neither party to the transaction gains at the expense of the other. Any new Certificate issued becomes final.

(b) When the original Certificate remains binding as a result of check testing and/or retesting, it becomes final and the party initiating the proceedings will be responsible for all actual costs incurred.

(c) When the original Certificate is withdrawn and cancelled as a result of check testing and/or retesting, the original Test House shall be responsible for all actual costs incurred in providing the correct Certificate(s).

NOTE: *This clause does not exclude the original Test House from responsibility for other costs arising as a result of the issue of the original Certificate. Such other costs may be determined by arbitration, but will exclude costs incurred as a result of actions taken without the approval of the Test House. Such approval should not be withheld without due cause.*

Payment

27. (a) In the case of late payment, i.e. if the buyer does not make payment by the due date in accordance with the terms of the contract, the seller has the right:
- to demand payment of interest at the rate of 2% above Libor applied to the currency of the confirmation of the contract, subject to a minimum of 6%, and all additional expenses arising from the recovery of this debt; in addition to interest for late payment as specified above, the buyer is responsible for any loss sustained by the seller due to any variation between the currency of the

contract and the currency of the country of the seller between the due date according to the terms of the contract and the actual date of payment;

and after having served formal notice:

- to demand payment in advance (or any other equivalent security) for the delivery of the goods still to be delivered under the particular contract or under any other contracts existing at the time of default of the buyer, notwithstanding the terms of payment previously established;
- to withhold without prejudice to his further rights, subsequent deliveries, until all overdue payments have been made;
- to cancel the balance of the contract in question and of any other current contract, without the need for legal action, if the buyer does not make such advance payment or does not provide the equivalent security mentioned above within 10 days of receipt of the formal notice.

(b) The due date for payment of the invoice is calculated according to the date of the invoice. Consequences of delay take effect automatically as from the due date. The willingness of the buyer to pay interest does not imply that he has the right to delay payment.

(c) If the goods are sold "EXW" or "loco", the calculation of the due date is determined from the date on which the goods are placed at the buyer's disposal.

(d) Payment is considered as being made in time, only if and when the seller receives payment by the date on which the invoice falls due in the currency stipulated therein. If, however, the due date falls on a Sunday or Bank Holiday, payment may be made on the next business day.

(e) If the seller, contrary to the terms of the contract, is agreeable to accept a Bill, then discount, the drawing of commission and all other charges are to be borne by the buyer after agreement with the seller.

Claims

28. Minor divergence from type or description is not to be a "ground for rejection", but is to be settled by allowance based upon values ruling at the date of the contract. In cases of unreasonable divergence, buyer and seller shall have equal rights to one replacement delivery, within a reasonable time to be agreed. If the seller fails to provide a replacement, or if the replacement does not conform to the details of the contract, the buyer has the right to cancel the contract and to claim damages for breach of contract.

29. Complaints must be made in writing not later than 90 days after the arrival of the wool at the place of delivery nominated in the contract. Claims based on alleged non-conformity or a fault ascertainable when the bales were being examined on receipt can only be lodged when the wool is still in its scoured, state, in its original packing and has not undergone any kind of processing, except for the drawing of reasonable samples, within the following limits:

(a) When a delivery is less than 50 tonnes, not more than 10% of the total invoiced weight can have been opened or processed.

(b) When a delivery is of 50 tonnes or more, not more than 5 tonnes of the total invoiced weight can have been opened or processed.

Where contracts are made on the basis of instrument measurements, the specifications and Test Methods (preferably identified by the IWTO Specification code number) must be agreed at the time of the contract.

Shipment and Delivery

30. (a) For transactions involving wool stored locally, the term "prompt delivery" shall indicate that the wools are immediately available.

(b) In the case of a contract for "immediate shipment", the seller must have the goods in stock and they must be shipped by the first available vessel.

(c) In the case of a contract for "prompt shipment", the seller must have the goods ready for shipment within 30 days of the issue of the order or of the acceptance of the offer.

(d) If the agreed contract terms call for shipment during a specified month, the seller must have the goods ready for shipment no later than the last day of that specified month.

(e) If the agreed contract terms call for shipment during two (2) consecutive months, the seller must have the goods ready for shipment no later than the last day of the second month.

(f) When the goods are ready, the seller is responsible for shipment at the first opportunity and the buyer has the right to call for documentary evidence to show that the seller has made reasonable efforts to obtain shipping space and effect shipment.

31. The buyer must take delivery of the goods ordered according to the terms of the contract. If he fails to do so, he will be considered to be in default and the provisions of Clause 27 shall then apply.

Technical Parameters for Unbleached Scoured and Carbonised Wool

32. (a) Chemical properties for normal Scoured Wool should be:

- pH in the range from 5 to 10.5;
- Alkali Solubility in the range from 11 to 22%; and
- Dichloromethane Extract not exceeding 1.25%.

(b) Chemical properties of normal Carbonised Wool should be:

- pH in the range from 4 to 7.5, with a maximum of 0.9% acid;
- Alkali Solubility in the range from 11 to 22%; and
- Dichloromethane extract not exceeding 1.25%.

(c) If different parameters are required, these must be notified to the processor, before treatment commences.

(d) If required, control testing of Alkali Solubility shall be carried out at the time of packing, before the product leaves the processor's premises, and the cost will be paid by the party who commissions it.

(NOTE: *In the case of bleached lots, the extent to which Alkali Solubility increases after packing is dependent on the degree of bleaching and the time in stock. and whatever the grade.*

C. TOPS, CARDED SLIVER, NOILS & OTHER BY-PRODUCTS OF WOOL AND/OR OTHER FIBRES

Formation of the Contract

33. (a) The contract is validated by the exchange of written confirmation from both the seller and the buyer, setting out the agreed terms of sale for the product being sold, the price and the specific conditions. Communications sent by email are considered binding, provided the exchange of emails clearly sets out all agreed terms and conditions.

(b) The contract must be documented in writing and, if it requires the actual signatures of both the buyer and the seller to be applied to confirm agreement, it shall be sent in duplicate for signing by both parties. Upon completion, the final signatory shall return one signed copy to the other party. A formal exchange of emails shall be deemed to represent such signing.

(c) The general terms and conditions set out in the agreed confirmation can only be amended:

- if the required variations have been specified clearly and in writing; and
- if both the buyer and the seller have agreed upon the substitute or additional conditions.

(d) When a contract is made on the basis of instrument measurements and IWTO Test Certificates are required to confirm that the product complies with the contract, the specifications, IWTO Test Methods and testing house(s) to be used must be agreed and stated in the contract.

Deliveries

34. (a) Unless otherwise agreed, the weights to be invoiced are the conditioned weights.

(b) Unless the contract states otherwise, the exact weight sold shall be delivered. In cases where the weight specified in the contract is approximate, a margin of ± 5% shall be allowed, subject to a maximum of 500kg.

(c) Fibre Diameter and Fibre Length parameters of wool tops and slivers are to be determined using the relevant IWTO Test Methods specified in the contract, applied strictly in accordance with the current IWTO Regulations for the Testing of Wool Slivers for Mean Fibre Diameter and Mean Fibre Length.

(d) Unless otherwise agreed, the conditioned weight for tops shall be determined using the standard Test Method IWTO-34, applied strictly in accordance with the current IWTO Condition Testing Regulations for Wool Tops.

