

PRICE ASSESSMENT METHODOLOGY AND SPECIFICATIONS

Graphic Papers – Asia

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Except for the specifics on quarterly Japan and South Korea prices under “Grade Detail and Specifications” below, this methodology does not apply to Japan and South Korea prices, which are sourced from a third party.

KEY CONCEPTS

Each price assessment is...

RISI's assessment of the **open market** net price based on **actual transaction prices** and supporting data gathered from a **systematic survey of buyers and sellers** that has been **rigorously evaluated**.

Open market prices are those arrived at through negotiation, so exclude transactions between affiliated parties (e.g. a mill and an affiliate convertor) as well as "indexed" transactions, i.e. transactions whose price is determined by a formula based on published prices (whether from RISI or other source) (See "Grade detail and specifications" below)

Actual transaction prices form the bulk of data in each assessment; supporting data like price offers made or received is used to support transaction data. (See "Types of data considered" below)

Systematic survey of buyers and sellers: Survey has thorough representation of the market and includes both buyers and sellers, and a range of players from small to large. (See "Data collection process" below)

Rigorous evaluation: Assessment procedures include evaluation, verification, weighting and aggregation, plus confirmation of the assessment by a supervising editor. (See "How prices are assessed" below)

About this methodology

RISI Indices is the division of RISI responsible for price assessments. This document describes the procedures RISI Indices uses to determine its price assessments for Graphic Papers in Asia. This methodology has been strengthened by application of the Principles for Oil Price Reporting Agencies published by IOSCO, the International Organization of Securities Commissions (www.iosco.org).

RISI has *voluntarily* chosen to adapt these principles to the markets we cover even though our markets fall outside of the governance of IOSCO and the Principles. That's because these guidelines represent the internationally recognized gold standard in price assessment. By adapting and implementing these principles, RISI demonstrates its commitment to providing the highest degree of reliability in price reporting.

For more on the Principles and how RISI has applied them, see "Implementation of IOSCO's Principles for Oil Price Reporting Agencies" at www.risi.com/iosco.

HOW PRICES ARE ASSESSED

RISI Indices creates price assessments in accordance with this methodology document and our internal Price Assessment Procedures Manual.

Who assesses prices

Prices are assessed by an Asian team of graphic papers editors and analysts, including some working for RISI subsidiary UM Paper. Standards for training, experience and skills required for editors involved in price assessment, as well as supervision of editors, are described in the RISI Indices Price Assessment Procedures Manual.

Data collection process

RISI Indices makes price assessments based on a systematic survey of active market participants to find out agreed transaction prices and volumes as well as price offers made or received, and other supporting information such as supply and demand conditions.

The amount and type of information that a respondent provides each week varies across individuals and companies; data from respondents providing more complete information is weighted more heavily in the final assessment. Price data are also weighted roughly according to tonnage.

Data providers

The survey includes both buyers and sellers, ensuring that the survey pool is balanced and representative of the overall market. See "Grade Detail and Specifications" section below for details for each grade.

All market participants are encouraged to submit price data and supporting market information for inclusion in the assessment.

How data are provided

Each price period, the price assessor contacts data providers and collects data via phone interviews and emails.

Types of data considered

The following types of data may be included in an assessment:

1. **Transaction prices**
 - a. Price levels
 - b. Change of price levels from previous period
2. **Price offers made/received**
3. **Participants' estimates of market levels**, based on price offers made/received and ongoing negotiations.

Transaction prices are weighted most heavily. Data on price offers and estimates of market levels are considered when transaction price data is unavailable from a given source, but are given less weight in the calculation of the assessment.

Assessment calculation

Criteria for exclusion of data

Data are excluded from the assessment in the following cases:

- The price of a transaction is indexed to published prices from RISI or another source. A transaction price is considered “indexed” when it is entirely determined according to a formula based on a published price assessment, whether that assessment is from RISI or any other source.
- The transactions don’t meet the assessment specifications. (See “Grade Detail and Specifications” section below.)
- The transaction has special circumstances that, in the price assessor’s judgment, render it unrepresentative of the broader market and/or not repeatable. (This type of exclusion is rarely used.)

