



# CIX Exchange, Contracts & Benchmark Governance Protocols

Version 1.0.3 (effective 21 November 2023)

## Introduction

This document provides a summary of Climate Impact X's ("CIX") governing protocols for operating CIX Exchange spot trading platform and for administering contracts and benchmarks. These include various control and oversight mechanisms that have been put in place to ensure effective governance.

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## Part 1: CIX Exchange Governance Framework

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CIX Exchange is a centralised trading platform where onboarded market participants ("Members") can buy, sell, and trade carbon credits. CIX is dedicated to providing a fair and functional trading platform that welcomes broad market participation while maintaining the integrity of markets. To this end, we have implemented a governance framework that will uphold fairness, efficiency, and transparency within the market.

CIX considers these key concepts when operating and governing the CIX Exchange.

### Open access and broad participation on the platform

CIX's robust and transparent Know Your Customer and Anti Money Laundering framework is applicable to all member applications. The Platform's Rulebook and Operating Procedures, which include membership application, suspension and termination procedures, are publicly available on the CIX website. CIX has also designed its fee structure to be fair and transparent.

### Standardisation of contracts to promote liquidity

Each CIX standard contract has a detailed specification document that outlines the eligible project credits deliverable into the contract and the selection criteria for the credit-bearing projects. CIX goes through a formal review and approval process for eligible project credits prior to the launch of a contract or any change thereafter. This review process is performed at least annually.

### Ensuring market integrity

CIX is committed to ensuring integrity on CIX Exchange so that the market is free of fraud, manipulation, or disruption. The Platform's Rulebook and Operating Procedures establishes the policies and procedures that CIX applies when operating the Platform, reviewing conduct, and resolving disputes. CIX conducts market surveillance and trade monitoring to detect any irregularities or violations of rules within the platform. The management team fosters a strong culture of compliance for managing market misconduct risks and is kept apprised of all suspicious trading activities.

CIX has in place a robust set of standard operating procedures (SOPs) that contain guidelines on the proper course of action to be taken whenever suspicious trading activities are identified and need to be escalated. CIX's staff that are responsible for market surveillance go through training to equip themselves with the skills and knowledge required to ensure effective market surveillance. The market surveillance team has a clear reporting line to the risk and management team that does not present a conflict of interest.

### Facilitating price discovery and transparency

CIX strikes a balance between providing anonymity in members' trading and position information and providing sufficient data to ensure proper price discovery and surveillance. In order to serve as a platform for discovering prices and disseminating pricing information, CIX ensures pre- and post-trade transparency mechanisms on the trading interface to ensure that members have access to timely and

accurate information that reflect supply and demand conditions. Members have visibility over the bid and offer prices and quantity available at those prices before a transaction is executed. In addition, pricing and volume details about each transaction after it has been completed is also available to members on the interface.

#### Establishing financial integrity of transactions performed on the platform

CIX places a high value on ensuring the certainty of cash settlement and physical delivery of credits. A proprietary clearing and settlement system is integrated with the CIX Exchange trading interface. Members must deposit cash into the Trust Bank Account or credits into the CIX registry account before trading. This means that Members can be assured that transactions will be completed in accordance with the settlement terms.

#### A resilient Enterprise Risk Management framework

CIX has built an Enterprise Risk Management (“ERM”) framework which includes an IT Risk Management Framework that is regularly assessed for compliance with industry best practices. CIX’s ERM allows for risk oversight to identify and reduce sources of risk. In addition, CIX has policies which outline its emergency protocols, backup facilities, and disaster recovery strategy to enable prompt recovery and business as usual.

CIX’s systems and controls have been built to ensure dependability and scalability. Multiple checks and balances are built into the system to reduce the operational risks and human errors that are inherent in trading platforms. By setting strict guidelines in the development and operation of its systems, CIX reduces the frequency and severity of security breaches and system failures and ensures that there is capacity to quickly recover and resume operations in the event of a disruption.