Payment

35. (a) In the case of late payment caused by the buyer, the seller has the right:

- to demand payment of interest at the higher of 6% per annum or LIBOR+2% applied to the currency of the confirmed contract, plus any additional expenses incurred by him in recovering the debt; and
- to be paid by the buyer for any actual loss due to any variation between the currency of the contract and the currency of the country of the seller between the due date according to the terms of the contact and the actual date of payment;

and, after giving formal notice:

- to demand payment in advance or any other equivalent security for delivery of the goods to be delivered under the particular contract, or under any other contract existing at the time of default of the buyer, notwithstanding the terms of payment previously established;
- to withhold, without prejudice to his rights and until all overdue payments have been made, all deliveries relating to the contact in question or to any other current contract; and
- to cancel the balance of the contract in question without the need for legal action, unless such action is contrary to the law governing the contract, if the buyer does not make such advance payment or does not provide the equivalent security mentioned above within 10 days of receipt of the formal notice.

(b) The due date for payment shall be specified on the invoice and the consequences of any delay shall take effect automatically from that due date.

(c) If the goods are sold "EXW" or "loco", the due date is the date on which the goods are placed at the buyer's disposal.

(d) For transactions in tops or slivers that are subsequently to be conditioned according to the terms of the contract, the due date is the day on which the goods are conditioned. If, however, the buyer wishes to defer this conditioning, the due date is the day on which the goods would otherwise have been conditioned.

(e) Payments are deemed to be on time when transferred by the buyer's bank prior to or on the due date specified on the invoice and in the currency stipulated in the contract.

(f) If, contrary to the terms of the contract, the seller agrees to accept a Bill, the discount fee, the drawing commission and all other charges are to be borne by the buyer after agreement with the seller.

(g) Provided it is specifically agreed in the contract, a deposit may be payable to confirm a forward sale.

Guarantees

36. If the buyer's credit insurance limit is reduced or cancelled, the seller has the right, even after any partial shipment of an order, to ask for such securities from the buyer that are appropriate to enable the seller to carry out its undertakings. Any refusal to meet these requirements shall entitle the seller to cancel all or the undelivered part of the contract.

Claims

37. (a) Notwithstanding the seller's responsibility to deliver product that meets the contract requirements, the buyer must check carefully the state and conformity of the product upon receipt, by sampling.

Faults apparent in the state of the goods at the time of receipt must be notified by the buyer before putting the goods into work and within five (5) working days from the time when the buyer was obliged and in a position to accept the goods.

(b) Faults that are not apparent in the state of the goods at the time of receipt must be notified by the buyer within a reasonable time and no later than five (5) working days after they were capable of being detected and, if practicable, before putting the goods into work.

(c) In case of a claim, the buyer must prove that the fault, whether initially apparent or not, derives from the wool top or sliver stipulated in the contract.

(d) When the buyer's claim is admissible, the seller must replace the defective delivery within an agreed period to be negotiated in good faith. A new delivery date shall be proposed by the seller in the first instance and this must be accepted or rejected within five (5) working days of its receipt by the buyer. If rejected, the buyer shall propose an alternative acceptable date, having regard to the practical circumstances facing both parties. If a new date is accepted, the price and conditions of the original contract shall remain in force.

Provided that the seller accepts fault and is willing to replace the defective delivery at the earliest practicable date, the buyer cannot cancel the contract unilaterally. If the buyer provides documentary proof that the earliest new delivery date offered by the seller cannot satisfy his commitments, the parties shall negotiate the terms upon which the contract can be cancelled and, failing agreement, shall submit the matter to arbitration. If the replacement delivery also fails to meet the specific conditions of the contract and the parties cannot reach an agreement, they shall submit the matter to arbitration.

(e) Any claim lodged more than 12 months after receipt by the buyer can be rejected.

(f) Unless otherwise agreed in writing, the existence of a claim does not entitle the buyer to postpone any due payments.

Shipment & Delivery

38. (a) For transactions involving wool stored locally, the term "prompt delivery" shall indicate that the product is available immediately.

(b) In the case of a contract for "immediate shipment", the seller must have the product in stock and it must be shipped on the first available vessel.

(c) In the case of a contract for "prompt shipment", the seller must have the product ready for shipment within thirty (30) days of either the order being issued or the offer being accepted.

(d) If the agreed contract terms call for shipment during a specified month, the seller must have the product ready for shipment no later than the last day of that month.

(e) If the agreed contract terms call for shipment during two (2) consecutive months, the seller must have the product ready for shipment no later than the last day of the second month.

(f) When the product is ready, the seller is responsible for its shipment at the first opportunity. The buyer has the right to call for documentary evidence to confirm that the seller has made reasonable efforts to obtain shipping space and effect shipment.

(g) If a buyer delays or fails to take delivery as per contracted dates, the seller has the right to charge interest at the higher of 6% per annum or LIBOR +2% applied to the currency of the confirmed contract on the value of the undelivered goods.

Transactions in Product for Delivery at a Later Date

39. (a) In all transactions for delivery at a later date, the buyer is understood to have accepted the goods from the moment when they are found to be in conformity with the type and/or selling sample. The time limit for the ratification of samples is to be agreed by the parties.

(b) If it has been agreed previously that the buyer is to receive a sample of the lot to be delivered, a representative sample is to be submitted to the buyer.

(c) In case of non-conformity, a reasonable divergence cannot be grounds for rejection. In case of unreasonable divergence, the buyer shall have the right to reject the delivery and to claim a replacement delivery, and the seller shall have the right to make a further delivery conforming to the terms of the contract. If the replacement delivery also fails to meet the specific conditions of the contract and the parties cannot reach an agreement, they shall submit the matter to arbitration.

(d) The seller is obliged to deliver goods which are correct. The fact that the buyer, within the appropriate time limit stipulated in the contract, declares that goods or reference samples do not conform to the selling type, and consequently refuses delivery, does not entitle him to terminate the contract. The seller remains obliged to supply the correct goods to the buyer, within a reasonable time.

However, if the second delivery also fails to conform to the selling type and the parties cannot reach an agreement, they shall submit the matter to arbitration.

(e) In all cases where the buyer refuses the proposed delivery, he must make known his intentions in writing within five (5) working days after receipt of the sample or, if laboratory testing is required, within the period specifically agreed by the parties. Silence will be considered as acceptance. The seller must reserve the goods in question during the relevant period.

(f) In the case of non-performance by either party, the contract may be cancelled and damages and interest may be claimed from the defaulting party.

(g) Each part delivery constitutes a separate transaction.

Transactions in Goods Available for Immediate Delivery

40. (a) In transactions for product for prompt delivery concluded on types or on samples, the buyer is obliged to take delivery of the goods as soon as they are found to conform to the agreed types and/or selling samples.

(b) The product shall be considered to be accepted, unless the buyer has given notice of his rejection within five (5) working days from the date the reference sample or the lot was received.

(c) If the goods are still being processed at the time of the transaction, as indicated by the words "on the machines" or "in work", delivery must be made within 20 days from the date of sale, unless otherwise agreed in writing.

Transactions Subject to Ratification

41. Parties intending to enter into contracts where final acceptance is subject to ratification of samples or of the product must reach prior agreement on each of the specific matters to be ratified and on the terms and conditions to be applied for such transactions. If no such agreement has been reached prior to ratification, the grounds for rejection can only relate to matters documented in the contract.

D. WORSTED & WOOLLEN YARNS OF WOOL AND/OR OTHER FIBRES

GENERAL RULES

Delivery

42. Goods sold whether F.O.B. or C.I.F. shall be considered as delivered at the date when they are ready for shipment and invoiced.