Weighting of data

- Higher-quality data are weighted more heavily than lower-quality data. Higher-quality data includes:
 - Data with more detail, e.g. prices reported as separate transactions with accompanying volume rather than an overall average price.
 - Data whose credibility is supported by answers to the assessor’s follow-up questions.
 - Data from contacts with a history of reliability. Contacts are deemed more reliable if they:
 - Provide information that is corroborated by other sources
 - Provide complete and detailed information
 - Provide information regularly and consistently over time
 - Report price information that goes against their natural interests (e.g. a buyer reporting higher prices or a producer reporting lower prices)
- Data are weighted according to the type of information (see “Relative importance of data types” under “Grade Detail and Specifications” below).

Larger transactions are given more weight than smaller ones. However, the weighting of any single data provider’s data is limited so that it doesn’t dominate the assessment.

CONTROLS AND COMPLIANCE

Ensuring consistency and quality of assessments

RISI Indices has in place a number of procedures to ensure the consistency and quality of price assessments, including:

- **Sign-off:** Prior to publication, each price assessment is reviewed by a senior price assessor other than the assessor primarily responsible for the assessment to ensure the assessment is accurate and has followed proper procedures.
- **Quality assurance audit:** A supervising editor is responsible for overseeing all price assessments. The supervisor will periodically do a detailed review of decision-making for a given price assessment, reviewing price assessments in relation to assessments from similar markets, ensuring that the methodology

has been followed consistently and that judgment has been applied appropriately.

- **Market review:** On an annual basis, Indices staff reviews markets and methodologies to ensure that assessment methodologies and the assessments they produce are appropriate for the market.
- **External audit:** In accordance with the standards of IOSCO’s PRA Principles, Category 1 price assessments (see “Grade Detail and Specifications” below for categories by assessment) are audited to ensure that assessments comply with this methodology and with IOSCO’s PRA Principles.

Independence and freedom from conflicts of interest

Please see RISI Indices' Conflicts of Interest Policy (www.risi.com/conflicts). Key points include:

Independence of RISI

RISI has no affiliation with buyers or sellers of forest products and therefore no vested interest in either higher or lower prices.

Absence of financial interest

RISI is free of ownership or other ties that would give it a financial interest in the movement of prices we report. RISI prohibits its employees who conduct price assessments from having a financial interest (excluding passive investments like mutual funds) in companies whose values are directly and substantially affected by prices on which they report.

Separation from forecasting

RISI Indices is a separate business unit from RISI Analytics, which carries out RISI's forecasting activities, ensuring that forecasting of future prices doesn't influence assessment of actual prices.

Confidentiality

Our data providers are essential to our work, so RISI Indices goes to great lengths to keep price survey data confidential. Confidential data include both the data collected and the names of individuals and companies who provide data. RISI's policy is to neither confirm nor deny the participation of any individual or company in our price surveys at any time, either directly or indirectly.

This confidentiality is essential to ensure the highest number of data contributors as well as to ensure that contributing data to RISI cannot be used as a means for market players to unfairly communicate to each other.

RISI Indices' Confidentiality and Data Protection policy (www.risi.com/confidentiality) explains full details around how price assessors protect the confidentiality of their contacts and data. Each year, price assessors are trained in data protection procedures and must sign a compliance agreement.

Antitrust compliance

All price assessment methodologies from RISI Indices are explicitly designed to comply with antitrust rules. See RISI Indices' Antitrust Compliance Policy (www.risi.com/antitrust) for further details.

Disclaimer of warranty

Although RISI collects information from sources who are believed to be reliable, RISI does not warrant or guarantee the accuracy or completeness of its price assessments. Actual transaction prices will often vary from the assessed level.

Changes and feedback

Changes to methodology and specifications

RISI Indices periodically reviews the markets it covers to ensure that our methodology and specifications are still appropriate for that market.

Understanding that some RISI Indices price assessments are used in long-term contracts, RISI Indices seeks to minimize changes that will affect the continuity of its price assessment over time.

Prior to implementing any material changes to the methodology and specifications, these changes will be announced in draft form and open for comment from all stakeholders. RISI Indices will review all comments and seek to balance the views of all players as much as possible while ensuring the reliability of price assessments.

Based on comments received, RISI Indices will finalize the changes and announce them to the market, specifying exactly what will change and when.