CIX Exchange was designed with rules and checks to ensure that relevant reporting, record keeping, and audit trails are in place.

## **Part 2: CIX Contract Governance**

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### **Contract Governance Principles**

The rules that CIX adheres to when designing and maintaining its standard contracts are laid out in a set of principles that govern contracts. Part 7 provides a definition of Standard Contracts. The first Standard Contract to be launched and tradable on CIX Exchange is CIX Nature X (CNX), a tradable instrument comprising a selection of major well-established nature-based REDD+ projects.

In an ongoing effort to uphold integrity and transparency, CIX strives to:

1. Establish confidence in all users and stakeholders that CIX’s standard contracts are safe to use, independent by design and managed in a stable manner to mitigate market disruption;
2. Surpass self-regulation standards for governance to mitigate CIX company risk and reputational harm to shareholders or stakeholders; and
3. Meet the requirements of regulators and index licensees for derivatives use.

### **Standard Contract Governance Mechanisms**

CIX employs a variety of practices to implement the contract governance principles.

#### Ongoing monitoring of market conditions

CIX has put in place three distinct layers of market monitoring which occur on an ongoing basis to help raise CIX’s risk awareness, to provide additional data and context in support of decision-making, and to act as early-warning systems.

1. Market monitoring: CIX analyses price trends of standard contracts and single projects, project delivery patterns into contracts, issuance and retirement trends and collection of market feedback and comment.
2. Media and legal monitoring: For standardized contracts curated by CIX, CIX monitors for adverse media and legal items relating to projects and proponents using third-party risk intelligence services.
3. Project integrity monitoring: CIX monitors project integrity by referring to both public data and data provided by third-party carbon rating agencies.

#### Collecting more information in response to a potential issue

CIX analyses all potential issues raised and as part of its analysis seeks to obtain bilateral validations with market participants. If necessary, CIX may consider holding a public forum to discuss a certain issue with many-sided consequences. Any analysis and results of the review will be documented and maintained by CIX. Decisions relating to the inclusion or exclusion of a project for delivery into a standard contract will be determined by the project’s adherence to the standard contract’s inclusion criteria, which are transparently published in the contract specifications document.

## Contract Change Process Governance

CIX continually monitors market conditions and analyses whether changes to standard contracts are required. Whenever possible, CIX will maintain stability of its contract specifications and will avoid unnecessary changes. When changes need to occur, CIX will follow an internal framework to identify, report, and analyse potential issues, and propose and implement changes to contract design and processes. The framework defines the stakeholders and the key roles that each stakeholder assumes. CIX has formal workflows for assessing potential issues and implementing various contract change types.

The change process will vary according to the type of change, the urgency of the change and the potential for disruption resulting from the change. Non-urgent changes allow for formal market consultation, while changes which may cause disruption to users of CIX Exchange, a CIX benchmark or any associated derivatives contracts listed by a third party will be subject to longer lead times ahead of implementation. Below is an overview of key contract change types, some examples of such changes and the standard response.

Change Type	Trigger of Change	Example	Change Urgency	Formal Feedback Sought
Project addition	Routine, event-driven	New projects meeting eligibility criteria	Low or medium	Yes
Project removal	Routine, event-driven	Project no longer meeting eligibility criteria	Low or medium	Yes
Contract specifications change	Routine, event-driven, seasonal	Changes to other specifications such as relating to vintages, registries, trading calendars, etc.	Low or medium	Yes
Project addition	Event-driven	Urgent project additions needed, for example to underpin contract liquidity	High	Not necessarily
Temporary project suspension	Event-driven	Urgent and temporary project suspension due to adverse event or loss of acceptance - triggers formal project removal review	High	Not necessarily
Trading disruption	Event-driven	Technology-related outages, war, act of God, etc.	High	Not necessarily

## Part 3: CIX Price Benchmark Governance

As the benchmark administrator for a series of price benchmarks, including CIX Nature X, CIX is responsible for all aspects of the development and assessment of benchmarks.

