



How Nori Works

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Table of Contents

Disclaimer	4
1. Introduction	5
2. Accounting and Data Quality Principles	6
2.1. Guiding principles	6
2.2. Nori methodologies	8
2.2.1. Adopting new and revising existing Nori methodologies	9
2.2.2. Process for improving methodologies	10
2.2.3. Peer Review Committee	11
2.3. Leakage	12
2.4. Additionality	12
2.5. The NORI token	13
2.6. Permanence	15
2.7. Governance and security	18
3. Program Rules and Procedures	19
3.1. Customer accounts and contacts	19
3.2. Screening	20
3.3. Eligibility	20
3.4. NRT serialization and information	21
3.5. Supplier lifecycle of a Nori project	23
3.5.1. Account creation	23
3.5.2. Project registration application	24
3.5.3. Annual data update	26
3.5.4. Carbon removal claim verification	27
3.5.5. NRT issuance	27

3.5.6. Final project audit	27
3.5.7. NRT contract retention and review	28
3.6. Project invalidation	28
3.7. Buying and selling NRTs	29
3.7.1. Buyer Account Creation	29
3.7.2. Acquiring NORI tokens	29
3.7.3. Preparing NRTs for sale	31
3.7.4. FIFO Market	32
3.7.5. Forward Contract Auctions	32
3.7.6. NRT retirement	34
3.8. NRT scoring	35
3.9. NRT score and quantification appeals	37
4. Verification	38
4.1. Verifier eligibility	38
4.2. Elements of verification	39
4.2.1. Evidence gathering	39
4.2.2. Verification report	40
4.2.3. Verification opinion	41
4.3. Stages of verification	41
4.3.1. Project registration application	41
4.3.2. CR claim verification	42
4.3.3. Final project audit	42
4.3.4. NRT Retention Review	43
4.3.5. Public verification report	44
5. Glossary	45

Disclaimer

The *How Nori Works* document has been prepared for informational and procedural purposes only. Its contents are not intended to constitute legal advice and any person who requires legal advice should obtain it elsewhere. Nori maintains the right to amend or depart from any procedure or practice referred to in this guideline as deemed necessary.

This document is intended to be used in combination with project guidance that accompany each Nori Methodology and the International Organization for Standardization (ISO) 14064, 14065, and 14080 series as they relate to GHG emission removals. In the instance that the applicable methodologies differ from guidance given in this document, Nori project methodologies prevail.

1. Introduction

Nori's mission is to reverse climate change by building a dedicated carbon removal market that will enable corporations and individuals to help restore atmospheric concentrations of heat-trapping gases back to 300 ppm.

The Earth's surface is warmed by radiation from gases that trap heat — the greenhouse gases (GHGs) — in the atmosphere. This is called the greenhouse effect and its natural occurrence is critical to supporting life. But a side effect of the industrial age is that concentrations of GHGs in the atmosphere have grown from 280 parts per million (ppm) beyond safe levels. Today, they are estimated to be somewhere between 415 and 450 ppm, and growing at 2-3 ppm each year. Already, most experts agree that the longer term human and material costs of adapting to a warming planet likely exceed the shorter and medium term costs of taking action to stop and reverse runaway climate change.

Even if we were able to totally eliminate anthropogenic GHG releases to the atmosphere, concentrations of heat-trapping gases (primarily carbon dioxide, nitrous oxide, and methane) would remain at or above current levels. Therefore, the only way to return to safe concentrations is to also remove additional heat-trapping gases, most importantly carbon dioxide (CO₂), from the atmosphere. Efforts to remove CO₂ and retain the recovered C in terrestrial reservoirs (e.g. underground storage, minerals, soils, root systems, living biomass, and the built environment) are sometimes referred to as drawdown.

To help address the urgent need to draw down historic GHGs from the atmosphere, Nori began in July 2017 to build the software infrastructure needed to launch a new market to finance global scale removal of excess CO₂ from the atmosphere. This document is for potential participants to learn more about how to participate in the Nori marketplace.

Nori Inc has been operational since it was incorporated October 30, 2017 and is headquartered in Seattle, Washington.

More information about Nori can be found:

- [Nori White Paper](#)
- [Nori Website](#)
- [Nori GitHub](#)

2. Accounting and Data Quality Principles

The digital asset, or commodity, that is created and sold over the Nori market is the Nori Removal Tonne (NRT). Each NRT represents a verified claim that one tonne (+/- 10%) of CO₂ has been removed from the atmosphere and a contractual commitment that the recovered carbon (C) will be retained in a terrestrial reservoir for a minimum of 10 years. Because the Nori market is focused on removing CO₂ from the atmosphere, the NRT is denominated in tonnes of CO₂-equivalents or tCO₂e, even though it might be derived from evidence of terrestrial C stock gain. The NRT can only be sold once and is immediately retired, or removed from circulation, upon sale.

2.1. Guiding principles

To ensure a credible and robust NRT marketplace, Nori's standards and procedures have been developed to reflect the International Organization for Standardization (ISO) principles for GHG estimation, monitoring, reporting, and verification. Key principles that underlie this guidance are laid out in ISO 14064-2:2019. The Nori program incorporates these principles in the following ways:

- **Accuracy.** The Nori market is designed to account for uncertainties associated with even the best possible methods for estimating changes in CO₂ concentration and terrestrial C stocks, and to reduce uncertainties as much as possible, over time, by incentivizing better data collection and sharing techniques. Carbon removal claims derived from models and measurement techniques must include uncertainty ranges before they will be converted to NRTs. The estimation error part of the uncertainties associated with C stock estimates does decline, with time, if appropriate, continuous monitoring and data analyses are maintained for periods of at least 7 to 10 years. The Nori system is designed to also encourage market participants to invest in new monitoring and measurement methods to reduce, over time, the uncertainties associated with their carbon removal and retention claims even further, and faster, and at declining monitoring cost.
- **Comparability.** Nori ensures that the methodologies employed in the Nori market to generate NRTs are derived from respected, peer-reviewed, continuously

improving, and transparent carbon removal and retention estimation models and/or ecosystem simulation tools that have been developed and continue to be administered by independent parties (e.g. universities or other agencies that have no direct interest in carbon removal projects or the Nori market). Nori refers to these independent carbon removal and retention estimation methods/models and their administrators as Carbon Quantification Tools (CQTs).

- **Compatibility.** Nori's platform is designed to support compatibility with and contribute to continuous improvement in national, subnational and corporate GHG inventories and progress reports. Nori does this by partnering with CQTs that administer consistent, transparent and increasingly open-source software-based platforms designed to track and quantify CO₂ removals and related terrestrial C stock changes.
- **Completeness.** Nori considers all available relevant information that may affect the estimation and quantification of GHG removal and retention. The market design incorporates mechanisms for accounting for uncertainty and C retention risks.
- **Consistency.** The data, methods, criteria, and assumptions employed by Nori to establish NRT quantification rely on independent and peer reviewed systems that allow for continuous and meaningful analysis, as well as open comparisons to complementary and competing markets and systems.
- **Practicality.** The Nori NRT generation process relies on access to market data that are relatively easy to collect and retain, at comparatively low verification cost. Market participants will often find that the process of compiling the datasets they must share and verify to participate in the Nori market will add significant additional value to their operations beyond the return on NRT sales in the Nori market.
- **Relevance.** Nori only collects data from potential market participants that is relevant for GHG accounting.
- **Transparency.** The Nori platform publishes sufficient information for third parties to independently assess the credibility and reliability of Carbon Removal (CR) claims. When CR claims are verified, Nori issues NRTs to the claimants, referred to as

Suppliers. NRTs that are sold and retired are permanently stored on a searchable public blockchain with clear delineation of source, final ownership and sales price.

2.2. Nori methodologies

In traditional offset credit markets, registry administrators approve and publish GHG offset credit quantification protocols. These protocols generally prescribe multiple acceptable methods for estimating GHG mitigation project outcomes, including but not limited to the use of default GHG factors.

Nori essentially approves specific CO₂ drawdown and net C stock change estimation methods when Nori whitelists a CQT so there is no protocol approval process in the Nori marketplace. Instead, there is a CQT approval process. In the Nori market, each Methodology outlines the steps of the process of NRT generation, including the role of the CQT.

A Nori Methodology addresses each of the following five components for each of the above-listed stages in a Nori project's lifecycle:

1. **Data requirements and recordkeeping.** Nori provides templates that Suppliers or their Data Managers can use to organize and submit (a) the data they must supply to define and register a project in the Nori market, and (b) the data they must update annually to establish their CR claims. The data requirements lay out the eligibility and carbon removal assessment boundaries. Nori market guidelines will also prescribe recordkeeping requirements with the goal of minimizing project verification costs.
2. **Carbon Quantification Tool (CQT).** Nori will dictate which CQT, or combination of CQTs can be used to convert Supplier-provided data into CO₂ removal and C retention estimates. Nori also builds and provides software support to make it easier for all potential Suppliers to compile, retain and remit the data that must be run through the CQT to establish each project's dynamic baseline and quantify incremental CO₂ removal and C stock impacts and to generate NRTs.