Feedback and complaints

RISI Indices welcomes feedback on its price assessment methodology as well as on specific price assessments published. We greatly value such feedback and the dialog that it generates.

In general, such feedback is most effectively dealt with by the editor directly in charge

of the price assessment in question. We invite you to speak with or email any of your existing contacts within the editorial team, or view a list of contacts at www.risi.com/EditorialContacts.

If working with the editor does not adequately address your issue, please view our procedures for submitting complaints at www.risi.com/complaints.

GRADE DETAIL AND SPECIFICATIONS

General Specifications

The specifications apply to all Asian paper packaging and board price assessments. See sections below for more detailed specifications by country.

Where published	<p>PPI Asia</p> <ul style="list-style-type: none"> • Newsletter (pdf) • Online (interactive database)
Transaction types reflected	<p>All open market transactions</p> <p>Open market = transactions where price is negotiated, i.e. excluding:</p> <ul style="list-style-type: none"> • transactions whose price is indexed to published prices (whether from RISI or other source) • transactions between affiliated parties <p>(In North American and European markets, “spot” and “contract” transactions tend to have different characteristics, and so may be assessed separately. In Asia, the distinction between spot and contract is not always clear, and is not meaningful in assessing prices.)</p>
Price levels reflected	<p>Net prices</p> <p>Assessments are presented as a range in which the bulk of transactions take place.</p>
Normal terms of payment	<p>Assessments reflect normal and customary payment terms</p>
IOSCO categories	<p>All grades: Category 2</p> <p>See <i>implementation of IOSCO’s Principles for Price Reporting Agencies</i> (www.risi.com/iosco) for definition of categories.</p>

Newsprint

Frequency	Quarterly
Schedule	Assessments are published in the final month of the quarter
Assessment window	Prices apply to current or recent transactions rather than to an average over the quarter
Point in supply chain	Seller: producer or trader Buyer: printer

Location	Basis weight	RISI Price ID	Frequency	Currency	Units	Delivery	Notes
Hong Kong	42 g	1342	q	USD	tonne	CIF	
Hong Kong	45 g	1129	q	USD	tonne	CIF	
India	42 g	1343	q	USD	tonne	CIF	Excludes domestic tonnage
India	45 g	1131	q	USD	tonne	CIF	Excludes domestic tonnage
Singapore	42 g	1344	q	USD	tonne	CIF	
Singapore	45 g	1133	q	USD	tonne	CIF	
Taiwan	42 g	1346	q	USD	tonne	CIF	
Taiwan	45 g	1137	q	USD	tonne	CIF	
Thailand	42 g	1345	q	USD	tonne	CIF	
Thailand	45 g	1135	q	USD	tonne	CIF	

China

Frequency	Monthly
Schedule	Assessments are published either in the last week of month or first week of the following month.
Assessment window	Orders taken in the month to date for shipment in the current or following month
Point in supply chain	Seller: producer or distributor Buyer: printer

Location	East China, which includes Zhejiang, Jiangsu, Anhui, Jiangxi and Shandong provinces, and Shanghai municipality.
Quality	Domestic grades. Prices reflect sales of the most common brands and don't reflect prices of lower-quality, smaller-volume brands.
Other notes	Prices include taxes

Grade	Basis weight	RISI Price ID	Location	Frequency	Currency	Units	Delivery
Newsprint							
Standard newsprint	45-48.8g	1183	East China	m	RMB		Delivered price to customers
Lightweight coated paper							
Reels	58-64g	491	East China	m	RMB	tonne	Ex-major distributor's warehouse
Uncoated woodfree							
Reels (100% chemical pulp)	70-100g	1186	East China	m	RMB	tonne	Ex-major distributor's warehouse
Reels (mixed chemical/mechanical pulp)	70-100g	1347	East China	m	RMB	tonne	Ex-major distributor's warehouse
Reels (mixed wood/nonwood pulp)	70-100g	1185	East China	m	RMB	tonne	Ex-major distributor's warehouse
Coated woodfree (C2S)							
Reels (premium)	128g, 157g	1188	East China	m	RMB	tonne	Ex-major distributor's warehouse
Reels (commodity)	128g, 157g	1353	East China	m	RMB	tonne	Ex-major distributor's warehouse