43. (a) In case of a contract without fixed dates for delivery, it is understood that specifications for two-thirds at least of the contract must be supplied within six (6) months, the balance within such time as to enable the whole being delivered within 12 months from the date of the contract.

If these conditions are not fulfilled then, at the choice of the seller, the balance of the contract may be cancelled and damages claimed, after due notification by the latter, unless the balance is renewed by mutual consent.

(b) Delivery dates are binding upon the buyer and the seller. In regard to top-dyed worsted yarns or woollen yarns dyed in loose fibre state, the shade sample is to be approved or rejected within 6 days of its receipt by the buyer. Any further delay in approving the shade sample will defer the date of delivery by an equivalent period.

In the case of late delivery, no cancellation or postponement will be considered valid unless preceded by a formal notice by registered letter, the seller reserving the right to be able to deliver within 21 days, counting from the date of the receipt of the formal notice.

If, after the expiry of this period of grace and in spite of the formal notice on the part of the buyer, the delivery has not taken place, the buyer has the option, providing he has specified this in the formal notice, of either:

- cancelling all or part of the quantities, the delivery of which is late; or

- accepting the delivery subject to the payment by the seller of an indemnity for delay which the buyer must justify.

(c) The buyer must take delivery of the goods ordered according to the terms of the contracts. If he fails to do so, he will be considered to be in default. In this case, the provisions of Article 51 shall apply.

Claim for Faulty Yarn

44. Faults apparent in the state of the yarn must be notified by the buyer before putting the yarn into work and within eight (8) days from the time when the buyer was obliged and in a position to accept the yarn.

Latent faults invisible before weaving, knitting, other processing and/or dyeing must be notified within a reasonable time and, in any case, within eight (8) days of the time when they were capable of being detected.

Tests by IWTO Licensed Laboratories

45. Where a difference of opinion arises regarding the count, the weight, or the conditioning of the yarn, the matter shall be submitted for examination by an IWTO Licensed Laboratory agreed by the buyer and the seller. In this case, the expenses of these operations are chargeable, either to the seller or to the buyer, depending upon whether or not the claim is justified.

These same principles and procedures are equally applicable to resolve disputes concerning yarn properties, such as twist and colour.

Only IWTO Licensed Laboratories may issue IWTO Certificates.

Tolerances of Blend Composition in Deliveries Against Contract

46. Blended yarns are subject to a tolerance of composition according to special agreement to be arranged between buyer and seller.

Tare

47. The seller, when quoting for an order, should indicate to the buyer whether tare is to be deducted in respect of tubes or not and, if it is to be deducted, under what conditions. Unless otherwise agreed, differences due to weight of tubes shall be settled in accordance with the custom and practice of the trade in the seller's country.

Rejection of Part Deliveries

48. Rejection of yarn forming part of any contract shall apply only to that particular delivery and shall not invalidate the remainder of the contract of which it forms a part. Similarly, if rejection of only part of a delivery is justified, this shall not invalidate the entire delivery.

Rules Governing Rejected Deliveries

General Rules

49. When rejection of the yarn is justified, the seller shall have the right of supplying the buyer with yarn which conforms to the yarn specified in the contract, provided he can do so within the time specified in the delivery instructions. Provided immediate notice is given that replacement cannot be made within the time initially

specified, either the buyer or the seller shall be entitled to effect or demand replacement within a mutually agreed reasonable time.

Rules for Settlement of FOB and CIF Charges in the Event of Rejected Deliveries

50. When yarn is being rejected, the seller shall be responsible to pay the buyer:

(a) if the yarn has been sold FOB, for freight, carriage from port, clearing expenses, insurance and duty incurred by the buyer in respect of such yarns as may have been rejected; or

(b) if the yarn has been sold CIF, for carriage from port, insurance from the port, clearing expenses and duty incurred by the buyer in respect of such yarn.

Overdue Payments

51. If the buyer does not pay by the due date specified in the contract, the seller shall be entitled to interest from that due date until payment is made, at the rate of 2% p.a. above Libor, subject to a minimum rate of 6%, applied to the currency of the country of the buyer or the country of the seller, whichever is the greater, together with any additional expenses incurred in recovering his debt.

In addition, without prejudicing his rights, the seller shall be entitled to withhold subsequent deliveries until all overdue payments (including the aforementioned interest charges) have been made and, after due notice has been given, to demand payment in advance or equivalent security for such deliveries.

SPECIFIC RULES

Deviation from Worsted Yarn Count

52. (a) Worsted yarns must be delivered as near as possible to the count stipulated in the contract, on a conditioned basis with the rate of regain being that stated on Page 6. Deviations which do not exceed the following limits are acceptable and do not give rise to a claim.

Count	*Limits of Deviation (above or below the Count stipulated)*
Below 15.000 Nm	1/2 count Nm
15.000 - 29.999 Nm inclusive	3/4 count Nm
30.000 - 69.999 Nm inclusive	2.5%
70.000 Nm. and above	3.0%

For this purpose, the only factors which shall be considered in determining the average count of the delivery are the total weight and the total length of the yarn tested, the calculation based on these two (2) factors being in accordance with the count system used in the transaction. In testing the delivery, there shall be five (5) separate tests of a minimum of 50 metres, for each 50 kg of yarn up to 200 kg, and additional separate tests for each 100 kg above 200 kg.

Test specimens shall be selected at random throughout the batch and taken from different cases or parcels and from different levels and sections of the case or parcel.

The average count shall be calculated from all the tests over the whole consignment.

(b) If the difference in count exceeds the above limits of deviation, the buyer has the right to claim an allowance expressed as a percentage of the price of the yarn. The percentage rate of this allowance shall be equal to the difference between the count delivered and the count tolerated, multiplied by 1.5 and expressed as a percentage of the stipulated count.

Example :

Count ordered	*40.000 Nm*
Count tolerated	*39.000 Nm (i.e. 2.5% of deviation permitted)*
Count delivered	*38.500 Nm*
Difference (tolerated - delivered)	*0.500 Nm*
Calculated allowance (500 x 1.5)	*0.750 Nm*

This allowance, expressed as a percentage of the count ordered, establishes the price claim (i.e. 0.750 X 100 / 40.000 = 1.875%).

If the yarn price was 200 currency units per kg, the price allowance is 3.75 currency units (i.e. 200 x 1.875%).

(c) If the difference between the count stipulated in the contract and the count delivered is in excess of twice the limit of deviation set out in the above table, the buyer may either refuse delivery of the yarn at fault or claim an allowance double that set out in paragraph (b) above.

(d) In the case of folded yarns, the limits of deviation are based not on the combined resultant single count of several threads, but on the count of the individual single threads used in the composition of the yarn.

(e) The above rules apply to pure wool yarns, single or folded, dyed or undyed, and also to yarns blended with other fibres.

Unless otherwise agreed, they do not apply:

(i) to mouline yarns, crepons and voiles and, in general, all yarns of hard twist, single and folded called "fancy yarns", for which the tolerances are:
- 20% for counts below 10 Nm; or
- 15% for counts of 10 Nm and above; or

(ii) to lots of 500 kg or less, for which the tolerances set out in paragraph (a) will be increased by 50% for lots from 150 to 500 kg, or by 100% for lots below 150 kg.

(f) When differences in counts of yarn have to be determined for Arbitration purposes, the relevant standard IWTO Test Method must be used.