3. **Verification requirements.** Procedures for verifying project ownership, location and boundaries, relevant reported project activity and operating context data and other key NRT quality-determining criteria.
4. **NRT scoring.** Guidance for how NRT scores will be established and may be adjusted over a project's lifecycle. Every NRT will have a score, reflecting uncertainty associated with quantification, quantity and quality of the data made available to the CQT, as well as C retention risk. The score for any given NRT will range from 0.0 to 90.0 and can typically change (improve) over time as Suppliers update their annual operating data reports. Procedures to assign, and revise, the scores assigned to NRTs, and the potential commercial implications of NRT scores, are summarized in section 3.7.
5. **Audit requirements.** Guidelines informing the information content and third party assurances that must be met in the comprehensive Project Audit that must be completed in the final year of the project's registration term. Minimum project registration terms will differ by Methodology, with a maximum initial registration term of 10 years for projects with the highest C loss/reversal risk.

2.2.1. Adopting new and revising existing Nori methodologies

Nori develops methodologies in accordance with ISO 14080:2018, with particular emphasis on the following ISO principles.

- **Convene:** Gather input from a broad set of stakeholders and scientific experts who can be part of an independent peer-review process to outline the scope and sign off on the details of the Methodology.
- **Draft:** Write the Methodology. Identify the independent, third party-controlled, publicly accessible models or analytical tools (CQTs) that will be approved and employed by project owners to establish credible carbon removal estimates.
- **Pilot:** Test the initial version of the Methodology with a real business case with real potential suppliers. During the pilot phase for any Methodology, Nori tests it for environmental integrity, practical ability to verify carbon removal, cost-effectiveness, uncertainty and C retention risks, tests and improves (as

required) the platform user experience, and finalizes the integration of the Methodology into the software platform.

- **Review:** Nori is open to continuous input from all Nori market participants, the wider community and our Peer Review Committee members. Although Nori does not have official commenting periods with closing dates, Nori is committed to formally responding, by December 15th, to all input received by October 15th every year, on every aspect of the Nori market design (including but not limited to specific methodologies). When input indicates a need to modify existing or add new methodologies, a formal notice regarding the Methodology adoption process and schedule will be included in the December 15th annual summary of responses to community and Peer Review Committee comments.
- **Publish:** The substance of all input from the wider community and Nori's Peer Review Committee members, as well as reasons and schedules for the adoption of new and/or modification of existing methodologies, will be publicly available.

2.2.2. Process for improving methodologies

Consultation, community input into, and peer review of Nori methodologies and elements of the overall Nori market design are parts of a continuous process. Effectively, there are no cutoff dates for comments or formal commenting periods.

Changes in carbon removal and retention estimation methodologies can be initiated through two routes. The first route will be directly controlled by Nori and relate to how Nori will select CQTs and interpret CQT estimates into scored NRTs. Nori is open to continuous input into CQT selection, CQT estimate interpretation, and NRT scoring. Nori-approved CQTs will be independent entities that might regularly update or modify their ecosystem models and the simulation mechanisms they employ to produce carbon removal and retention estimates. The second route for changes will typically not be under Nori's control but will be informed by Nori's input.

Either way, when revisions of an existing Methodology prove necessary, Nori follows the following procedures:

- Document the motivations for and scope of the anticipated revision(s).

- Publish the expected schedule for presenting, finalizing and adopting the revisions.
- Publish any anticipated implications of the proposed revisions for projects that were registered and approved according to the existing Methodology.

Most of the time, when revisions reflect changes in the CQT, registered Nori projects will be compelled to adjust to immediately comply with any related approved revisions to the Methodology. Changes to the CQT will automatically translate into changes in the Nori NRT quantification method. But if/when Methodology revisions originate in Nori and relate to aspects of the Methodology that are outside the CQT, Nori will consider grandfathering projects under the Methodology that was current at the time of Project Registration.

In order to ensure transparent and consistent communication of revised methodologies and the implications of revisions for registered projects, Nori takes into account the expectations of interested parties by including, in the December 15th annual response to comments, notice of revisions and their schedule for developing and implementing any anticipated Methodology revisions that might occur over the next 24 months.

2.2.3. Peer Review Committee

The Peer Review Committee plays a central role in the development, approval, and potential revision of Nori methodologies and ensuring the scientific integrity of the outcomes. Nori's first Peer Review Committee was launched in March 2019 and is composed of independent subject matter experts who typically meet bimonthly but will also participate in subcommittee meetings on an as needed basis. The role of the Peer Review Committee is to:

- Provide input into (a) the methods for determining the statistical significance and uncertainty intervals associated with existing and new techniques to estimate and quantify CO₂ removal and retention, and (b) the design of the NRT scoring system for specific methodologies.
- Assess new techniques to measure and quantify changes in carbon stocks.
- Assess new techniques to verify NRT suppliers' statements of claim.
- Hear appeals of Project Baseline determinations and NRT scores that might be filed by market participants.

- Access and share knowledge with/from the broader community of experts and carbon removal market stakeholders to ensure excellence.

While all Peer Committee members must be independent and have no direct interest in any NRT source active in the Nori marketplace, Nori also includes official observers in Peer Committee meetings and the consultation process. Observers are typically scientists who do have direct or indirect interests in registered NRT projects, or who might be Nori project verifiers.

2.3. Leakage

In traditional carbon markets, the term leakage refers to unintended GHG increases that may result from a GHG reduction project, but will typically physically occur outside the project boundaries. Much of the time, successful attempts to remove CO₂ from the atmosphere retain the recovered C in terrestrial reservoirs are associated with reductions in GHG emissions, both within and outside the project boundaries. But, in accordance with the World Resources Institute-World Business Council for Sustainable Development's *GHG Protocol for Project Accounting* guidance on assessment boundaries, Nori also tracks all of the direct and some of the indirect positive and negative GHG emission impacts of the carbon removal projects registered in our marketplace.¹ If over time, it becomes apparent that certain carbon removal activities are likely to result in increases in associated GHG emissions, Nori will not permit the registration of these projects in the Nori marketplace.

Nori collects supplemental information so we can include verifiable estimates of avoided emissions and emission reductions in the CQT reports that will form the foundation of NRTs. Because Nori is a dedicated carbon removal marketplace, NRT Suppliers will not be able to monetize net emission reductions documented in these reports. However, Nori structures data requirements in this manner to facilitate the efficient monetization of Suppliers' verifiable emission reductions.

¹ <https://ghgprotocol.org/standards/project-protocol>

2.4. Additionality

Nori uses a project-specific approach to determine additionality. Nori does not apply either financial or regulatory additionality tests. A project is deemed to meet the Nori additionality test when a potential Supplier adopts new land management or production practices, or installs new technologies which are reasonably expected to remove incremental CO₂ from the atmosphere and retain the recovered C in a terrestrial reservoir for at least 10 years. In essence, Nori's additionality test is incorporated in the method for defining the project baseline that is administered by the relevant CQT. If the new practices are an improvement over the project baseline scenario, they are considered additional.

Nori Project baselines will almost always be dynamic, not static. In other words, the project baseline will be recalculated annually to control for changes in terrestrial carbon stock changes due to weather, climate, extreme weather and other factors beyond the Supplier's control. Estimates of incremental CO₂ removals and terrestrial C retention used to quantify Nori NRTs will not be relative to a static, point-in-time historical estimate of terrestrial C stocks within the project boundaries.

2.5. The NORI token

In the Nori marketplace, two digital assets are employed to facilitate the sale and use of real interest in carbon removal and retention services. As outlined above, the NRT is created and issued by Nori to Suppliers who provide verified evidence that they have removed incremental CO₂ from the atmosphere and have committed to retain the recovered C in a terrestrial reservoir for at least 10 years. The Nori market also includes the NORI token. In the Nori market, every NRT must be traded in exchange for a NORI token, or some combination of NORI tokens and US dollars, in order for the NRT to be used (i.e. retired). Thus, those who wish to buy an NRT in the Nori marketplace will always first need to purchase a NORI token.

At any given time, there will be a fixed supply of NORI tokens and there will never be more than 500 million tokens in existence. The NORI token is a cryptocurrency that may also be traded in secondary markets for other currencies.

There are multiple reasons for incorporating the NORI token in the Nori market design. These include, but are not restricted to:

- Nori sells, over time, a capped supply of NORI tokens to raise operating capital to finance Nori market development. By raising capital through the sale of a token that must be included in every NRT payment, Nori ensures that the company's pre-seed, seed later stage investors are aligned with Nori's goal of building and growing a robust carbon removal marketplace.
- Nori retains 100 million tokens (20% of the total supply) in an insurance reserve pool. By holding back 20% of the total NORI token supply, Nori can, effectively, self-insure the commitment to keep NRT buyers whole in the event 10-year project audits reveal that NRTs were overissued. In the event an audit retroactively reveals that the underlying GHG reduction value of previously sold NRTs is less than 1 tCO₂e, Nori will draw from the insurance pool to buy and retire new NRTs to cover any shortfall.
- When a Nori NRT Supplier is paid in NORI tokens or a combination of NORI tokens and cash, Nori splits a Supplier's token holdings into separate "unrestricted" and "restricted" Supplier accounts, based on the NRT Score. The lower the NRT Score—or the higher the uncertainty range associated with the quantity estimate in combination with the C retention risk—the greater the allocation of the Supplier's NORI tokens to the restricted account.

