



GER® Governance & Methodology Protocol

This Protocol sets out the manner in which the GER and the GER Sub-Contracts (collectively referred to as the **GER Contracts**) will be administered by Net Zero Markets Ltd (**Net Zero Markets**). For ease of reference, Annex 1 to this Protocol contains a glossary of capitalised terms.

Net Zero Markets will be responsible for determining the exchanges, trading venues or other platforms (each, an **Exchange**) on which the GER Contracts and any related products will be licensed and listed for trading and for agreeing appropriate commercial, technical, operational, legal and regulatory arrangements with such Exchanges.

Once listed for trading on the first Exchange, the ongoing review of the terms, conditions, specifications and standards applicable to the GER Contracts will be the responsibility of the GER Supervisory Committee (**GERSC**) described in Section A below.

The GERSC is empowered to establish one or more GER market advisory committees (each a **G-MAC**) comprised of market practitioners, experts, professionals and/or NGOs to provide their views to the GERSC on issues relevant to the maintenance and ongoing development of GER Contracts. G-MACs are described in Section B below.

The GER governance structure is shown diagrammatically in Annex 2 to this Protocol.

SECTION A - GER Supervisory Committee (GERSC)

1. Composition of GERSC

- 1.1 The GERSC will comprise directors and officers of Net Zero Markets and such other leading market participants, experts and NGOs as Net Zero Markets reasonably considers appropriate. Each Exchange which lists for trading one or more GER Contracts (or any related product, such as an index contract comprising GER trading data) will be entitled, but not required, to appoint a representative to the GERSC.
- 1.2 Net Zero Markets will determine the number of GERSC members. The minimum number of members will be five (including the chairman).
- 1.3 The names of member organisations represented on the GERSC will be made publicly available. The names of the individuals representing those member organisations will not be made public and will not be disclosed by GERSC members, their representatives or by Net Zero Markets.

2. Role of GERSC

- 2.1 The GERSC will be responsible for the review, amendment and ongoing development of the GER Contracts, as described below. The GERSC will be entitled to take into





account the views of any G-MAC (GER Market Advisory Committees) appointed by Net Zero Markets, but all decisions regarding changes to the terms, conditions, specifications and standards applicable to GER Contracts will be the responsibility of the GERSC alone.

2.2 The GERSC will use all reasonable efforts to achieve each of the following objectives (the **GER Key Objectives**):

- (i) the carbon credits constituting the GER reflect what the international carbon market regards as being good quality, reliable and transparent credits;¹
- (ii) the carbon credits constituting the GER represent a broad and reasonably balanced cross-section of carbon credits;
- (iii) the relative weightings of the GER Sub-Contracts making up the GER reflect the retirement ratio of carbon credits eligible under the respective GER Sub-Contracts in the previous calendar year (subject to the following GER Key Objective and as reflected in the formula set out in paragraph 2.4 below);
- (iv) the proportion of the GER made up of the Carbon Capture Contract reaches 100% as soon as possible, but in any event by 2050, based on the higher of:
 - (a) a pre-determined pathway to net-zero set out in the GER Contract Specification; and
 - (b) the actual proportion of carbon credits eligible under the Carbon Capture Contract retired in the previous calendar year (as described in greater detail in paragraphs 2.4 and 2.5 below) based on the total number of carbon credits eligible for all GER Sub-Contracts in the previous calendar year.

2.3 The remit of the GERSC is to ensure that the GER Key Objectives are reflected in the GER Contracts, and the GER Contract Specifications are met, on an ongoing basis by carrying out an annual review (and, where required, ad hoc reviews) described in paragraphs 3 and 4 below, respectively. The GERSC is empowered, and where necessary required, to amend the contract specification of the GER Contracts accordingly. Set out below is a list of the amendments that may be made to GER Contracts by the GERSC and the applicable GERSC voting requirement in each case (based on the number of members of the GERSC attending the meeting).

¹ It will not be for the GERSC to impose on the market, via the GER Contracts, its view as to minimum quality standard, reliability or transparency. The objective is to reflect market behaviour. However, GER Key Objective (iv) above will likely result in the overall quality of the GER improving over time.