Weight Tolerances for Worsted Yarn Deliveries Against Contract

53. A total divergence of 5% is admissible against the total weight of the contract. In the case of dyed yarns, the seller may deliver 10% over or under the weight specified for each colour, provided that the total divergence of 5% is not exceeded.

Deviation from Woollen Yarn Count

54. (a) *General*

The average count of woollen yarn delivered shall not exceed the tolerance specified below, such tolerance being calculated as a percentage of the count specified in the contract.

For this purpose, the only factors which shall be considered in determining the average count of the delivery are the total weight and the total length of the yarn tested, the calculation based on these two (2) factors being in accordance with the count system used in the transaction. In testing the delivery, there shall be five (5) separate tests of a minimum of 50 metres each for each 50 kg of yarn delivered. Test specimens shall be selected at random from each and every case or parcel.

The average count of the case or parcel shall be calculated from all the tests on that case or parcel, and the average count of the whole consignment shall be calculated from all the tests conducted on all the cases or parcels in the consignment.

No quantity of less than 100 kilograms, being part of a delivery, shall be the subject of a claim, unless at least 15 such random tests are made on that part.

(b) *Deviation to be tolerated without any allowance*

The buyer must accept, without any allowance, all unscoured yarns (with the exception of folded yarns and fancy yarns, such as those containing hair or decorative fibres) for which the average count delivered is within the relevant limits of deviation set out below.

Count	*Limits of Deviation (above or below the Count ordered)*
Below 1.000Nm	12.5%
From 1.000Nm to 1.999Nm	10.0%
From 2.000Nm to 6.000Nm	7.5%
Above 6.000 Nm	5.0%

NOTES:

(i) For scoured woollen yarns and those dyed on cone, the relevant limit should be increased by one-third.

(ii) In the case of folded yarns, limits of deviation are not based on the combined resultant single count of several threads, but rather on the count of the individual single threads used in the composition of the yarn.

(iii) The above rules apply to both pure wool yarns and to yarns blended with other fibres.

(iv) For yarns generally called "fancy yarns", the limits of deviation are uniformly 15%.

(c) *Deviations to be tolerated with an allowance*

If the average count delivered deviates by more than the limit for the count ordered, as set out in Article 54(b), subject to a maximum excess of a further half of the tolerance, the seller shall allow the buyer a percentage decrease of the value of the yarn equal to the percentage figure by which the average count exceeds the limit of deviation for the count ordered.

Example:

If the price of the yarn is 100 units per kg and the count ordered is 12s metric, and the count delivered is 11.16s metric or 12.84s metric (i.e. deviates by 7%), then the appropriate tolerance limit of 5% has been exceeded by 2%. In this case, the seller shall make an allowance of 2% of the100 units price per kg i.e. 2 price units per kg.

(d) *Deviations giving the buyer the right to reject that part of the contract which is at fault*

If the deviation between the average count delivered and the count ordered exceeds the appropriate tolerance in Article 54(b) by more than half as much again, then the buyer is entitled to reject the delivery (or the particular part of the delivery as defined above) which is at fault.

Example:

If the count ordered is 12s metric and the count delivered is either 10.92s metric or 13.08s metric (i.e. deviates by 9%), then the appropriate tolerance limit of 5%) has been exceeded by 4%, giving the buyer the right to reject the delivery (or part of the delivery) in question.

Weight Tolerances for Woollen Yarn Deliveries Against Contract

55. As it is impossible to spin exact quantities of yarn, the seller is entitled to deliver and receive payment for more or less yarn than the quantity ordered, in each shade and/or quality, provided that the excess or deficiency does not exceed the following limits.

In the case of non-fancy yarns, the tolerances are:

Weight Ordered	*WeightTolerance*
From 50 to 150 kg	+/- 20 kg
From 151 to 300 kg	+/- 30 kg
From 301 to 500 kg	+/- 35 kg
From 501 to 1,000 kg	+/- 60 kg
From 1001 kg to 2000 kg	+/- 90 kg
Above 2000 kg	3.0% with a minimum of 90 kg

In the case of fancy yarns, the tolerance for over- and under-delivery may be increased by agreement between buyer and seller at the time of the making of the contract.

E. FABRICS OF WOOL AND/OR OTHER FIBRES

56. The contract should specify the qualities, quantities, prices, dates and terms of delivery, weight, width, composition, transport instructions, method of packing and the terms of payment agreed in the preliminary negotiations between buyer and seller.

57. If the delivery date, terms of delivery, colour, design and/or any other particulars necessary for the making of the goods are not specified in the contract, the buyer shall provide such particulars in reasonable time to allow performance of the contract. In any event, the necessary particulars shall be supplied by the buyer within such a period as to allow the contract to be completed within the terms of delivery fixed in the contract or, if the delivery date is not specified in the contract, within a maximum period of 12 months from the date of the contract.

58. Unless otherwise stated in the contract, all consignments shall be sent at the risk of the buyer.

Payment

59. If the buyer fails to honour the conditions of payment specified in this or other contracts, or if his solvency is publicly questioned during the course of the contract, the seller reserves the right, subject to giving reasonable notice and without having to pay damages, either to suspend deliveries or to cancel the contract or the balance of the contract, and/or to claim damages for breach of contract.

60. If the buyer does not pay on the day when payment is due in accordance with the terms of the contract, the seller shall be entitled to be paid interest from that due date until payment is made, at the rate of 2% p.a. above Libor, subject to a minimum rate of 6%, applied to the currency of the country of the buyer or the country of the seller, whichever is the greater. In addition, the buyer shall reimburse the seller for any additional expenses incurred in recovering the debt.

    In addition, without prejudicing his rights, the seller shall be entitled to withhold subsequent deliveries until all overdue payments have been made, including the aforementioned interest charges, and he is also entitled to demand payment in advance (or an equivalent security) for such deliveries.

61. Except when the contract stipulates otherwise, the price quoted in the contract shall not include those expenses which arise out of customs duties, taxes and any other fiscal charges. Unless it is contrary to law, all such expenses shall be met by the buyer, including any increases arising after the contract has been made. If they cannot be invoiced separately, the contract shall be amended to increase the agreed price.

Claims

62. The seller or his agent must be given an opportunity to inspect any goods on which claims have been made.

    Claims for patent defects will only be considered if they have been made within 15 days after receipt of the goods. No claim will be entertained for goods which have already been processed in any way, cut up, altered, or which have been utilised by the buyer in a general way. Goods which have been soiled or damaged also cannot be made the subject of claims, unless the seller's packaging is patently at fault.

    Claims for latent defects must be made within a period of eight (8) days from the date when it was possible to discover those latent defects.

    If any part of the goods tendered or delivered is found not to be in accordance with the contract, the buyer shall not be entitled to reject the remainder of the goods for that reason alone, whether already tendered, delivered or yet to be delivered.

63. The method for ascertaining the weight of cloth of wool and/or other fibres is based on exposing the material, without tension and in such manner as to allow air to freely circulate round it, for at least 24 hours

in the IWTO atmosphere having a relative humidity of 65 +/- 3% and a temperature of 20 +/- 2 deg. Centigrade (defined in IWTO-52), as laid down in the standard IWTO Draft Test Method DTM-22.

64. The customs and practices of the trade shall be taken into account in determining whether goods tendered or delivered are in accordance with the contract.

CODE OF FAIR TRADING IN DESCRIBING WOOL TEXTILES

The following rules are adopted to eliminate practices that might otherwise tend to deceive buyers and consumers, either unintentionally or deliberately.