The incorporation of the NORI token in all Nori NRT purchases, the NRT scoring system, and the link between scoring and token allocations to restricted accounts combine to enable Nori to introduce a market discipline that is in many ways similar to that achieved through the incorporation of buffer accounts in traditional offset credit markets. Key advantages in the Nori market design, include:

- While Suppliers will not be permitted to liquidate, or convert to cash, any tokens held in their restricted account, the market value of those tokens would still appear on the asset side of the Suppliers' balance sheet. This enables Suppliers to pledge restricted tokens as security, like any restricted asset, if they wish.
- While Nori can offer no guarantees regarding the market value of the NORI token, the potential exists for the token to increase in market value between the time it is

received by the Supplier and the time it is released and available for conversion to cash. In traditional markets, it is rare to see any appreciation in the market value or delivery price of offset credits that are being held in buffer accounts.

Therefore, the incorporation of the NORI token in the mechanism of payment for NRTs enables Nori to address C retention risk in an effective manner that is likely to have less negative impact on Suppliers' balance sheets than we typically associate with the buffer account approach that is common in traditional offset credit markets.

Nori has made best efforts to design the market in a manner that results in efficient, true NRT price discovery and maximizes the probability that the value the market assigns to the NORI token will fluctuate around the marginal cost of NRTs, over time. But Nori cannot guarantee any such outcome.

2.6. Permanence

Nori aims to ensure the longest permanence possible across all projects generated by specific methodologies, while balancing this need with reasonable timeframes and requirements on a case-by-case basis depending on the methodology. This is to say, not all methodologies can guarantee the same level of permanence. The permanence per tonne of carbon removed is dependent on the carbon removal and storage type (methodology). Particularly, there is a drastic difference between what scale of permanence is achievable for carbon removal projects conducted within **the biosphere vs outside of the biosphere**. For example: the permanence of carbon removal for direct air capture technology that stores carbon in rock formations can possibly yield thousands of years of permanence. However, these technologies to date are expensive and still require further investment and development to become cost-competitive. In comparison, carbon removal within the biosphere is currently much more cost-effective, yield many environmental and social co-benefits beyond carbon removal and storage, yet has limited guarantee on carbon removal permanence.

At a minimum, Nori guarantees that one NRT represents the equivalent of one incremental TCO_2 removed from the atmosphere and retention of the recovered C in the earth's natural storage system for at least 10-years.

Addressing permanence in nature based projects

In traditional offset credit markets, program rules typically oblige Suppliers of carbon sequestration credits from nature-based solutions to register covenants on their lands to restrict land use for anywhere from 40 to 100 years after they are first approved to offer offset credits for sale. In a majority of cases, the land owner is required to register the covenant for at least double and sometimes as much as quadruple the number of years they will be compensated for incremental CO₂ drawdown and C retention. Often, the required covenant results in a reduction in the market value of the land that is greater than the net present value of the potential short term offset credit revenue stream.

More importantly, it is often not the case that the covenant that is intended to ensure that the carbon sequestered in soils, roots and aboveground biomass will ensure that the recovered C will actually be retained. Trustees and land managers assigned the task of overseeing covenants often find they need to secure new sources of revenue to finance the continued retention of stored C. Traditional offset market designs often fail to mobilize the continued funding that is required to deliver on the assurance that the new C stocks will actually be retained.

Nori founders believe that it is a mistake for Nori, or any other provider of nature-based solutions, to “guarantee” that the carbon their registered projects remove from the atmosphere will be retained in a terrestrial reservoir for 100 years or more, in exchange for compensation that typically ranges between \$10 to \$20 per tCO₂e. Nori completely agrees that it is necessary to build a carbon market that adequately compensates land owners for building up carbon stocks in soils and root systems, and preserving those carbon stocks for hundreds to potentially thousands of years.

The question is: how can this goal of “permanence” most likely be achieved? The Nori market design reflects the practical assumption that permanence will rarely be achieved unless/until a market emerges that generates recurring carbon retention payments for land and forest managers. Simply restricting future land uses, by covenant, does not guarantee carbon stock preservation. Continuing payments are necessary to finance the continuing management and monitoring activities that are key to achieving permanent carbon

retention in natural systems. The Nori market is designed to generate such recurring revenues.

It should be noted, as well, that the Nori market design reflects the finding that delivering very large up-front payments to land and carbon reservoir owners—instead of recurring payments over time—is not likely to prove a viable strategy for achieving permanence. There are many cases throughout recent history where corporations abandoned or “orphaned” oil wells while breaching their legally binding long-term commitments to managed our lands sustainably. There is a high risk that covenants which create the expectation of permanence will turn into a reality that looks much like the carbon removal and storage version of orphan oil wells.

Nori proposes that people and companies should start to think of natural systems as forms of carbon “warehouses”, where the land and underground reservoir managers—much like warehouse operators—might have a reasonable expectation that they will earn repeated rents for maintaining this carbon storage service. In the Nori marketplace, Suppliers of nature-based projects can establish long-term permanence by re-enrolling and re-registering their projects. By doing this, they are updating data annually that enables Nori to establish carbon stock baselines for the duration of the project. If/when a Buyer wishes to achieve the immediate equivalent of 1T CO_2e of permanent removal for 100 years, that Buyer should consider purchasing 10 NRTs.

2.7. Governance and security

Nori’s program is built on principles of accountability, transparency, responsiveness and community participation in Methodology, market design, and rulemaking processes. Nori Inc is owned by six cofounders and currently governed by a board of four. Nori’s management and executive team provide direct oversight of all Nori operations. The Nori marketplace is operated by a private for-profit entity: Nori Inc.

As a policy, Nori employees are not eligible to list or own direct or indirect interest in projects that might generate NRTs.

All NRT purchases and NORI token trades undertaken by or on behalf of Nori founders and staff will be published on a real-time basis at the Nori website. The volumes and prices of

all Nori Inc NRT purchases and retirements executed in fulfillment of Nori's commitment that the underlying value of all retired NRTs will always be 1 tCO₂e +/- 10% will also be published on the Nori website on a real time basis.

Nori conducts regular security audits of the Nori App and Market software.

Nori is committed to fully comply with all relevant U.S. Commodity Futures Trading Commission (CFTC) and U.S. Securities and Exchange Commission (SEC) standards and regulations.

In the event that Nori Inc dissolves, the Nori Project Terms and Conditions bind Suppliers and Buyers to keep any outstanding Project Registration and NRT Retention Contract commitments as if their NRT buyers were parties to the to Nori contracts.

3. Program Rules and Procedures

Customers are subject to the terms of use, data ownership and privacy policies posted on the Nori website.² These policies may be modified, from time-to-time, by Nori. Advance notice of any proposed changes to these policies will be posted whenever possible, and Nori's Peer Review Committee will be informed of and invited to comment on any policy changes.

3.1. Customer accounts and contacts

- **Supplier:** The owner, or the designated representative of the owner(s) of any land, buildings or operations involved in a Nori Project. When multiple parties have real interest in the land, buildings and/or operations on which a Nori Project is based, all of those parties must formally assign authority to both a Primary and Secondary Nori Project Contact to represent all of the owners in respect of the management of reporting for and sale of NRTs arising from the project.
- **Data Manager:** An entity which directly helps suppliers collect, organize, and report the data that they need to submit to Nori to register their projects and receive NRTs. Project owners can add data managers to their projects. A data manager can be identified as a Secondary Project Contact for the Supplier.
- **Verifier:** A professional in good standing who is bound by a standard or ethical code to put the interests of their clients above their own with respect to a defined and limited class of transactions, and who is qualified to attest to the accuracy of evidence provided by NRT suppliers to a reasonable level of assurance. When an approved Verifier is a corporate entity, Nori asks for both a Primary and Secondary Contact for the corporate entity, both of which must be fiduciaries.
- **Buyer:** An individual who or entity that uses NORI tokens to purchase and retire NRTs in the Nori marketplace. A buyer must also name both a Primary and Secondary Contact for their Nori account.

² <https://nori.com/resources>

3.2. Screening

Nori will only make accounts available, on the Nori platform, to registered businesses and individuals who are in good legal standing. Accounts found not in good legal standing will be deactivated. During the project registration process, Supplier accounts and project/NRT ownership and control claims are prescreened in the Project Registration Application verification process. Nori NRT buyers will be tracked to ensure compliance with the U.S. CFTC and SEC Know Your Customer standards. Verifiers are screened through rules outlined in the eligibility process in section 4.1.

3.3. Eligibility

In order for a project to qualify to register in the Nori marketplace, it must meet the following criteria:

- **Additional.** The project must be able to provide incremental carbon removal as a result of adopting activities that can remove CO₂ and retain the recovered C for a minimum of 10 years.
- **Based on a realistic and credible baseline.** Nori will only use CQTs whose project baseline estimation methods are transparent, peer-reviewed and derived from other models and tools that have also been peer reviewed.
- **Quantified, monitored, reported, and verified.** CR claims are calculated in a manner that is conservative, transparent, and replicable. Procedures for monitoring, recordkeeping and reporting of the operating data that are employed by the CQT to generate CO₂ drawdown and incremental C retention estimates is described in specific methodologies. CR claims are verified by independent third parties.
- **Clear and transparent chain of custody.** All Suppliers in the Nori marketplace must submit an attestation confirming that they have exclusive ownership rights to real interest in the Carbon Removal claims associated with the project and for which the Nori will issue NRTs. In addition, the Supplier also provides assurance that real interest in the CR claims has not been previously sold and will not be directly or indirectly resold in any other carbon, emissions or ecosystem services marketplace.