Amendment to GER / GER Contract – Issue to be determined	GERSC Voting Requirement
Changing the relative weighting of GER Sub-Contracts comprising the GER (to be calculated in accordance with the formula set out in paragraph 2.4 below) (a Weighting Change)	75% or above
Adjusting the proportion of Carbon Capture Contract to reflect paragraph 2.2(iv)(b) above	75% or above
Adding a new GER Sub-Contract to the GER	75% or above
Removing an existing GER Sub-Contract from the GER	75% or above
Adding a carbon credit type to a GER Sub-Contract	75% or above
Removing a carbon credit type from a GER Sub-Contract	75% or above
Adding an offset/removal standard to a GER Sub-Contract	75% or above
Removing an offset/removal standard from a GER Sub-Contract	75% or above
Changing the accreditation, quality or vintage requirements (cut-off dates for inclusion/exclusion) applicable to a constituent carbon credit	75% or above
Excluding credits if their origin or transparency is or becomes questionable	75% or above
Any other relevant amendment ²	75% or above

Adding a new category of GER Sub-Contract includes dividing an existing GER Sub-Contract into two or more GER Sub-Contracts.³ Removing an existing GER Sub-Contract includes the merging of two or more GER Sub-Contracts into one.

2.4 A Weighting Change to be applied during a period (P) will be determined by the GERSC in accordance with the following formula:

$$W_{\text{Sub-Contract X P \%}} = (100\% - W_{\text{CCC P\%}}) \times \left(\frac{R_{\text{Sub-Contract X P - 1}}}{R_{\text{Market P - 1}}} \right)$$

Where:

W_{Sub-Contract X P} is the weighting of GER Sub-Contract X (expressed as a percentage) for period P;

P is a GER Contract review period which:

- (i) in the case of the first such period, commences on the GER go-live date and ends at the first Amendment Effective Time; and
- (ii) in the case of subsequent periods, is the period between an Amendment Effective Time and the next following Amendment Effective Time;

² For example, amendments to take account of developments under Article 6 of the Paris Agreement.

³ For example, if the volume of retired afforestation (reafforestation) carbon credits increases sufficiently, such carbon credits could be split off from the Forestry GER Sub-Contract to form its own new category of GER Sub-Contract.



$W_{CCC} P\%$ is the weighting of the Carbon Capture Contract (expressed as a percentage) for period P, as determined in accordance with paragraph 2.2(iv) above;

$R_{Sub-Contract X} P - 1$ is the volume of GER Sub-Contract X eligible voluntary carbon credits retired in year P-1⁴;

$R_{Market} P - 1$ is the total volume of GER eligible voluntary carbon credits across all GER Sub-Contracts (other than the Carbon Capture Contract) retired in year P-1; and

P-1 is the complete calendar year (1 January to 31 December) immediately preceding period P, subject to paragraphs 3.1 and 4.2 below.

The GERSC is required *first* to determine all the amendments set out in the table in paragraph 2.3 other than a Weighting Change and *only then* to determine the Weighting Change based on those other amendments, if any. References in the above formula to “eligible voluntary carbon credits” is to be construed accordingly.

In order to achieve a 100% weighting across all GER Sub-Contracts, the GERSC may round the weighting of one or more individual GER Sub-Contracts up or down (in its discretion) to the nearest one decimal place.

- 2.5 For the purposes of the calculations referred to in paragraphs 2.2 and 2.4 above, references in those paragraphs to the “retirement” of carbon credits (or to “retired”) will be deemed to exclude, where it is possible to identify the same, cases where a carbon credit is retired as part of a digital tokenisation process, where the benefit or claim associated with the carbon credit is transferred to the token with a view to the benefit or claim being realised or asserted at a later date when the token itself is retired or cancelled.
- 2.6 The GERSC will base its decisions to amend, or not to amend, GER Contracts only on publicly available information and data. For this purpose, “publicly available information and data” shall include information and data which is behind a pay-wall but is otherwise generally available.
- 2.7 The GERSC will not be required to take steps to satisfy itself that the information or data on which it decides to act (or to refrain from acting) is complete, true, accurate or otherwise reliable and the provisions of paragraph 8 will apply. The GERSC will not be prevented from making its determinations under this Protocol where it has actual or assumed knowledge that some of the publicly available information or data is incomplete, untrue, inaccurate or otherwise unreliable. In all cases, the GERSC will have a general discretion to make its determinations and decisions, and to implement the methodology set out in this Protocol, in a commercially reasonable manner.

⁴ Where a carbon credit is eligible under more than one GER Contract, it will be deemed to fall exclusively within the GER Contract having the highest average daily closing price over the calendar year immediately preceding the Review Year in question (as calculated by the GERSC acting reasonably)



3. **Annual Review**

3.1 The GERSC will consider the issues set out in the table in paragraph 2.3 above, and perform the calculations contemplated in paragraph 2.4, on an annual basis in relation to each GER Contract. Annual reviews will be completed by 15th February each year (each, a **Review Year**). The first annual review of the GER Contract will occur in February 2023.