From the launch of its first benchmark, CIX's intention has been to ensure that its suite of published price assessments adhere to the highest standards - specifically to the "Principles for Oil Price Reporting Agencies," a report by the International Organization of Securities Commissions ("IOSCO") endorsed by the G20 in October 2012, which provides detailed guidance on governance and control systems for the publication of commodity benchmarks. CIX engaged EY (Ernst & Young) to conduct an initial Limited Assurance Review of CIX's benchmark methodology and governance for adherence to these standards. EY's report published on October 20, 2023 confirms that CIX's robust benchmark governance protocols and operating processes are aligned with the IOSCO Principles with regards to its administration and calculation of the CIX Nature X as at the date of audit (September 25, 2023). Further audits will be conducted annually.

CIX uses a methodology that ensures a transparent, consistent, and methodical approach in calculating the benchmarks. The methodology is transparently published in a guidebook on the [climateimpactx.com](https://climateimpactx.com) website. A rationale explaining how CIX has assessed the benchmarks is also published daily.

CIX has in place a review and change policy of all price assessment methodologies. This process involves internal review and endorsement, and market consultation when deemed necessary, and publication of market notices confirming the change and outlining the implementation period.

## Pricing Methodology Review Process

CIX continually reviews all pricing methodologies in operation and conducts periodic reviews on an annual basis to ensure that the pricing methodologies remain representative of the underlying market. CIX follows a formal review and approval process that is transparent and provides the opportunity for consultation with stakeholders to gain market acceptance of its pricing methodologies.

## Pricing Methodology Change Process

Changes to the existing pricing methodologies must first be reviewed and endorsed internally by CIX. When proposing a change to its pricing methodologies, CIX will publish a market notice to begin the public consultation period to seek feedback from industry stakeholders. A pricing methodology change proposal which describes the proposed changes, rationale for the proposed changes, and timeframe for the public consultation and implementation of change will be published on the climateimpactx.com website.

CIX will provide advance notice in a clear timeframe that gives stakeholders sufficient opportunity to analyse and comment on the impact of such proposed changes. The timeframe allocated to a public consultation will depend on the overall circumstances of the proposed changes and will aim to allow for sufficient time for feedback to be gathered while also providing market participants with sufficient advance notice of the change.

CIX reviews all feedback that industry stakeholders submit during the public consultation period as part of its decision-making process for whether to proceed with a change.

If CIX decides to proceed with implementing a change, CIX will publish a market notice confirming the change. A formal notice detailing the outcome of the review process and any feedback authorized for public disclosure from industry stakeholders will be made available to the public.

Certain changes to pricing methodologies will not require public consultation. These include rare emergencies where immediate changes to pricing methodologies are required, seasonal changes such as previously communicated annual vintage rolls, or changes to holiday schedules. Furthermore, clarifications to pricing methodologies which do not materially affect, alter or change the price assessments will not be subject to formal external consultation.

## New Assessments and Methodology Change Scenarios

Change Type	Origin	Details	Formal Market Consultation Required
Methodology change	Event-driven	Changes to the methodology specifications, e.g. Definition of index, prioritisation of data.	Yes
Seasonal or emergency methodology change	Routine and/or event-driven	Seasonal or urgent changes such changes to holiday schedules.	No
Methodology clarification	Event-driven	Immaterial changes to the methodology or clarifications to an existing methodology that do not involve changes to the benchmark	No
New assessment	Event-driven	Considering publishing a new assessment	Yes
Discontinuation of assessment	Event-driven	Discontinuing an existing assessment	Yes

## Part 4: Conflict of Interest Statements and Mitigations

As a benchmark administrator, CIX has a conflicts of interest policy in place to ensure that conflicts of interest within CIX are identified and managed appropriately. The policy applies to all company directors, employees, and consultants of CIX.