- **Permanent.** One NRT represents the removal of one tonne CO₂ from the atmosphere and the retention of the recovered C for at least ten years. NRT Buyers who wish to purchase longer term C retention commitments can do so by funding NRT Suppliers to renew their Project Registration and NRT Retention Contract for subsequent terms.

Nori NRTs will represent incremental CO₂ removed from the atmosphere and retained in terrestrial reservoirs. But, in many cases, the practice changes that result in incremental CO₂ removal and recovered C retention will also coincidentally result in reduced and/or avoided GHG emissions to the atmosphere. While these avoided emissions will not be eligible to list NRTs, Suppliers will own the data that could allow them to make these claims for GHG reporting or selling into other ecosystem service markets.

3.4. NRT serialization and information

Nori will have a publicly available registry where anyone can view the volume of purchased NRTs. This registry will be available in 2020. In addition, while the data itself is created and hosted in the Nori application, a copy of this data and all historical interactions, with the exception of any commercial sensitive or confidential operating data, are distributed across Ethereum, a publicly accessible blockchain. Records will persist in this blockchain to enhance the transparency and availability of Nori operations via an immutable chain of records.

Nori assigns a unique serial number to each NRT. Each NRT serial number will reflect a published chart of accounts to enable Suppliers and Buyers to efficiently analyze their NRT sales and use by project name, NRT location of origin, the verifier's name and location, the year the CR claim was generated, the Methodology employed to quantify the CR claim, the NRT end user's location (e.g. nation, state, county), etc. This project metadata will also be stored on the public Ethereum blockchain ledger and visible to the general public.

Any operating and practice data that a potential NRT Supplier remits to Nori is deemed to be confidential corporate information and will be held in confidence by Nori. Those data will only be shared with Verifiers, at the sole discretion and initiative of the Supplier. Neither Nori nor the Verifiers can use the suppliers' data for any purpose other than verifying the Nori NRT estimates, without the prior permission of the Supplier. Summary

verification reports will be automatically generated that will not include confidential operating data, for public view. Nori will never disclose or use the Suppliers' data that was collected to build the Carbon Removal claim, without the supplier's prior approval. The project owner retains full ownership and control of the operating data that informs NRT quantification, as well as control over who gets permission to see any part of their operating dataset.

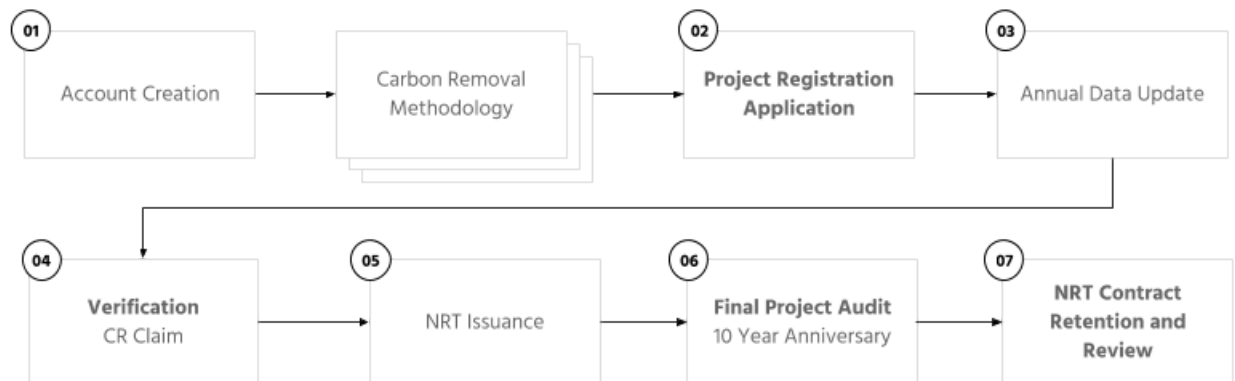
The publicly available information associated with NRTs quantification includes but is not limited to:

- Methodology and version of the Methodology used to quantify the NRT serial number (with identifiers and codes for country/region, Methodology type, and vintages)
 - Where: Location of removal – Country / state or province / county or region AND/OR latitude/longitude coordinates or location code
 - Vintage (when it was removed and storage period began)
 - Who removed it (link to the Supplier's profile)
 - How much was removed (number between 0 and 1 for fractional NRTs)
 - Verification (who, what, where, how, and report summary)
- Purchase & retirement
 - Transaction ID (Ethereum transaction)
 - Who bought real interest in the NRT
 - Name
 - Organization
 - Location for retirement (country, state, county)
 - Who is it being retired on behalf of
 - Name

- Organization
- Location for retirement (country, state, county)
- Price
- When the NRT was bought and retired

3.5. Supplier lifecycle of a Nori project

Below is a diagram describing the lifecycle of a Nori Project from an NRT Supplier’s perspective, as it relates to origination, monitoring, verification, and reporting. Steps requiring independent verification are in bold. The process is described in greater detail in sections 3.5.1-3.5.7.



3.5.1. Account creation

In order to create a Nori Project, a Supplier must create an account. For every Nori Supplier account there is a Primary and Secondary Contact. The Primary Contact is the designated project owner and Nori account holder. The project owner must also designate a Secondary Contact. The Secondary Contact has the same responsibilities, obligations, and liabilities as the Primary Contact. Nori only interacts with the Secondary Contact if the Primary Contact is unavailable.

All Suppliers, Buyers and their representatives must comply with Nori’s Supplier Data Security and Use Agreement.³ Suppliers may also add data managers to their account as described in section 3.1. During the account creation process, suppliers select a

³ <https://nori.com/resources>

Methodology and create an application to register their project in the Nori marketplace.

Creating an account on the Nori platform will always be free of charge. During the initial account creation phase, Suppliers will be able to enter the historic and projected operating data that will form the backbone of their Project Registration Applications and which will ultimately position them to receive NRTs.

3.5.2. Project registration application

When a Supplier applies to register their project, they are applying to establish a project baseline with verifiable data that is specified in the relevant Methodology. Registration commits the supplier to report operational data relevant to the carbon removing activity for at least 10 years, to enable the monitoring of CO₂ drawdown and changes in carbon stocks for that minimum term. To have a project approved for registration, the project owner shall describe new practices or activities that they have recently implemented, or will soon implement, that are reasonably likely to result in the removal of CO₂ from the atmosphere and retention of the recovered C in a terrestrial reservoir for at least 10 years. This means that on a net basis, it is reasonable to anticipate that more CO₂ will be removed from the atmosphere than would otherwise have been removed had the practices or activities not been implemented. The initial adoption of these activities is what the Nori platform uses to establish a project start date or “switch” date, to differentiate the pre-project terrestrial C stock change baseline from the post-adoption terrestrial C stock change, and to generate a net activity or practice change-based CO₂-equivalent removal estimate.

To register a project in the Nori marketplace, project owners (or the Supplier) must provide enough verifiable historical operating data and sufficient information about the proposed terrestrial reservoir (the natural or built environment in which the recovered C will be stored), or adequate alternative evidence, to enable a Nori CQT to produce a credible estimate of the baseline C stock change before practice or activity implementation.

The specific data the CQT requires is outlined in the applicable Methodology and Nori supplies a spreadsheet-style template to make it easier for Suppliers to compile, store, and remit the information required to complete the Project Registration Application and establish the project’s dynamic baseline.

In electing to register their project, the Supplier is signing a Nori Project Registration Application. They do so by clicking “I accept” the project registration terms and conditions that are published at the Nori website (and which are available for public viewing at any time by any person).

By becoming a signatory to the Project Registration Application, the Supplier is committing to submit annual data updates for the project, per the data request that was in effect at the time of project registration, for at least 10 years. These data updates will be used by the CQT to review prior-year carbon removal estimates and to newly estimate any incremental terrestrial C stock changes that are reasonably attributed to the change in practices or activities that were implemented since the project start or switch date.

In electing to register their project, the Supplier will also be committing to adhere to certain recordkeeping requirements that will also be outlined in the Methodology. The recordkeeping requirements are for the sole purpose of minimizing the Supplier’s verification and 10-year Final Project Audit costs.

The Supplier is also agreeing that any carbon removal claims submitted to Nori pursuant to this project registration will not also be offered for sale in any other carbon offset or carbon removal marketplace. The Supplier is permitted to offer for sale, in other markets, real interest in any associated avoided GHG emissions, emissions reductions, or other related ecosystem services associated with the Nori registered project, as long as doing so does not constitute double crediting under the rules of those markets.

Given a complete annual data update from a Supplier, the Nori platform automatically generates a complete draft report of the data to be verified. This report forms the backbone of the Project Registration Application and verification is required before the application can be approved.