3.2 Any amendment to a GER Contract arising out of an annual review will be implemented on the Exchanges listing such GER Contract at such time as the Exchanges and Net Zero Markets will coordinate (the **Amendment Effective Time**).

4. **Ad Hoc Review**

4.1 Where there is a need to amend a GER Contract outside of the annual cycle stipulated in paragraph 3 above in order to preserve the contract's integrity (e.g. where constituent carbon credits are discontinued or are unavailable) a review may be conducted at such time as Net Zero Markets reasonably considers appropriate. In that event, the review will follow the methodology set out in paragraph 3

and the GERSC will act reasonably in keeping the review and amendment process as short as is reasonably possible having regard to the particular circumstances then prevailing.

4.2 In conducting an ad hoc review pursuant to paragraph 4.1 above, the GERSC will be entitled (in its discretion) to select a period of less than 12 months, or a 12-month period other than a complete calendar year, as the reference period (P-1)⁵ for determining the relative weighting of GER Sub-Contracts with respect to the relevant period (P).⁶

5. **Exchange requirements**

5.1 Each Exchange listing one or more GER Contracts for trading will comply with the provisions of this Protocol.

5.2 Without limiting paragraph 5.1 above, each Exchange acknowledges it is of paramount importance, where a GER Contract is listed for trading on more than one Exchange concurrently, that:

- (i) the terms defining the GER Contract, including the criteria governing the eligibility of carbon credits for inclusion in that GER Contract; and

⁵ As defined in paragraph 2.4

⁶ As defined in paragraph 2.4



- (ii) in the case of the GER, the applicable relative weighting of GER Sub-Contracts comprising the GER,

(the **Essential GER Terms**) are and remain identical across all Exchanges listing the GER Contract. Each Exchange therefore agrees to use all reasonable efforts not to list any GER Contract the Essential GER Terms of which differ in any respect from the then current version of the Essential GER Terms as published by Net Zero Markets. For the avoidance of doubt, the term “*Essential GER Terms*” shall not include the following: the delivery date or trading hours of the GER Contract in question, or any other terms particular to the relevant Exchange which do not affect the definition or nature of the GER Contract and/or its fungibility across all Exchanges, provided that the lot size of the GER (whether in tokenised or untokenized form) shall be deemed to be an Essential GER Term and shall be set at 1,000 tonnes (or a multiple of that volume), unless the GERSC determines otherwise pursuant to this Protocol.

6. **Meetings and Process**

- 6.1 GERSC meetings may be conducted in such manner as its members consider appropriate, including via video conferencing.
- 6.2 Meetings will be valid only where a quorum is present (including via video conference). A quorum will be the lesser of (i) four GERSC members and (ii) 60% of all GERSC members.
- 6.3 In the absence of a properly constituted or quorate GERSC, its role will be performed by Net Zero Markets.
- 6.4 The GERSC will have a Chairman and a Deputy Chairman, each of whom will be a director or officer of Net Zero Markets.
- 6.5 All decisions will require a 75% majority vote of GERSC members in attendance as set out in 2.3 above.
- 6.6 In reaching its decisions, the GERSC will take into consideration the views of any G-MAC, but the GERSC will have complete discretion in deciding whether or not to follow those views.
- 6.7 A GERSC member who is subject to a conflict of interest will be ineligible to vote on the relevant issue(s).

7. **GERSC Members**

- 7.1 GERSC members will be required to use all reasonable efforts to comply with:
 - (i) the procedures, and fulfil the objectives, set out in this Protocol; and





(ii) the terms and conditions set out in their letter of appointment referred to in paragraph 1.2 above.

7.2 Without limiting paragraph 7.1, GERSC members will be required to promptly provide Net Zero Markets and the Chairman of the GERSC for the time being with reasonable details of any interest or involvement such members may have in any business or organisation which has or may reasonably be expected to have competing or conflicting interests with Net Zero Markets, or which is or might reasonably be expected to be incompatible with their position as a GERSC member or bring the GERSC or Net Zero Markets into disrepute.

7.3 Unless renewed by Net Zero Markets at the end of his or her fixed term of office (which decision to renew will be in Net Zero Market's discretion), a GERSC member's appointment will terminate on expiry of the fixed term or, if sooner, upon such member:

- (i) resigning as a GERSC member;
- (ii) ceasing to be a director or officer of Net Zero Markets (if applicable);
- (iii) ceasing to be a representative of the organisation invited by Net Zero Markets to appoint such member to the GERSC (if applicable); or
- (iv) dying or being declared bankrupt.