Use of Language

65. A manufacturer or trader may mark and/or describe the goods he is offering in a language other than that of the country of origin, provided that he indicates, with equal emphasis and prominence, the country where the goods have been made. Examples are:

Article pure laine - Fabriqué en Angleterre or *Thoroughly shrunk - Made in Italy.*

Use of Geographical Names

66. Names of countries, cities, towns, districts etc., may be used only to describe goods made in those localities, with the following exceptions.

(a) The term *London Shrunk* describes a process which is no longer available only in London and, therefore, it may be used in any language provided that words "*Made in ... (the country of manufacture ...)*" are also used in the description, with equal emphasis and prominence.

(2) *Saxony, Tweed and Cheviot* no longer have any geographical significance and may be used without further qualification.

(3) The term *Shetland* no longer has any geographical significance and may, therefore, be used without denoting origin, unless qualified as *100% ..., Pure..., Real ... or Genuine ....*

Trade Marks

67. As practices in the registration of trade marks throughout the world are not uniform, the International Wool Textile Organisation considers that the following should be ineligible for registration:

(a) geographical names or phrases incorporating geographical names and/or marks incorporating national flags or emblems, unless the goods are made in the geographical areas stated and/or the flag or emblem is relevant to that specific area; and

(b) words already in established common usage for the description of wool textile goods.

WOOL LABELLING

68. Wool Labelling is the subject of regulations in many countries and, where this is the case, those international rules take precedence.

The International Wool Textile Organisation recognises that it is not possible for all countries to adopt strictly identical regulations, but it recommends that wool textile organisations in Member-countries adopt regulations consistent with the general principles set out herein.

69. Wool Labelling should be focused on the interests of the consumer and, consequently, any indirect benefits which may accrue to the wool grower or wool processor are incidental.

70. Wool is a noble fibre possessing unique properties. Nevertheless, there is a vast range of wool types, with different qualities being suitable for different purposes. For this reason, it is unwise for the consumer to trust wool labelling alone to judge the quality of an article and its fitness for a specific purpose. Wool Labelling should be regarded as covering the quantitative composition of wool products, rather than their qualitative aspects.

71. The term "*Wool*" and words derived therefrom, should refer exclusively to the fibres of the fleece of sheep, but may include wool-rich blends with hair from alpacas, llamas, vicunas, yaks, camels, cashmere goats, mohair goats, angora rabbits and/or cashgora goats.

72. Notwithstanding the blending of wool with hairs mentioned in Article 71, the fleece of sheep must not be misdescribed as alpaca, llama, vicuna, yak, camel, cashmere, mohair, cashgora, angora, or rabbit, as these names confer added qualities to the consumer.

73. It is essential that terms such as "*pure wool*", "*all wool*", "*entirely wool*", "*wool*", or equivalent descriptions, are only used for yarns, fabrics and articles that are exclusively composed of wool, as defined in Article 71.

74. Wool products which are not composed entirely of wool may be described by declaring the percentages by weight of component fibres. In such cases, the seller must state the percentage of wool in the composition, even if disclosure of the other materials in the blend is optional.

    However, if these other materials are to be indicated as percentage figures or as ranges, they should be named in order of decreasing importance and reported on all documents in the same sized characters as used to indicate the percentage of wool.

75. Regardless of the method adopted, the provisions governing wool labelling in various countries should address requirements for:

    (a) materials which are not taken into account, either in the description of the goods or in the calculation of the percentage of component materials, such as:

    - marks, selvedges, fringes, linings, buttons and, in general terms, ornaments, decorations and accessories;
    - textile fibres other than wool, incorporated to produce decorative effects and amounting to a proportion not exceeding 7% of the total weight; and
    - as far as carpets, tapestries, velvets, plushes, ring fabrics and double cloths are concerned, the materials required for binding or in the composition of the backing or of the canvas;

    and/or

    (b) manufacturing tolerances covering accidental impurities or a priori uncontrollable deviation from the declared composition, which may be due to the fact that wool is more hygroscopic than most other fibres and, therefore, absorbs or loses more weight than these fibres when the natural moisture of the atmosphere changes.

    For the manufacturing tolerances envisaged in paragraph (b) above, the following rules are recommended for countries that have no legal provisions in this area:

    (i) for products composed exclusively of wool, as defined in paragraph 73:

    Woollen products: tolerance not to exceed 5%

    Worsted products: tolerance not to exceed 5%.

    (ii) for products not composed exclusively of wool, the declared percentage of wool may have a tolerance not exceeding 4%.

76. The percentages of component materials are to be calculated, taking into account the legal, contractual or customary regains and after all non-textile materials have been deducted.

77. In certain countries and languages, when words such as "*worsted*" *(peigné)* or "*woollen*" *(cardé) are* used alone, the consumer assumes they are wool products. Consequently, these and any other terms tending to mislead must be accompanied by the name(s) of the other component material(s).

78. National regulations concerning wool labelling should apply both to sales to the ultimate consumer and to previous transactions, taking into account the practical differences required to suit raw materials, semi-finished goods and/or products entering the retail chain.

    For early stage products, it is sufficient that the descriptions set forth on the invoices conform to the rules laid down by the national regulations, whereas the labelling provisions should be stricter for goods sold to the consumer.

79. It is also recommended that exporters should have the right to use any descriptions legally permitted in the country of destination. On the other hand, national regulations on wool labelling should apply to all wool products entering into trade in the country where the legislation is in force, regardless of their provenance or origin.

80. Carpets, blankets, knitted goods and articles destined for industrial usage should be the subject of special labeling provisions, consistent with the above recommendations.

81. Any code of wool labelling should permit a more detailed description of the fibre content of the product to be given, provided it is true and not misleading.

82. Codes of Practice approved and adopted by the International Wool Textile Organisation shall form part of this Blue Book and be included as Appendices to it.

APPENDIX 1: IWTO ARBITRATION REGULATIONS

Preamble

1. Where an Arbitration to be conducted in conformity with the provisions of the International Wool Textile Arbitration Agreement is unable, for whatever reason, to be conducted by the National Committee or other competent body in the country of the seller, and unless both parties come to prior agreement upon other arrangements, the Arbitration shall be conducted by the IWTO Arbitration Tribunal under the following Regulations.

IWTO Arbitration Tribunal

2. The Arbitration Tribunal shall comprise the members of the IWTO Executive Committee, of whom not less than four (4) shall form a quorum.

   The President of IWTO shall be Chairman of the Arbitration Tribunal.

   All decisions of the Tribunal shall be made by a majority vote of members. In the event of a tied vote, the Chairman shall have the casting vote.

   The Tribunal shall be convened by its Chairman, when he considers it necessary, but it must also be convened if two (2) members so request. It shall be convened by email, fax, telex or mail, with an appropriate Agenda.

   The Tribunal may not make decisions on matters that are not on its Agenda. For the Committee's decisions to be valid, at least three (3) members must vote. Members may vote by email, fax, telex or letter addressed to IWTO's Head Office. Members who are present at a meeting or who cast their vote in writing shall be considered as taking part in the voting.

3. The Arbitration Tribunal is responsible for the application of these Regulations and the general conduct of the procedure. It will examine any claims which might be put forward and appoint Arbitrators.

   The functions of Secretary of the Arbitration Tribunal shall be assumed by the Director General of IWTO or his deputy. He is responsible for the detailed conduct of the Arbitration, shall attend all meetings of the Tribunal (but have no right to vote), and shall keep the Minutes. Certified extracts from the Minutes may be issued to third parties by the Chairman or Secretary of the Tribunal.