The key elements of the CIX Conflicts of Interest Policy for Benchmarks to ensure neutrality and mitigate any conflicts of interest include:

- a strong regulatory and compliance culture and philosophy, as established by the board of directors and leadership team
- management of conflicts of interest and confidentiality through physical, logical and contractual controls

- the Climate Impact X Pte Ltd - Code of Conduct, as amended from time to time
- all employees and board members provided with the conflicts policy and required to alert CIX of any conflicts, and
- CIX's conflicts of interest register.

## Part 5: Benchmark Complaints Policy

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CIX strives to provide the highest quality pricing information on carbon credits to its clients and conduct its business with integrity. Complaints received are monitored by CIX's Risk Team, which is independent of the Pricing team which conducts CIX's price assessments. The handling and investigation process of each complaint depends on the nature and severity of the complaint received. Please refer below for CIX's Complaints Handling Policy.

### CIX Complaints Handling Policy

This policy describes CIX's complaints handling procedures. To maintain the reliability and quality of its methodologies through stakeholder input, CIX has in place an effective protocol to address inquiries and complaints regarding our pricing assessments from any market participant who wishes to raise concerns or provide feedback. CIX's Complaints Handling Policy aligns with recommendations made under the IOSCO's Principles for commodity benchmarks and describes the procedures and mechanisms for receiving, investigating and retaining records concerning complaints about its price assessments.

It is important to note that disputes relating to specific daily pricing determinations should in any first instance be addressed to the CIX pricing team ([pricing@climateimpactx.com](mailto:pricing@climateimpactx.com)). In the eventuality that such disputes are not satisfactorily resolved, market participants and stakeholders are welcome to submit a complaint, following the below process.

#### Part I: Submission of a complaint

For a complaint to be considered under CIX's formal complaints handling process, the complainant must record the complaint in writing, explaining the contextual details of the complaint, and attach all relevant materials or evidence where appropriate. If any additional information is needed, CIX reserves the right to reach out to the complainant for further information. The complainant should include their name, company, contact details, and details of the specific issue under dispute.

The complaint should be sent to: [complaints@climateimpactx.com](mailto:complaints@climateimpactx.com)

Complaints may be submitted in relation to any aspect of benchmark calculation and management process by market participants, including:

- Whether a specific benchmark determination is representative of market value;
- On a proposed change to a benchmark determination process;
- On an application of the methodology in relation to a specific benchmark determination; and
- On other decisions in relation to the benchmark determination process.

If an employee of CIX receives an enquiry from a stakeholder which is not formally stated to be a complaint but could be regarded as such, the employee must direct the relevant stakeholder to the Complaints Handling Policy contact ([Complaints@climateimpactx.com](mailto:Complaints@climateimpactx.com)) and process.

#### Part II: Complaint handling procedures

Upon receipt of a complaint, CIX will undertake the following steps:

1. Acknowledge receipt of the complaint in writing within one (1) business day;
2. Document the receipt of the complaint in the Complaints Log;
3. Assign an individual to investigate the complaint and determine an appropriate course of action;
  - The investigation will be conducted independently of any personnel who may be or may have been involved in the subject matter of the investigation.
4. Seek to resolve the complaint in a timely and fair manner;
  - In most cases, CIX will provide a written response to the complainant within twenty-five (25) business days from the date of receipt of the complaint, which explains the determined course of action being taken or recommended by CIX.
  - However, if further investigation for the resolution of the complaint spans longer than twenty-five (25) business days,

CIX will write to the complainant explaining why the matter has not been resolved and suggest an alternative timeline for the final outcome.

5. Determine whether further escalation is required
  - As required, and at CIX's discretion, further escalation including legal opinion may be required in order to resolve the complaint.

In the event CIX determines a complaint regarding a specific price assessment to be valid, CIX maintains the right to exclude any retroactive price adjustments to price assessments.