7.4 A GERSC member's appointment will be terminable on immediate notice by Net Zero Markets where the member's conduct brings, or could reasonably be expected to bring, the reputation of the GERSC and/or Net Zero Markets and/or the GER Contracts (or any of them) into disrepute.

7.5 Where a GERSC member's appointment ceases for any reason, Net Zero Markets will, as soon as is reasonably practicable, procure his or her replacement, where necessary to satisfy the quoracy requirement applicable at that time.

7.6 GERSC members will not be entitled to remuneration or to recover expenses from Net Zero Markets for performing their role on the GERSC.

8. ***Limitation of Liability***

Limitations of liability relating to the GER Contracts are as provided in each respective Exchange's rulebook or contract specifications. No provision of this Protocol shall be construed as creating any rights enforceable by a third party and all third party rights implied by law are, to the extent permissible by law, excluded from this Protocol.



9. ***Register of GERSC Members' Interests***

Net Zero Markets will keep and maintain a register recording the interests of GERSC members notified under paragraph 7.2 above.

10. ***Amendments***

This Protocol may be amended by Net Zero Markets only with the prior written consent of each Exchange listing one or more GER Contracts, such consent not to be unreasonably withheld or delayed.

11. ***Complaints Procedure***

If a buyer or seller of a GER Contract, or any other person, wishes to raise a complaint relating to such contract, it should follow the complaints procedure of the Exchange on which such contract was bought, sold or listed, as the case may be.



SECTION B – GER Market Advisory Committees (G-MACs)

Net Zero Markets may (in its discretion, but in consultation with the GERSC) set up one or more independent G-MACs comprised of experts and/or practitioners in the carbon markets. The precise terms of reference of each G-MAC will be determined solely by Net Zero Markets and will be subject to the following provisions.

The primary role of a G-MAC will be to advise the GERSC on issues relevant to ensuring the ongoing integrity, robustness and development of the GER having regard to the GER's objectives, criteria and definition, as set out in its contract specification. G-MACs may also be constituted to advise on issues relevant to one or more GER Sub-Contracts.

It is anticipated that G-MACs will advise on market developments, such as trading trends in the voluntary carbon market and the introduction of new product-types and technologies, and on technical issues such as data verification or regulatory developments.

Neither the identity of organisations which are G-MAC members, nor the identity of individuals representing those organisations in their capacity as G-MAC members, will be made public, nor will such identities be disclosed by Net Zero Markets or by the GERSC or its members, except where a G-MAC member has given its consent to such disclosure to Net Zero Markets in writing.

As noted in Section A above, any decision to review or amend a GER Contract or its terms (or any decision not to do so) will be the sole responsibility of the GERSC. The GERSC will therefore be entitled, but not required, to take into account any advice given or recommendations made by G-MACs or any analysis produced by them.

An expert or practitioner's inclusion in a G-MAC will be on a voluntary, unpaid basis. There will therefore not be binding, enforceable rules applicable to the operation and proceedings of a G-MAC. These will be determined by each G-MAC itself in consultation with Net Zero Markets and the GERSC.

Members of a G-MAC will be subject to confidentiality, conflict of interest and such other requirements, as Net Zero Markets may determine in its sole discretion.



ANNEX 1

GLOSSARY OF TERMS

Amendment Effective Time has the meaning given in paragraph 3.2 above.

Essential GER Terms has the meaning given in paragraph 5.2 above.

Exchange means any exchange or platform that has agreed with Net Zero Markets to list one or more GER Contracts for trading.

G-MAC or **GER Market Advisory Committee** means an advisory committee to the GERSC, as described in Section B of this Protocol.

GER means the **Global Emission Reduction** contract developed and licenced for trading on one or more Exchanges by Net Zero Markets, as amended in accordance with this Protocol.

GER Contract Specification means the contract specification of a GER Contract in the form set out in Annex 3 to this Protocol, as such contract specification may be supplemented, amended or replaced from time to time.

GER Key Objective means each of the objectives set out in paragraph 2.2 above.

GER Sub-Contract means:

- (i) any of the **Base Carbon Contract**, the **Forestry (and Land Use) Carbon Contract**, the **Prime Carbon Contract** and the **Carbon Capture Contract**, each as defined in the **GER Contract Specification**; and
- (ii) any other contract that forms part of the GER at any time, as determined by the GERSC in accordance with this Protocol.