Acceptance of Arbitration

4. Any application for Arbitration shall be sent to the Secretary of the Arbitration Tribunal at the IWTO's Head Office. The Arbitration procedure shall be governed by the Arbitration Act of the United Kingdom and shall conform in all respects to the international obligations arising therefrom within the framework of the UNCITRAL Arbitration Rules.

5. The application for Arbitration must contain:

   a. the names and addresses of the parties concerned;

   b. a summary of the facts in dispute;

   c. the claims of the plaintiff; and

   d. a deposit, the amount to be charged to be published by IWTO.

6. Within 15 days of receipt of the above application, the Secretary of the Arbitration Tribunal shall send a copy of this application and of these IWTO Arbitration Regulations to the other party, requesting it to submit to him a brief reaction to the subject matter of the dispute and to the statement of claim. This reply will be sent to the plaintiff.

7. When the reply to the claim is received (from the other party) or 4 weeks after the claim has been received by the other party, the Arbitration Tribunal shall be convened, provided that the applicant is an IWTO member. If the applicant is not a member, an administration fee has to be paid. If both parties are not members, IWTO has the right to refuse the arbitration

8. If the Arbitration Tribunal considers the request for Arbitration to be admissible, it shall, in the first instance, so advise the parties and indicate its intention to appoint a single Arbitrator. Either party may then object to the appointment of a single Arbitrator and, in that event, the Tribunal shall appoint a further two (2), making a total of 3 Arbitrators.

9. The Secretary of the Arbitration Tribunal shall then send to both parties the Form of Acceptance of Arbitration giving:

a. the identity and addresses of the parties;

b. the matters in dispute, a summary of the claims of both parties and the Acceptance of Arbitration by the parties involved; and

c. the name(s) of the Arbitrator(s).

10. Within the 15-day period from receipt of the Form of Acceptance of Arbitration, either party shall have the right to object to any of the nominated Arbitrators and, if in the opinion of the Committee the objection is reasonable and is accepted, a replacement Arbitrator shall be nominated. After this 15-day period, the nominated Arbitrators may only be challenged in relation to a matter that has occurred after their nomination. The validity of such challenge shall be judged by the Arbitration Tribunal.

11. The parties shall return the signed Acceptances to IWTO's Head Office as soon as possible and in any event within 15 days of their receipt. Each party shall also transfer the sum of € 1,000.00 to IWTO, as a deposit to cover expenses. The Tribunal may, at its discretion, fix this deposit at a higher sum. The deposit may be returned in whole or in part, depending on the decision of the Tribunal, in accordance with Clause 20 below.

12. The single Arbitrator or the three (3) Arbitrators shall comprise the Arbitration Panel.

Conduct of Arbitration

13. Within three (3) months of receipt of the Forms of Acceptance of Arbitration, the Secretary shall convene a meeting of the Arbitration Panel, either at the IWTO office or elsewhere, at the Panel's discretion. The claimant and the defendant shall be advised of this meeting at least 30 days in advance, and will be requested to produce their arguments and supporting evidence in writing.

14. If any of the parties subsequently refuses to continue with the Arbitration, and provided it has signed the Acceptance of Arbitration, the procedure may be continued "*ex parte*", but the defaulting party must be advised of each step of the procedure and be given every opportunity to participate fully in the procedure, as if it had not refused to continue.

15. The Panel shall consider the original submissions and may, at its discretion, decide to ask either party for further written evidence, which shall be produced within 15 days. The original submissions and any further evidence shall be sent to all parties, who shall have the opportunity to respond. The Arbitration Panel may also seek independent expert advice, and have any laboratory test(s) conducted that it may deem appropriate. The Panel shall also, at its discretion, fix a final date for submissions and shall advise all parties of this date.

16. The Secretary may attend all meetings of the Panel, but shall have no power to vote.

17. The Panel shall make its award within six (6) months from the date the signed Forms of Acceptance of Arbitration were received, or from the expiry date of the 15-day period allowed for receipt. In exceptional circumstances, the Panel may extend this time limit by three (3) months, giving its reasons for this decision, which may be repeated once only.

18. The award of the Panel shall be made by the single Arbitrator, or by a majority vote in the case of three (3) Arbitrators. The award shall be final and binding and no appeal may be made against it.

19. The award shall be signed by the Arbitrators, and the Secretary shall send copies to all parties concerned.

20. The award shall indicate the costs of the Arbitration and how they shall be divided between the parties.

21. Neither the IWTO, nor the Arbitration Tribunal, nor any Arbitrator shall be liable for any loss or damage in connection with the Arbitration.

22. Parties shall not invoke the failure to respect time limits stipulated in these Regulations as a means of rendering the procedure null and void.

APPENDIX 2: FABRIC LABELLING CODE OF PRACTICE

QUALITY DEFINITIONS RELATING TO "SUPER *S"*

Pure Wool Fabrics

The word SUPER (as in SUPER 100s for example) can only be used to describe fabrics made from pure new wool, and the *"Super S"* value is determined by, and must comply with, the Maximum Mean Fibre Diameter values in the following table:

"Super S" Value	*Maximum Mean Fibre Diameter of Wool*	*"Super S" Value*	*Maximum Mean Fibre Diameter of Wool*
SUPER 80s	19.75 µm	SUPER 170s	15.25 µm
SUPER 90s	19.25 µm	SUPER 180s	14.75 µm
SUPER 100s	18.75 µm	SUPER 190s	14.25 µm
SUPER 110s	18.25 µm	SUPER 200s	13.75 µm
SUPER 120s	17.75 µm	SUPER 210s	13.25 µm
SUPER 130s	17.25 µm	SUPER 220s	12.75 µm
SUPER 140s	16.75 µm	SUPER 230s	12.25 µm
SUPER 150s	16.25 µm	SUPER 240s	11.75 µm
SUPER 160s	15.75 µm	SUPER 250s	11.25 µm

The Test Methods to determine the Mean Fibre Diameter values are noted in the Regulation defining the Code of Practice.

Regulations

Regulatory procedures controlling the operation of this Code of Practice are published in the White Book of IWTO Regulations.

APPENDIX 3: TRADITIONAL GREASY WOOL CONTRACT CONDITIONS

(Based on Processing Yield Calculation and Guarantee of Yield)

1. Whereas the Yield for greasy wool pricing is generally established on the basis of Core Testing, in accordance with the specific conditions set out in Clause 5 of the Blue Book, some combing wool is traded on a "clean scoured" basis. This Appendix sets out the specific conditions relating to such transactions.

2. When an order is given or an offer accepted on a Clean Scoured Yield basis, without the explicit addition of "for carding", "for scouring", "for carbonising" or "for scouring and deburring", the contracted Yield basis shall be the Schlumberger Dry Combed Yield.

3. In the case of combing, the Clean Scoured Yield includes top, noil and combable wastes, as well as the outsorts determined under the provisions set out in Clause 10 of this Appendix. The conditioned weights of the top and the noil must be calculated at the relevant standard regains adopted by IWTO.

4. In the case of scouring, carbonising and/or deburring, the Clean Scoured Yield shall be as follows:

   (a) *for scouring only*: the conditioned weight obtained after scouring (at 17% regain);

   (b) *for carbonising only*: the conditioned weight obtained after scouring and carbonising (at 17% regain);

   (c) *for scouring and deburring*: the conditioned weight obtained after scouring and deburring (at 17% regain); in this case, the burr waste resulting from the deburring process must be calculated as outsorts, on the basis of the commission scourer's yield estimate, and added to the Yield.