The Verifier must review the report and provide independent assurance that six key components in the draft report are reasonable or true:

1. The Supplier (i.e. the person named as the project’s primary contact) has the right to list the project and manage NRT sales in the Nori marketplace.
2. The data/evidence provided by the Supplier is reasonable and can be replicated (the test for accuracy).

3. The selected project start date is appropriate.
4. Real interest in the CR claims represented in the verification report are not directly or indirectly listed for sale, or have not been sold, through other registries or carbon markets.
5. The Supplier and any associated entities are in full compliance with existing laws and regulations.
6. The Verifier does not have a Conflict of Interest with the listed Nori Project.

In the event that the Verifier finds that modifications in the reported data are required, the Supplier will resubmit data, through Nori to the CQT, to regenerate a new draft Verification Report that meets with the Verifier's approval. Upon receipt of a positive Project Application Verification Report, Nori will approve the Project Registration Application, list the Project as registered (subject to the Supplier's final approval and formal acceptance of the agreement terms), publish the Project's initial baseline, and provide the Supplier with a provisional/illustrative 10-year NRT projection.

The NRT projection will reflect future practices and activities prescribed by the Supplier in their application. In registering the project and accepting the terms of service, the Supplier is contracting to maintain or adopt new practices that are reasonably likely to draw down incremental CO₂. The Supplier will not be contractually bound to any specific set of activities or practices, and the project's actual performance could differ significantly from the provisional NRT projection. The purposes of the NRT project is only to inform the Supplier's decision to register the project, and actual project NRT generation could differ significantly from the provisional projection

3.5.3. Annual data update

To maintain their Project Registration, Suppliers must submit annual activity/practice updates. Detailed guidance prescribing mandatory annual data reporting and recordkeeping requirements are included in the relevant Methodology and related data template(s). Each time data is updated, the supplier receives a draft Carbon Removal (CR) Claim Verification Report.

3.5.4. Carbon removal claim verification

Nori will only issue NRTs when annual data updates are verified. NRTs are digital certificates that represent the estimated difference between the carbon stock changes reflected in the approved project's baseline and those associated with the post-change in practice trend. CR claim verification must occur at least once every three years. Suppliers can elect to verify their CR claims and convert them to NRTs as frequently as once a year, at the Supplier's discretion.

3.5.5. NRT issuance

Upon receipt of a generally positive verification report of CR claims, Nori will issue NRTs to the Supplier. Nori will not issue NRTs for GHG removals when an emission mitigation activity has not occurred or is not yet verified. Nori will never credit a projected stream of offsets on an ex-ante basis. Whenever Nori issues an NRT, the Supplier commits to retain the C represented by that NRT in terrestrial storage for at least 10 years.

3.5.6. Final Project Verification

In the last year of the Project Registration term, the Supplier shall commission a Final Project Verification. This audit will comply with the most recent Nori guidelines associated with the applicable Methodology, and serve multiple purposes, including but not restricted to:

- provide additional evidence to reduce the outstanding uncertainty interval associated with the estimate of incremental CO₂ removal to +/- 10%
- establish a new Project Baseline that will be published on the Nori blockchain
- determine if Nori over-issued or under-issued NRTs relative to the final cumulative 10-year estimate of terrestrial C stock change that is confirmed by the Audit.

At the end of the first project crediting period (the initial Project Registration term), Nori will publish the new project baseline that is established by the Final project verification. Suppliers wishing re-register their projects in the Nori marketplace must use their new baselines, and it is our expectation that if the Supplier wishes to sell interest in incremental

carbon removal or retention in other markets that these baselines will be accepted by other carbon market administrators.

For many classes of projects, the minimum Project Registration renewal term is likely to be shorter than the initial Project Registration term.

3.5.7. NRT contract retention and review

The annual data updates and periodic verification reports required under the Project Registration Application include adequate information to also confirm compliance with any NRT Retention Contract that is active on the Final Project Verification Date date. But to release all of their NORI tokens from their restricted account, Suppliers may have to continue reporting operating data for the full term of any outstanding NRT Retention Contracts.

For example, let's say a Project is registered for the term 2020 to 2029. 20,000 NRTs are issued to the project in 2027. When the Supplier sells those vintage 2027 NRTs, they are entering into a contract with Nori that binds them to retain the recovered C underlying those NRTs through 2036. A portion (typically no more than 30%) of the NORI tokens the Supplier receives in payment for those NRTs will be held in the Supplier's restricted account until 2036. The Methodology prescribes a limited desk verification requirement to trigger the release of those outstanding NORI tokens. Detailed requirements will differ by project type/Methodology and reflect relative C retention risk.

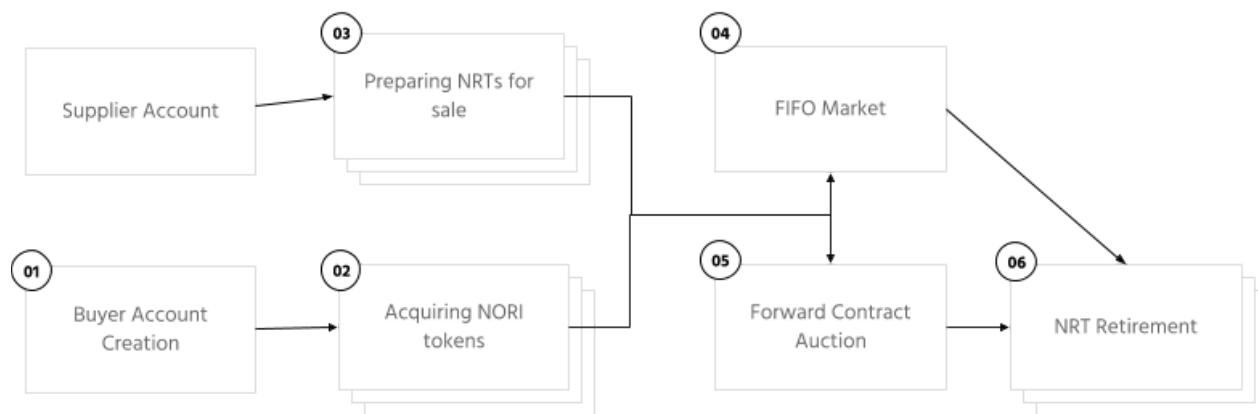
3.6. Project invalidation

A project is invalidated if: (1) they fail to meet an annual reporting deadline, or report incompletely, and/or (2) if there is an intentional reversal/release of the C stock. Nori considers invalidation to be a breach of contract, subject to dispute resolution by arbitration.

3.7. Buying and selling NRTs

Nori's goal is to operate a dedicated carbon removal market that supports efficient and true price discovery. Nori generates operating revenues by taking a ~10% transaction fee

on the sale price of each NRT. The diagram below outlines the stages for Buyers to acquire and Suppliers to sell NRTs, which stages are described in greater detail in section 3.6.1-3.6.6.



3.7.1. Buyer Account Creation

In order to procure NRTs, Buyers create accounts on the Nori app. NRT Buyers will also appoint Primary and Secondary Contacts for their Nori accounts. Buyer account applications must include sufficient buyer information to enable Nori to comply with CFTC and SEC Know Your Customer rules. These requirements can change over time, and in applying to establish a Nori account, a Buyer is agreeing to update identity and contact information as required to meet current CFTC and SEC rules.

3.7.2. Acquiring NORI tokens

Every Nori NRT is traded for one NORI token and, potentially, US dollars. So a Buyer must acquire NORI tokens in order to participate in the Nori market.

The terms for NORI token procurement are different depending on timing. Also, all Nor sales or distributions of NORI tokens shall comply with applicable SEC and/or CFTC regulation.

At the time of publication of this version of the Nori market design, NORI tokens are being distributed in a pre-seed, and are soon to be distributed in a seed investment round. In both the pre-seed and seed investments rounds, potential Buyers invest in Simple Agreements for Future Tokens (SAFTs). A SAFT is a contract that obliges Nori to deliver

NORI tokens at previously agreed-to prices to the Buyer upon or before the formal Nori platform launch.

Pre-seed and seed investment token distributions must comply with different SEC and/or CFTC rules than apply to post-platform launch token distributions. Only accredited US or foreign investors are permitted, under SEC rules, to acquire NORI tokens in the pre-seed and seed distributions. After Nori platform launch, NORI tokens will potentially be available for retail sale (to non accredited buyers).

Nori currently plans to release retail NORI tokens in metered batches. Each metered batch distribution will be open for a limited period—likely 5 working days—immediately upon the close of each Forward Contract auction (as described in section 3.6.5). The price of retail tokens will be equal to the settlement price determined in the prior Forward Contract auction. The volume of tokens available for sale will be set according to a function of the combined amount of NRTs sold in the auction and unsold NRTs in the FIFO market pipeline at the time of Forward Contract auction close. There is a floor price for NORI token retail sales, and that is the highest price a pre-seed or seed investor ever paid for their tokens.

These procedures ensure that all registered Nori market buyers will have the ability to acquire the tokens they might need to meet their contractual obligations before the Forward Contract signing deadline. The coincidentally minimize the risk that retail NORI token distributions will directly cause major NORI price volatility in third party cryptocurrency markets.