#### Part III: Referral to independent third-party

If the complainant is dissatisfied with the investigation of the complaint or with the reported outcome of the investigation, the complainant may request, by notice in writing to CIX, for referral to an independent third party. Such written notice must be sent within six (6) months from the original complaint.

The independent third party shall be appointed by CIX and is expected to have no current connection to CIX. The independent third party shall be appointed by the Head of Pricing and will be notified to the complainant. If at any time the appointed independent third party is unable to consider a complaint CIX will appoint an alternate.

Process for investigation by Independent Third Party:

1. The independent third party shall send written acknowledgement of the referral of the complaint within ten (10) business days of receipt to the complainant;
2. The independent third party shall determine whether the referral is eligible to be referred to him/her in accordance with this complaints procedure;
3. If the independent third party determines at any time that a complaint, he/she is investigating is ineligible, he/she must cease his/her investigation forthwith and give notice to the complainant(s) and CIX of his/her determination;
4. The independent third party will investigate the complaint and provide a written response to the complainant within forty (40) business days from the date of referral.

In his/her conduct of the investigation, the independent third party has the following powers:

- to call on all appropriate documentation from all involved parties to form a view on the complaint;
- to permit and/or request the complainant, any other parties to the complaint and CIX to provide written submissions in relation to any specific matters that arise;
- to make further requests of all relevant parties and/or take whatever action is considered appropriate which might assist in considering the complaint; and
- to conduct the consideration of the issues as is seen fit.

#### Part IV: Record keeping and review

CIX retains all documents and information relating to all complaints in the Complaints Log, for a minimum period of seven (7) years.

On a monthly basis, CIX will review all complaints submitted under this policy to determine the existence of any trends. This Complaints Handling Policy shall be reviewed by CIX at least annually.

## **Part 6: Benchmark Audit Process and History**

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### **Audit Process**

The CIX Risk team undertakes periodic audits of the CIX benchmark administration process in accordance with the framework approved by management. CIX also engages external auditors to perform an independent audit on the benchmark administration process. The audit results will be reviewed by CIX senior management.

### **Audit History**

All written records relating to CIX contracts and benchmarks will be retained for at least seven years. These records include:

1. All market data and any other information sources relied upon for benchmark determination;

2. Changes in or deviations from standard procedures and methodologies, including those made during period of market stress or disruption;
3. The identity of each person involved in producing or approving a benchmark determination; and
4. Any queries and responses relating to data inputs.

## Part 7: Definitions

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### CIX Exchange

CIX Exchange is a professional trading environment in which market participants view or submit firm bids and offers and transact voluntary carbon credits. Both Contracts (see definition below) and credits for specific carbon projects can be traded on the platform. All bids and offers in this environment are firm and binding, and as such provide a high level of integrity as data points for price formation. More information about the platform can be found [here](#), and its operating procedures can be found [here](#).

### Standard Contract

A Standard Contract is a tradable instrument which is bid, offered and traded by market participants on CIX Exchange. When trading a standard contract, the credits being transacted are for any credits that qualify under the contract's specifications, which may for instance be at the seller's option. In other words, when offering such a standard contract unit, a seller can deliver any credit that he chooses that qualifies under the contract's specifications. A buyer of a Standard Contract will receive whichever qualifying credit the seller has chosen to sell as part of this particular order. It is worth noting that when trading such instruments, sellers will often, but not always, choose to sell what they perceive as the cheapest qualifying credits in their possession. The CIX Nature X contracts are examples of a Standard Contract.



## Document Revision History

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Published	Summary of Changes	Market Notice No.
21 November 2023	In Part 3: Updated to reflect successful completion of EY Limited Assurance audit of alignment with IOSCO Principles	-
6 November 2023	In Part 2: CIX Contract Governance, minor wording amendments are made with regard to media and legal monitoring. It is clarified that monitoring will only apply to standardized contracts curated by CIX.	-