Southeast Asia

Frequency	Quarterly
Schedule	Assessments are published in the final month of the quarter
Assessment window	Prices apply to current or recent transactions rather than to an average over the quarter
Point in supply chain	Seller: producer or trader Buyer: printer
Location	CIF HK and SE Asia (main ports)
Other notes	Prices include taxes

Grade	Basis weight	RISI Price ID	Location	Frequency	Currency	Units	Delivery
Coated woodfree, reels	100 g	1141	Asia	q	USD	tonne	CIF
Uncoated woodfree, reels	70 g	1140	Asia	q	USD	tonne	CIF

Japan

Unlike other prices published by RISI, prices for Japan and South Korea (for graphic papers as well as other grades) are provided from third-party sources that don't operate according to RISI's standard price assessment methodology.

Source	Nikkei, which publishes prices for a number of commodities in addition to pulp and paper
Frequency	Quarterly Prices reflect transactions in the last month of the indicated quarter. For instance, 4 th quarter prices reflect December prices.
Schedule	The last month of every quarter
Price type	Net prices
Range/point	Range that includes the bulk of transactions in the market
Location	Tokyo, Japan
Point in supply chain	Seller: Primary wholesalers Buyers: Distributors and printers
Normal terms of payment	60-90 days cash after delivery

Grade	RISI Price ID	Frequency	Currency	Units	Delivery	Notes
Mechanical printing						
Printing paper B reels (domestic)	267	q	JPY	Kg	Free delivered	Contains no more than 30% mechanical pulp and has 70° ISO. Prices can be higher than those for woodfree because of limited production capacity.

Bitokoshi						
Mechanical reels (domestic)	271	q	JPY	Kg	Free delivered	Bitokoshi prices are for mechanical paper, not woodfree paper, due to a reclassification at the Japan Paper Association.
Uncoated woodfree						
Standard grade sheets (domestic)	266	q	JPY	Kg	Free delivered	
Coated woodfree						
A1 sheets (domestic)	268	q	JPY	Kg	Free delivered	A1 is two-side coated, 40 g/m ² coating on woodfree base paper.
A2 sheets (domestic)	269	q	JPY	Kg	Free delivered	A2 is two-side coated, 20 g/m ² coating, also on woodfree.
A3 reels (domestic)	270	q	JPY	Kg	Free delivered	

South Korea

Unlike other prices published by RISI, prices for Japan and South Korea (for graphic papers as well as other grades) are provided from third-party sources that don't operate according to RISI's standard price assessment methodology.

Source	A Korea-based trader
Frequency	Quarterly. Prices reflect transactions in the last month of the indicated quarter. For instance, 4 th quarter prices reflect December prices.
Schedule	The last month of every quarter
Price type	Net prices
Location	Seoul, South Korea
Point in supply chain	Seller: Producers Buyer: Printers and traders
Normal terms of payment	90-100 days cash after delivery

Grade	Basis weight	RISI Price ID	Frequency	Currency	Units	Delivery	Notes
Newsprint	48.8 g	514	q	KRW	tonne	Free delivered	
	46 g	195	q	KRW	tonne	Free delivered	
Uncoated mechanical							
Reels	80 g	197	q	KRW	tonne	Free delivered	
Reels	70 g	196	q	KRW	tonne	Free delivered	
Book paper reels	80 g	199	q	KRW	tonne	Free delivered	
Book paper reels	60 g	198	q	KRW	tonne	Free delivered	
Coated mechanical							
Lightweight coated (LWC) reels	60 g	206	q	KRW	tonne	Free delivered	LWC furnish comprises mainly recovered paper with some virgin pulp.
Uncoated woodfree							
Reels	100 g	203	q	KRW	tonne	Free delivered	
Reels	80 g	202	q	KRW	tonne	Free delivered	
Reels	70 g	201	q	KRW	tonne	Free delivered	
Reels	60 g	200	q	KRW	tonne	Free delivered	
Coated woodfree							
Reels	100 g	205	q	KRW	tonne	Free delivered	
Reels	80 g	204	q	KRW	tonne	Free delivered	

REVISION HISTORY

Changes to methodology and specifications will be tracked here.