3.7.3. Preparing NRTs for sale

At the same time the Supplier submits their CR claim verification report, they will also instruct Nori where to deposit their NRTs into one of three. NRT use accounts:

1. The FIFO (first in, first out) market.
2. The project owner's Forward Contract NRT holding account.
3. The project owner's NRT Retirement account.

There will be limits on the volume and length of time project owners can store NRTs in their Forward Contract holding account, which limits will reflect the Owner's Forward Contract auction participation rates and outstanding Forward Contract obligations. These

limits will be informed by actual experience gleaned from Nori's earliest auctions and retail token sales, and will be developed in a transparent method that invites full community input. Nori plans to introduce specific limits for Forward Contract holding accounts after no fewer than 4 auctions and no more than 8 auctions have been completed.

When a Supplier sells their NRTs, the NORI tokens they receive will be split into two separate Supplier accounts:

1. Restricted tokens.
2. Unrestricted tokens.

Unrestricted tokens can be converted into cash or traded for other cryptocurrencies any time at the discretion of the Supplier. Restricted tokens are the real property of the Supplier, but may not be immediately converted into cash or other cryptocurrencies. The split will initially reflect the NRT score at the time of sale. The score for any individual NRT can improve over the 10-year NRT retention term, depending on the applicable Methodology, and NORI tokens are likely to shift from the Supplier's restricted to unrestricted account as a result (see more on NRT scoring in section 3.7). The primary purpose of the Final Project Audit is to create certainty as to the data reporting conditions under which tokens remaining in the Supplier's restricted account in the last year of the Project Registration term will be transferred to the unrestricted account, assuming the Supplier complies with any outstanding NRT Retention Contract terms.

3.7.4. FIFO Market

In the Nori FIFO market, each NRT always trades for one NORI token and there is no supplemental cash payment in the transaction. Suppliers offer NRTs for sale in Nori's spot market only on a first-in, first-out basis. The NRTs sit in a queue and are retired on a sequential basis. Buyers simply choose how many NRTs to buy, provided they are available in the queue, and send that number of NORI tokens to the supplier, plus a 10% transaction fee to Nori.

3.7.5. Forward Contract Auctions

To facilitate true NRT price discovery, Nori will hold regular Forward Contract auctions. These will take the form of a single or uniform price Dutch auction conducted by Nori. In this auction, potential pre-qualified, Buyers and Suppliers bid to become parties to a bilateral NRT Forward Purchase/Sales Contract, which contract strictly follows a Nori contract template.

During the auction bidding period, each Supplier will set the floor price(s) for which they will sell their NRTs. Buyers will bid the maximum price they are willing to pay for NRTs, in US dollars (US\$) on the Forward Contract settlement date.

During the auction, the Nori software ranks Buyers' bids from highest to lowest, and Suppliers' bids from lowest to highest. Then NRTs will be provisionally allocated to buyers until the NRT supply runs out or the next-in-line Buyer bid price is lower than the next-in-line Supplier floor price. This will set a uniform settlement price. No Buyer will be asked to pay more for NRTs than their bid price and no Supplier will be asked to accept payment below their bid price. Buyers and Suppliers will then be matched up to sign bilateral, non-assignable Forward Contracts. The Buyers also pay a transaction fee equal to 5-10% of the resulting settlement price.

It is possible that there will be no overlap in NRT buy and sell prices for an auction. After each auction, Nori will anonymously publish all bid prices. The value of this process is that even when no settlement price results, publication of the anonymous bid/ask prices leads to efficient price discovery for market participants.

On the Forward Contract settlement dates, every NRT will be exchanged for a combination of one NORI token and a possible US\$ adjustment. The NORI token will be traded on the Nori platform, while any related US\$ adjustment will be settled between the parties over the counter.

The provisional or initial allocation of NRTs to Buyers determines: (1) which buy orders will be filled, (2) which NRTs will be transferred to a Buyer, and (3) what the resulting settlement price will be for the resulting Forward Contracts. Once NRT Buyers and Suppliers, and the settlement price, are identified, the NRT allocation will be reorganized to

minimize the number of bilateral agreements required to complete the NRT trades, making the process less burdensome for both Buyers and Suppliers. Nori will facilitate the exchange of NRTs for Nori tokens on the contract settlement dates. The US dollar portion of final contract settlements will be transacted between the parties, over the counter.

Note that the settlement price for the NRT in the Forward Contract auction will always be denominated in US\$. In order to maintain consistency in the Nori platform, each NRT costs at least one NORI token, plus or minus some cash, if the market price for the token differs from the contract price on the settlement date. The Nori Forward

Contract template will expressly address how any such NRT/NORI token price differential will be addressed on the settlement date, as illustrated here and explained in greater detail below.

If the average US\$ value of NORI tokens in designated third-party exchanges over a period starting 10 working days before and ending 10 working days after the settlement date is less than the agreed NRT settlement price, then the NRT buyer will pay the supplier one NORI token plus the difference in US\$.

Alternatively, if the US\$ reference price of the NORI token is greater than the agreed settlement price on the settlement date, then the buyer will pay the supplier one NORI token, and the supplier will pay the buyer half the difference between the apparent NORI token market value and the NRT settlement price. In this way, the buyer and supplier split any price upside when the NORI token price exceeds the agreed NRT Forward Contract settlement price.

Upon contract execution, both buyer and supplier will be required to deposit a combination of NRTs and NORI tokens equal to somewhere between 25% and 40% of their

Example: Settlement price of \$6

Token Price on settlement date	NORI Tokens	Cash
\$3	You pay: 1 NORI	+ You pay: \$3
\$6	You pay: 1 NORI	
\$12	You pay: 1 NORI	You receive: \$3

* There will also be a transaction fee to Nori that is between 5-10% of the settlement price per CRC. Final transaction fee rate and method of payment (token/cash or mix) is still being determined.

Forward Contract settlement obligations into Nori Forward Contract holding accounts. To comply with US SEC and CFTC regulations, the parties to the bilateral agreement must bear a significant share of any contract risk, and Nori does not have the option of establishing a procedure to cover 100% of resulting contract risk. In the event of default, Nori will transfer digital assets from the defaulter's Forward Contract holding account to the second party, the parties will go to arbitration to address any remaining contract shortfall, and the defaulting party will be blacklisted and barred from further participation in the Nori market.

Nori will consider holding unique program-specific Forward Contract Auctions if that is necessary to meet special program needs.

3.7.6. NRT retirement

Using blockchain technology, Nori NRTs purchased through the FIFO Market or Forward Contract Auction are immediately retired (or canceled) when they are transferred to the Buyer's account. This avoids any possibility of double counting as it makes clear who owned the NRT at what point in time. This also ensures that under US securities and commodities trading regulation, the NRT is, technically, a commodity (meaning it is typically bought for immediate use and not primarily for repeated resale), not a security.

In traditional carbon markets, offset credits are often resold many times before they are retired. This can result in periods during which market activity is dominated by swaps. These markets may appear liquid when they are not, and are potentially vulnerable to various price manipulation schemes. The immediate and transparent retirement—or one-time use—of Nori NRTs provides some insulation from those common market failures.

Along with access to the publicly available data listed in section 3.4, NRT Buyers will have access to the names, contact information, and the field locations of the Suppliers generating the NRTs they acquire. Buyers must select who is the owner of the beneficial interest, whether it is themselves or an external entity, for each NRT they buy and retire. Because NRTs will be retired upon assignment to a location, and beneficial interest cannot be traded or reassigned later, there will only be this one option to assign beneficial ownership. If a Buyer is retiring NRTs on behalf of an external entity, they must provide the company name, postal code, and location.

Nori does not issue NRTs for expected future GHG emission avoidance or reduction. So 1 NRT represents 1 tCO₂e removed and no discounting for future performance is necessary as is common practice for emission reductions. When a country or state approves the export of real interest in an NRT, they will potentially be required to comply with emerging (but not yet extant) international GHG accounting guidelines that will require to country or state to add a balancing 1 tCO₂e to their official national GHG inventory or every 1 tCO₂e they approved for export.

3.8. NRT scoring

Upon verification, each NRT will be assigned an initial quality score. The procedures for assigning NRT scores and modifying them over time are unique to each Methodology. The general purpose of incorporating NRT scoring is to create a market incentive for NRT suppliers to adopt superior carbon removal estimation and verification methods over time and as early as possible. The NRT score is determined by the quantity and quality of data provided by the Supplier, primarily reflecting the size of the uncertainty interval that is associated with the carbon removal estimate.

With respect to carbon removal quantification options, Nori will not consider estimation methods or evidence for which uncertainty ranges cannot be provided.

The NRT score is what determines the distribution of the NORI tokens the Supplier receives between their restricted and unrestricted accounts. The NRT score will address multiple factors defining NRT quality, but the two dominant factors are: (1) risk that incremental CO₂ drawdown was overestimated in the earlier years of the Project Registration term, and (2) NRT retention risk. Any NRT score is split into 2 parts: (1) uncertainty associated with NRT estimation and verification, and (2) uncertainty or risk associated with NRT retention. The division of the NRT score between these two considerations will differ by Methodology, because NRT estimation error and C retention risks could differ, significantly, between different carbon removal activities.