GERSC or **GER Supervisory Committee** means the committee described in Section A of this Protocol.

Net Zero Markets means Net Zero Markets Ltd a company established in England and Wales with Company Number 13380851.

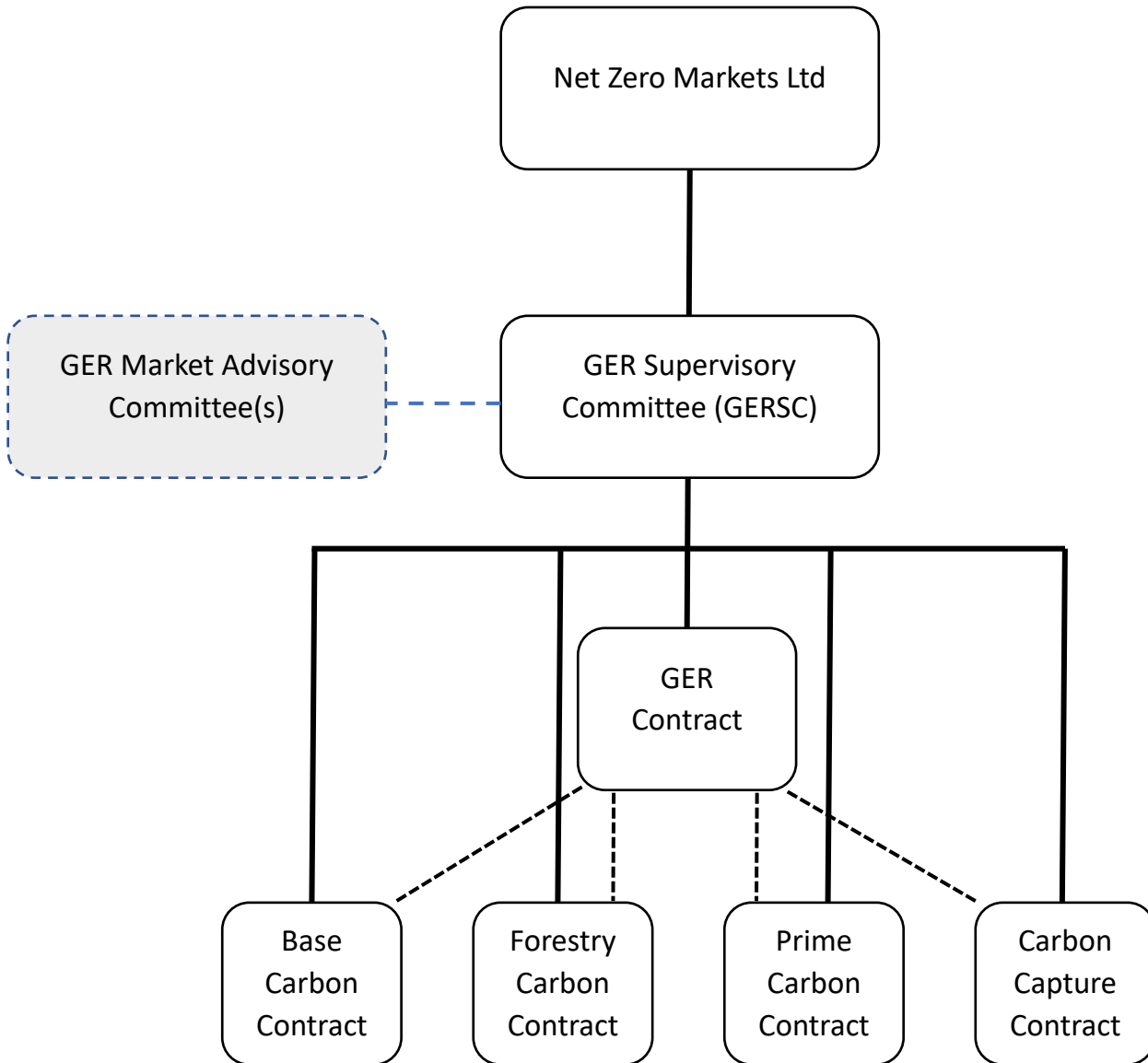
Review Year has the meaning given in paragraph 3.1 above.

Weighting Change has the meaning given in the table in paragraph 2.3 above.



ANNEX 2

GER Governance Structure Chart





ANNEX 3

Form of GER Contract Specifications

[See attached]