5. The buyer must allow the seller or his representative the opportunity of inspecting the wastes from the lot being processed (including shoddies and burrs), failing which he will lose the right to the guarantee of yield.

   If he considers it useful, the buyer can invite the seller of the greasy wool or his representative, to examine the wools during sorting and before further processing. If the seller or his representative does not take up this invitation, he foregoes any rights to object at a later examination of the wastes (including shoddies and burrs), or to withdraw his guarantee of yield. When the buyer invites the seller or his representative to examine the greasy wool, he shall do so by email, telex, facsimile or registered letter and shall allow the seller or his representative a period of eight (8) working days to conduct the examination. Any inspection of the wastes (including shoddies and burrs) must take place within eight (8) working days from the date the combing results are received by the seller, such receipt being verifiable by the signed record of receipt of the registered letter.

   In the event of disagreement and subsequent inability to reach an amicable solution about the percentage of wastes (including shoddies and burrs), the matter shall be submitted to Arbitration under the provisions laid down in the International Wool Textile Arbitration Agreement. In derogation of *Article IV* of that Agreement (set out on Page 4 of this Blue Book), the Arbitration Panel shall be composed of a neutral comber, a seller of greasy wool, plus a member of the National Committee of the country in which the wool was processed, who will preside over and organise the Arbitration.

6. If the Yield is to be guaranteed reciprocally, this condition must be agreed when the order is given or when accepting an offer and, at the same time, it must be specifically agreed as to whether this is to be a full guarantee or a guarantee with a mutually arranged margin pro and contra. When a sale has been arranged with a specific margin of tolerance (e.g. 1% pro and contra) in the guaranteed Yield, but at a later date both parties agree that the calculation of Yield shall be based on a Core Test rather than on the processing Yield (e.g. on an IWTO Commercial Yield as defined in the IWTO Core Test Regulations), the mutually arranged margin will remain valid and be applicable to the Yield established by Core Test, provided that the buyer and seller have made no agreement to the contrary.

7. If the Yield is guaranteed by the seller, the parties must reach prior agreement as to the establishment(s) to undertake the processing.

8. The total number of bales in the contract must be treated to establish the Yield, unless otherwise agreed. The minimum proportion to be treated, and/or the number of bales below which no guarantee of yield will be admitted, must be stipulated in the signed contract. Notwithstanding, the minimum number of bales

should not be less than 50 Australian conventional bales or an equivalent weight and the minimum combing parcel of one quality shall not be less than 5,000 kg of greasy wool.

In order to establish an accurate average Yield for the wool to be treated, the bales for processing shall be selected to represent all component marks in proportion to the whole.

NOTE: *The word "proportion " relates to the weight of wool in its greasy state.*

9. In order to enjoy the guarantee of Yield given by the seller, the wool must be treated within five (5) months of arrival at the port of destination. If, for exceptional reasons, this time limit cannot be observed, the buyer must notify the seller and negotiate reasonable terms for an extension. The Yield must be sent to the seller within 30 days of the processing being completed, excluding periods of annual holidays that might inhibit the establishment treating the wool from preparing the Yield documents or might prevent the buyer from sending those documents to the seller.

   A claim for underyield will only be considered if the buyer has checked the weights invoiced by reweighing and has supplied the seller with weighing-in notes in certifiable form, to enable the seller to lodge short weight claims in accordance with the provisions of the relevant wool selling regulations in the country of origin.

   If the buyer wishes to have wool bought on a guaranteed Yield treated with other wool, whether bought on a guaranteed Yield basis or not, he must reach agreement with the seller, before treatment, as to whether and under what conditions he might be willing to maintain his guarantee.

   If the seller and buyer have arranged to settle claims for underyield or overyield on the average result of all the wool shipped during one season, all adjustments for wools from each country of origin shall be aggregated on a single invoice or account.

   Care must be taken to detect and set aside any bales that are obviously misdescribed, for invoicing back to the seller with a Certificate that might enable him to be recompensed under any wool selling regulations applicable to his original purchase.

10. Separate accounts must be made for:

    (a) Clean scoured wools;

    (b) Carbonised wools;

    (c) Clean scoured and deburred wools; and

    (d) Wools combed and/or in carded sliver.

    For combed wools or carded sliver, the processing Mill Report for a specified lot must be presented to include the following items:

    (i) Tops;

    (ii) Carded slivers;

    (iii) Noils;

    (iv) Finishing bits or laps;

    (v) Second shoddy;

    (vi) Strippings;

    (vii) First shoddy after re-working, not now incorporable;

    (viii) Unprocessed shoddy;

    (ix) Burrs after re-working, not now incorporable, plus unprocessed burrs that cannot be incorporated;

    (x) Unprocessed burrs;

    (xi) Floquettes from first shoddy; and

    (xii) Floquettes from burrs.

    NOTE: *Items not produced will be shown with a "nil" result.*

    Subject to the reserve contained in the last paragraph of Clause 5, the Clean Scoured Yield will be comprised of the above-mentioned items (i), (iii), (iv) and, where produced, items (xi) and (xii).

"Floquettes" from first shoddy and from burrs are to be taken into account, particularly at the end of a combing lot, when it is impossible to incorporate some of these "floquettes" in the lot.

However, if the buyer refuses to consider these "floquettes" from first shoddy and from burrs as combable wastes, it is incumbent on him to reach agreement with the seller as to the weight of Clean Scoured Yield contained in them in relation to the value of the noils.

If the value of these "floquettes" does not exceed 75% of the price of the noils, they will not be included in the calculation of the Clean Scoured Yield.

All outsorts are calculated on the Yields estimated by the comber, the scourer or the carboniser, subject to agreement by the buyer and seller. If no such agreement can be reached, an independent assessment shall be made.

11. The processing Mill Report is to be prepared from, and supported by, the original documents. For Crossbred wools, at least 80% of the greasy wool must have been processed as the basis for this Report, whereas the minimum for Merino wools is 85%.

12. If purchases are made on guaranteed Yield, and providing the contracting parties have made no agreement to the contrary, the calculation of Yield is to be made in conformity with the following example, which is based upon a guaranteed Yield with 1% margin.

Statement of Yield of Wool Combed on Guaranteed Yield Basis with 1% Margin

Example: Mill 1

200 bales of greasy wool weighing 30,000 kg net, with an estimated 68.0% combing Clean Scoured Yield of 20,400 kg, which @ USD 5.12 = USD 104,448.00) and

250 bales of greasy wool, weighing 37,500 kg net, with an estimated 66.2% combing Clean Scoured Yield of 24,825 kg, which @ US $ 4.65 = USD 115,436.25

i.e the total combing lot is 450 bales weighing 67,500 kg, with an average estimated 67.0% combing Clean Scoured Yield of 45,225 kg, which @ USD 4.862 = USD 219,884.2

Actual Mill 1 Result:	*Top*	*62.37%*	*42,099.75 kg*
	Noils	*3.98%*	*2,686.05 kg*
		66.35%	*44,785.80 kg*

No refund is due because the actual underyield falls within 1% margin of the estimated yield.

Example: Mill II

The input data for the 450 bales in the combing lot is identical to the above Mill 1 example.