For the purpose of illustrating how NRT scoring will work, assume the applicable Methodology assigns 70% of the score to uncertainty associated with the incremental CO₂ removal estimate and 30% to C retention risk. The two separate sources of

uncertainty/risk, and changes in the NRT score, potentially result in the following theoretical NORI token release schedules.

Assume, for illustration purposes, that, in year 10 of the Project Registration term, the uncertainty associated with the pre-audit 10-year stream of NRT issuances was +/-30% and the NRT stream average NRT score was, for example, 70 (out of a maximum of 100). The share of the Supplier's tokens that will still be in the restricted account just before the audit could be ~50% of total tokens the Supplier received to date. That is the sum of:

- 70% of total tokens multiplied by 100 minus the NRT score (70), or 21%, reflecting the incremental CO₂ estimate share of the uncertainty, plus
- 30% of total tokens, reflecting outstanding C retention risk.

The Final Project Audit will typically enable the verifiers and Nori to shrink the uncertainty associated with Incremental NRT removal quantification risk to +/- 10%. The Nori guarantee to buyers is that one NRT will represent 1 tCO₂e removed from the atmosphere +/-10%. So an audit that confirms the NRTs issued over the prior 10-year Project Registration term matches the tCO₂e actually removed will trigger the immediate release of 21% of the Supplier's total token receipts from the restricted account.

If the audit finds that less CO₂ was actually drawn down from the atmosphere than NRTs issued, Nori will remove one NORI token for each tCO₂e of calculated CO₂ drawdown shortfall. If there are insufficient tokens in the restricted account to cover the shortfall, Nori shall draw sufficient tokens from the Nori insurance reserve to acquire and retire enough new NRTs to cover the audit-quantified shortfall. If the audit finds that the project drew down more CO₂ than represented in NRT issuance, Nori will immediately issue additional NRTs to the Supplier, which NRTs the Supplier can then sell with a perfect NRT score (all tokens received in payment are unrestricted).

That leaves 30% of the Suppliers total token receipts in the restricted account When the Supplier sells an NRT, they are signing a 10-year NRT Retention Contract with Nori. The tokens remaining in the restricted account to cover C retention risk will be released when Nori receives verified data updates that confirm the Supplier has retained the C represented by each NRT in the terrestrial reservoir. The Supplier will have the option of

verifying their data updates to release those tokens annually, once at the end of each NRT 10-year retention period, or any frequency in between, at the Supplier's sole discretion.

If the Supplier elects not to verify retention, at the end of any NRT's 10-year retention period Nori will transfer the related restricted token and use it to acquire and retire NRTs to cover the retention contract shortfall. This is how Nori will keep the Nori commitment to Buyers that when they acquire and retire a NRT its true underlying environmental value is 1 tCO₂e (+/-10%) drawn down from the atmosphere with the recovered C stored in a terrestrial reservoir for at least 10 years.

Suppliers who sign NRT Retention Contracts do have a contractual obligation to Nori to keep their commitment to retain recovered C represented by the NRTs they sell for the minimum 10-year retention period. If Nori discovers that a Supplier has engaged in activities or adopted practices that would obviously cause a breach of that contract, and the market value of the expropriated tokens is insufficient to cover Nori's cost of acquiring and retiring replacement NRTs, Nori will have the option of recovering outstanding costs by invoking default and arbitration clauses in the NRT Retention Contract.

3.9. NRT score and quantification appeals

Suppliers may submit appeals for NRT scores. These will be reviewed by the Peer Review Committee comprised of subject matter experts for the Methodology. Suppliers may also provide additional evidence that may modify the quantification of NRTs. Limits to appeal options may be incorporated in some methodologies.

4. Verification

The role of the Verifier is to provide assurance that the data supplied to inform the NRT quantification is reasonable and accurate. Verification reports are automated through the Nori platform. Nori outlines documentation for Verification in specific methodologies. All verification is ex-post verification.

Nori does not require that project validation be conducted as a separate step in the development of Nori Projects. Instead, when a project applies for registration, the verifier must affirm the project's eligibility according to the rules defined in the relevant project Methodology. The project's eligibility criteria are developed through a transparent, stakeholder-driven process that lays out the design and scope for each project type prior to project implementation through the application of performance-based standards and other standardized criteria. The project methodologies data requirements, CQTs, verification guidance, and audit procedures are subject to continuous peer review.

4.1. Verifier eligibility

The verification team must be comprised of individuals who have the necessary skills and competencies to undertake the verification. Often, the verification team will be employees of, or subcontractors to, one corporate entity. Nori recognizes the corporate entity as the responsible party, rather than an individual verifier. To be eligible, some owners and directors of the corporate entity must be fiduciaries. Members of the verification team can include qualified individuals who are not fiduciaries, but every verification report must be signed by a fiduciary who is also a corporate officer. Every member of the verification team must be covered by adequate Errors and Omissions insurance.

Verification bodies accredited under ISO 14065 and in good standing with their relevant ISO accreditation body (e.g. ANSI in the United States, and who are approved verifiers in good standing in any of the three existing major offset credit registries operating in the United States, Climate Action Reserve, American Carbon Registry, and Verra) are automatically eligible to provide verification services to Suppliers in the Nori marketplace, upon providing proof of accreditation.

In order to become a verifier in the Nori marketplace, verifiers must satisfy the following criteria:

- Have sufficient proof of identity
- ISO Accredited
- Be in a position of fiduciary responsibility
- Obtain Errors & Omissions Insurance for at least \$1 million
- Have demonstrated technical expertise in the applicable sectoral scope
- Provide one additional contact
- Provide two references
- Maintain active status by conducting verification in the Nori market at least once every three years

Verifiers who meet the above criteria are eligible to apply to Nori through the Nori software to become approved or “whitelisted” in the Nori marketplace. Contact information, specialties, and other relevant information for whitelisted Verifiers will be published at the Nori website for Suppliers ease of access.

Once the Supplier has selected a listed Verifier, the Verifier must submit a conflict of interest statement to Nori and the Supplier, through the Nori software platform, at least 10 business days prior to the completion of verification activities. This form includes the scope of proposed verification activities and other required information used to assess the potential for conflict of interest between the verification body and the supplier, including the disclosure of any familial relationships or fiduciary relationships connected in the project. In order for any Verification Report to be accepted and result in NRT issuance, Nori and the Supplier must jointly and severally be satisfied that any potential for conflict of interest between the Supplier and the verification entity is low or can be mitigated.

4.2. Elements of verification

4.2.1. Evidence gathering

The Nori software is designed to be compatible with developing verification plans outlined in ISO 14064-3. This means that Nori Verifiers will be able to examine material submitted through the platform and communicate directly with Suppliers. Most, if not all, of the data

the Verifier will be asked to review will be owned exclusively by the Supplier. In accepting a verification assignment, the Verifier is agreeing to adhere to the Nori data privacy and limited use policies. Suppliers select their Verifiers and the decision to share any draft Verification Report, and the data that is disclosed therein, with any Verifier is at the sole discretion of the Supplier.

In the Nori market, the Verifiers are being asked to provide assurance as to the reasonableness and accuracy of the data the Supplier has provided Nori and the CQT. Nori verifiers are not being asked to opine as to the validity or accuracy of the CQT.

The evidence gathering activities the Verifiers will execute typically include, but are not limited to the following:

- Verifying project (land, buildings, and operations) ownership and Nori project ownership/control claims
- Inquiring to ensure data definitions are appropriate and consistently applied
- Confirming data submitted to Nori and the CQT are consistent with the operating records for the project (typically applying a random sampling approach)
- Recalculating operating data, if required
- Confirming the Supplier is retaining records in accordance with any recordkeeping requirements that might be included in the applicable Methodology

Each Nori Methodology contains specific guidance on the scope of evidence gathering necessary to provide reasonable assurance with respect to the data the Supplier provides.

4.2.2. Verification report

The Verification Report is automatically generated on the Nori platform. An initial draft report is emailed by Nori to the Supplier in response to their submission of a Project Registration Application and every registered project's annual data update. The verification report may include the following:

- Project title, purpose, statement of objectives (wording to be included in public disclosures)
- Methodology employed to generate NRTs
- Project activities or adopted practices as defined by the Supplier

- All of the material data the Supplier has provided Nori, verifier, and the CQT since the last Verification Report
- Summary of sampling performed by verifier (data and field if required)
- Summary of findings or issue log and forward action requests
- Summary statement of the aggregate NRTs generated from the CR claim under the relevant Methodology for the relevant time period
- The current NRT score table for the project
- Summary statement of additional GHG reductions generated from Nori project
- Evidence that the project meets or continues to meet project registration criteria

4.2.3. Verification opinion

For each component of the draft verification report, the Verifier shall reach one of three possible conclusions based on evidence independently gathered:

- Reasonable level of assurance
 - Without qualifications
 - With qualifications
- Limited level of assurance
- Adverse assurance

Each Methodology will provide guidance as to how these levels of assurance shall be translated into Verification Ratings by the Verifier. The Verification Ratings contribute to the scores that will be assigned to the NRTs that are issued by Nori in response to receipt of an acceptable Verification Report.