Actual Mill 2 Result:	*Top*	*61.71%*	*41,654.25 kg*
	Noil	*3.94%*	*2,659.50 kg*
		65.65%	*44,313.75 kg*

In this case, the result exceeds the 1% Margin, so the final invoice Yield is reduced to 66.65% and the invoice weight becomes 44,988.75 kg, which @ USD 4.862 = USD 218,735.30. The difference between this value and the original invoice (i.e. USD 1,158.95) is to be refunded by the Seller.

In the case of overyield, the difference to be refunded by the buyer is only due on that part of the overyield which exceeds the margin guaranteed.

Yield adjustments must be settled within 30 days of the parties reaching agreement and shall be paid in the currency of the confirmation of the contract.

The surplus in the case of underyield, or the shortage in the case of overyield, takes effect (at a rate of 1% above the Libor of the currency of the confirmation of the contract) from the due date of the original invoice up to the date of the parties reaching agreement. If the surplus or shortage is not settled within this time, an additional interest penalty charge becomes payable for the period from the end of that time up to the actual payment date, at the late payment interest rate stipulated in Clause 11(a) on Page 11.

APPENDIX 4: LABELLING CODE OF PRACTICE FOR "ORGANIC" AND "ECO" DEFINITIONS

"ORGANIC" DEFINITIONS

The term "organic wool" and similar terms used to describe other organic fibres (e.g. organic cotton) are widely used in the textile industry. The term "organic" is, in many countries prescribed by legislation, and when used as a descriptor in those countries, that usage must conform to the definition enshrined within the local legislation.

Notwithstanding legislative requirements, the terms are also used in labelling to describe both the raw fibre and manufactured product (e.g. garment). In certain instances, the use of the term can be ill-defined.

The following definitions have been adopted by the IWTO for the precise description and differentiation of organic wool fibre.

Organically-grown wool:

Wool grown by sheep raised on certified organic farms and harvested according to appropriate organic practices. The farm must be certified 'organic' by an IFOAM-accredited or internationally recognised (according to ISO Guide 65) certifier. The organic wool and farming practices:

- must meet the standards enshrined in the legislation of the country in which the ultimate products are sold, where they exist; or
- where the country in which the ultimate product will be sold is not known, must meet a recognised international standard or the national standard from the country of origin.

Notification of the standard to which the farm is certified must accompany the 'organic descriptor' of the wool.

NOTE: *Recognised standards include, but are not limited to USDA National Organic Program and EEC Regulation 2092. IWTO reserves the right to exclude from this definition, standards that are deemed to be not sufficiently rigorous.*

FINAL NOTE: *An IWTO Code of Practice is being drawn up for the production and processing of Organic Wool, which will augment and add guidance for the application of definitions of Organic Wool and its Products that may be applied in all world markets.*

ECO-WOOL DEFINITIONS

The term "Eco-wool" and similar terms used to describe other Eco-friendly fibres are widely used in the textile industry. The term "Eco" is, in some countries, prescribed by labelling legislation, but in most situations is ill-defined.

The following definitions have been adopted by the IWTO for the precise description and differentiation of Eco-Wool fibre and Eco-Wool products.

Eco-wool:

Wool in which residual pesticides on the greasy wool fibre do not exceed the limits set by EU Eco-label.

Eco-wool product:

A product manufactured from Eco-wool (defined above), which has been processed and/or transformed in accordance with the specifications of the EU Eco-label[1,2]. The processor must meet the trade waste requirements of the local environmental control authority where these are more restrictive than those defined for the EU Eco-label.

Eco-wool-containing product:

A product manufactured from a blend of Eco-wool (as described above) with other fibres allowed by the EU Eco-label. The wool must constitute greater than 50% of the blend. All fibres in the blend must be processed and/or transformed in accordance with the specifications of the EU Eco-label[1,2]. The processor must meet the trade waste requirements of the local environmental control authority where these are more restrictive than those defined for the EU Eco-label.

NOTES

1. *It is not necessary for growers, processors or sellers to apply for or use the EU Eco-label. However, the wool, processing and products must conform to the requirements for the label.*
2. *Processors may process to the specifications laid down in other Eco-type labels provided such labels do not allow the use of chemicals, dyes and auxiliaries proscribed by the EU-Eco-label.*

APPENDIX 5: FORMATS & PROTOCOLS FOR ELECTRONIC DATA TRANSMISSION

Field Nr	Field Name	Numbers of Characters	Nr. of decimals	Explanatory Notes
01	Farm or Supplier	40	0	Farm, Supplier, Combing Mill and/or Scour etc.
02	Docs Number	40	0	Packing List Number
03	Lot Nr	20	0	Lot Number
04	Batch Nr	20	0	Batch Number
05	Bale Nr	10	0	Bale Number
06	Client Code	10	0	
07	Product Code	20	0	*(In case of future products codification)*
08	Description	5	0	Product Type or Description
09	Kg Gross	9	2	Gross Weight
10	Kg Tare	9	2	Tare Weight
11	Kg Net	9	2	Net Weight
12	Kg Conditioned	9	2	Conditioned Weight
13	Gain % (Scoured/Carbonised/Tops)	8	5	
14	Official Regain (Scoured/Carbonised/Tops)	8	5	Official Regain %
15	Fatty Matter Content (Scoured/Carbonised/Tops)	5	1	Dichloromethane Extract
16	Ash Content (Scoured/Carbonised)	5	1	
17	Length - Barbe (Tops)	5	0	
18	CV Length - Barbe (Tops)	5	1	Coefficient of Variation
19	Length - Hauteur (Tops)	5	0	
20	CV Length - Hauteur (Tops)	5	1	
21	% Short	5		% Short Fibres (Tops)
22	LAC -Barbe	5	0	Length After Carding (Scoured/Carbonised)
23	CVLAC - Barbe	5	1	Length After Carding (Scoured/Carbonised)
24	LAC - HM	5	0	Length After Carding (Scoured/Carbonised)
25	CVLAC - HM	5	1	Length After Carding (Scoured/Carbonised)
26	Yield (Greasy)	5	1	Schlumberger Dry
27	Yield Type	5		Schlumberger Dry or other
28	Kg Clean	9	1	Total Lot Clean Weight
29	VM	5	1	Vegetable Matter Base %
30	MY AF	5	1	Mean Fibre Diameter (Airflow)
31	MY LSCN	5	1	Mean Fibre Diameter(LASERSCAN)
32	MY OFDA	5	1	Mean Fibre Diameter (OFDA100)
33	SDD LSCN	5	1	SD Fibre Diameter (LASERSCAN)
34	SDD OFDA	5	1	SD Fibre Diameter (OFDA100)
35	CVD LSCN	5	1	CV Fibre Diameter (LASERSCAN)
36	CVD OFDA	5	1	CV Fibre Diameter (OFDA100)
37	SL Greasy	5	0	Staple Length (Greasy)
38	CVSL	5	1	CV Staple Length
39	Strength	5	0	Staple Strength
40	CVSS	5	1	CV Staple Strength
41	% MB	5	0	% Mid Breaks
42	Colour X	5	1	Colour X
43	Colour Y	5	1	Colour Y
44	Colour Z	5	1	Colour Z
45	Mulesing Status of Wool	2		NM (Non mulesed) / CM (Ceased mulesing) / PR (Pain Relief) / 0 or ND (Not declared)
46	Notes	40		*(Empty for future Notes)*

Draft Electronic Data Transmissions Specifications

Type of file: Text (CSV)

Field delimitation: Semicolon " ; "

Number of fields: 46