4.3. Stages of verification

Each Verification Report will consist of four components, guidance for which is described in greater detail in specific methodologies: project registration, CR claim verification, final project audit, and desk review for carbon retention.

4.3.1. Project registration application

During project registration, the verifier will conduct the following six activities:

1. Verify that the Supplier has the right to list the project and manage NRT sales in the Nori marketplace on behalf of all parties who have direct ownership interest in the land, buildings and operations on which the project relies..
2. Verify that data/evidence provided by the supplier is reasonable and can be replicated (the test for accuracy).
3. Verify that the selected project start date is appropriate.
4. Real interest in the CR claims represented in the verification report are not directly or indirectly listed for sale, or have not been sold, through other registries or carbon markets.
5. Assurance that the Supplier and any associated entities are in full compliance with existing laws and regulations.
6. The Verifier does not have a Conflict of Interest with the listed Nori Project.

During this verification stage, Suppliers may appeal the resulting project baseline from the Project Registration Application. An appeal could result in a requirement for re-verification at the Supplier's expense.

4.3.2. CR claim verification

Suppliers will need to update project data annually and have that data verified at a minimum frequency over the Project Registration period (as outlined in the relevant Nori Methodology) in order to receive NRTs. It is only when a CR claim is verified that an NRT can be listed for sale. The intent of this verification is to provide a reasonable level of assurance about the inputs and data quality informing the CQT output, and not the quality/applicability of the CQT or its outputs.

4.3.3. Final project audit

Verifiers will complete a Final Project Audit in the 10th year after initial enrollment in the Nori market. Any Nori-approved verifier can complete such an audit, but the auditor cannot be the same entity who verified any of the previous Project Registration or CR claims for that project. This audit is intended to serve multiple purposes:

- **Verify the work of the Verifiers.** Any Nori whitelisted Verifier can verify the Project Baseline/Registration application, the data informing NRT issuance, or complete the Final Project Audit. But a Verifier will not be permitted to complete a 10-year audit for a project on which that same Verifier provided assurances that the data used to establish the Project Baseline and generate NRTs was reasonable. In this aspect, the purpose of the Final Project Audit is to ensure that all verifiers' work is, ultimately, checked by other equally-qualified verifiers.
- **Reduce Uncertainty to release NORI tokens from the Supplier's restricted account.** Various methods for improving SOC stock change estimates and reducing the uncertainty intervals associated with those estimates exist, using commercially available technology. Specific audit guidance is included in methodologies. Audits are required only after 10 years, but project monitoring and audit techniques are expected to evolve, quickly, over time. Audit guidelines will be updated annually, reflecting technology advances, to provide Suppliers some indication of how audit requirements might be changing (hopefully becoming less costly) over the Project Registration term.
- **Ensure accurate NRT distribution.** If the audit finds that Nori issued more NRTs to the project than are justified by the audit's final carbon removal and storage estimates, Nori will transfer NORI tokens from the supplier's restricted account in the amount of the estimated carbon removal shortfall to automatically purchase new NRTs from a different supplier on behalf of the original NRT buyer. If there are not enough NORI tokens in the restricted account to purchase new NRTs to cover the estimated carbon removal and storage shortfall, Nori will draw tokens from the Nori insurance reserve to cover the outstanding portion of that shortfall.

4.3.4. NRT Retention Review

Restricted NORI tokens will become released after ten years or faster, as verified data updates provide evidence that recovered C is retained in terrestrial reservoirs.

The annual data updates the Supplier is required to remit during the registered project term will be sufficient evidence to prove C retention for the portions of NRT retention terms that overlap the Project Registration term. So, for example, if a project's registration

term is 2020 to 2029, most of the tokens held to cover vintage 2020 or 2021 NRT retention risk can be released from the Supplier's restricted token holdings in response to verification reports and audits completed over that term. But for vintage 2027, 2028 or 2029 NRTs, most of the 10-year NRT retention terms will extend beyond the annual data update mandate that is associated with Project registration.

Suppliers will have the option to remit verified data updates as frequently or infrequently as they wish, to prove NRT retention, after the end of the Project Registration term. But NORI tokens retained to cover NRT retention risk will not be released from the Supplier's restricted account unless/until verified data updates are received by Nori.

4.3.5. Public verification report

Complete verification reports will include data that is the private property of project owners/Suppliers. Upon receipt of a complete verification report, the Nori platform automatically generate a summary report, which does not include confidential or proprietary data, to communicate to the wider Nori community the essential verification findings and each verification report rating.

5. Glossary

Buyer: An individual or entity who uses NORI tokens to purchase NRTs in the Nori marketplace.

Carbon Removal (CR) Claim: A claim submitted to Nori that includes evidence that incremental CO₂ has been removed from the atmosphere and the recovered C retained in terrestrial storage for at least 10 years.

Carbon Quantification Tool (CQT): An entity or technique qualified to convert operating data and other evidence provided by a potential NRT supplier into NRT estimations with an associated uncertainty range. CQTs are independently peer-reviewed, replicable, and subject to continuous improvement.

Data Manager: An entity who directly helps suppliers collect, organize, store, and report the data that they need to submit to Nori to register their projects and receive NRTs.

Data Platform Provider: An administrator of a software platform that suppliers might use to collect, organize, and store data that could make it easier for them to participate in the Nori marketplace. A data manager can also be, but is not necessarily, a Platform Provider.

Incremental: A reduction in atmospheric CO₂ concentrations (reported in tCO₂e) that is due to the adoption and maintenance of a practice(s), activity, and/or new technology (which combine to define the “Nori Project”), which reduction is over and above any reductions that are likely to occur in the absence of the adoption and maintenance of the new practice(s), activity, or technology.

Methodology: A Nori Methodology includes five components:

- (1) Templates that suppliers or their data managers will use to organize and submit (a) the data they must supply to define and register a project in the Nori market, and (b) the data they must update annually to establish their CR claims.
- (2) Methods for quantifying the mean value of incremental CO₂ removed and retained, with levels of uncertainty with the use of CQTs.

(3) Procedures for verifying project ownership, location and boundaries, and reported practice data.

(4) Procedures to assign and revise the scores assigned to NRTs.

(5) Minimum standard for a project's final audit.

Nori Removal Tonne (NRT): A digital environmental asset created and issued by Nori Inc that represents one metric ton (tonne, or "t") of carbon dioxide-equivalent (CO₂e) removed from the atmosphere and retained in some organic or inorganic form in a terrestrial reservoir for at least 10 years. NRTs will be sold only over the Nori platform, and each NRT may be traded only once. NRTs are retired (as in no longer tradable) after the first time they are exchanged for NORI tokens or a combination of NORI tokens and cash.

Nori Project: An activity or combination of actions that can result in the incremental removal of CO₂ from the atmosphere and the retention of the recovered C in a terrestrial reservoir (which can be soils, root systems, aboveground biomass, mineral reserves, marine plant systems, underground reservoirs, or manufactured products and buildings, or the built environment).

NRT Aggregator: An individual or entity who is assigned ownership of and manages a portfolio of projects on behalf of NRT suppliers/project owners.

NRT Score: An indication of a combination of uncertainty intervals associated with any CO₂ removal estimate, the scope and quality of operating data submitted by the Supplier, and other considerations that contribute to NRT quality and underlying environmental value. Scores will be assigned to the NRTs generated in response to verified CR claims. After NRTs are sold and retired, the NORI tokens the Supplier receives will be temporarily split into two accounts—unrestricted and restricted. NORI tokens in the restricted account will not be convertible to cash unless/until the scores associated with the NRTs for which the NORI tokens were traded improve. Generally, the estimation error and other factors contributing to uncertainty tend to decline over time and with more comprehensive verification.

NORI token vs. Nori: The NORI token is a digital financial asset that is issued by Nori Inc. The NORI token is the means by which an NRT buyer qualifies to enter the Nori market. Whenever an NRT is sold, it must be exchanged for one NORI token or some combination

of NORI and cash. NRT buyers must acquire NORI tokens as a prerequisite to participating in the Nori marketplace. NORI token holders may also elect to exchange NORI tokens for other currencies over exchanges that are distinct and separate from the Nori platform. The word “Nori”, by itself, refers to the company, Nori Inc.

Peer Review Committee: A collection of scientists, policy advisors, and industry experts who independently review, provide input into, and approve the adoption of and revisions to the Nori methodologies for approving project registration and quantifying and verifying claims that CO₂ has been removed from the atmosphere.

Project Baseline: A project-specific, reasonable, and dynamic estimate of the amount of carbon dioxide and any equivalents that would be removed from the atmosphere and stored in a terrestrial reservoir in the absence of the NRT-generating project.

Supplier: The owner, or the designated representative of multiple owners, of a Nori project. When multiple parties have real interest in the land and/or operations on which a Nori project is based, all of those parties must formally assign authority to a single person or an officer of a corporate entity to represent them as the supplier in the Nori market. That single person or entity is called the Primary Contact for the Nori project.

Verifier: A fiduciary, or a professional in good standing who is bound by a standard or ethical code to put the interests of others above their own with respect to a defined and limited class of transactions, who is qualified to attest to the reasonableness, reliability, and replicability of evidence provided by NRT suppliers.