



# Spark Governance Policies and Procedures

**Version: 2.6**

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## 1. Introduction

The International Organization of Securities Commissions Principles for Oil Price Reporting Agencies (the “**IOSCO Principles**”), encourages price reporting agencies (“**PRAs**”) to apply the principles to any price assessment of any commodity that is linked to a derivative contract. In response to the IOSCO Principles, Spark Commodities Pte Limited (“**Spark**”) price assessments have been designed to align with the IOSCO Principles. The IOSCO Principles can be found [here](#).

This documentation outlines Spark's approach to governance of the Spark price assessments that customers rely on for physical contracts as well as financial derivatives ("**Spark Prices**"). Other Spark products are governed in line with the procedures in this document but are not subject to any formal requirements. This document, along with the [Spark LNGF Methodology](#) comprise the key documents of the Spark Control Framework. The Spark Control Framework is a combination of documents that organise and categorise Spark's internal controls, practices and procedures.

We are always open to suggestions and feedback. Comments on this document, or any element of the Spark Prices, including methodologies and technical issues, can be sent to [governance@sparkcommodities.com](mailto:governance@sparkcommodities.com).

## **2. Organisation, Business and Conflicts of Interest**

Spark has a robust governance structure in place to ensure its business is conducted responsibly, effectively, and with due regard for all stakeholders' interests.

The Spark Compliance & Governance Committee ("**CGC**") - which meets monthly - has overall responsibility for ensuring the effectiveness of the Spark compliance programme and has delegated authority from the Spark Board to request the implementation of any additional compliance controls it deems appropriate.

The Terms of Reference for the CGC are available to stakeholders on request by contacting [governance@sparkcommodities.com](mailto:governance@sparkcommodities.com)

Neither Spark nor its shareholders participate in the markets Spark assesses or have any interest in the movement of the Spark Prices. Independence, neutrality and impartiality are essential to Spark. Spark has no financial interest in the price of the products or commodities on which it reports. Spark's aim is to simply reflect market value.

The Spark Conflicts of Interest Policy expressly prohibits Spark personnel from accepting or providing, from any Spark customer or eligible submitter (or potential customer or submitter):

- employment (directly or indirectly);
- travel; or
- gifts, entertainment or hospitality with a value of \$200 or more

without the specific prior written consent of the Head of Risk and Compliance. All requests pertaining to gifts and entertainment are logged. Spark personnel are also prohibited holding direct financial interests in companies that submit to, trade, or play a role in the Spark Prices. Spark personnel are also specifically prohibited from contributing to a Spark price assessment - directly or indirectly - by way of engaging in bids, offers, or trades on either a personal basis or on behalf of market participants.

The compensation arrangements of all Spark personnel are based upon the performance of the company and of the individual concerned. Compensation is in no way linked to movements in the Spark Prices.

The Spark administration system fulfills the role of initial assessor and therefore effectively guarantees consistency at that level. At least one senior assessor is present and

oversees each Spark Price release, ensuring the Spark administration system has functioned as designed and approving the data for calculation and publication. Additionally, at least one senior assessor is available during the period following a submission window. This ensures a consistent and regular approach to price assessments. Spark will at all times employ two senior assessors with adequate experience and knowledge. Spark also has a Head of Risk and Compliance who is trained on the price assessment process. In order to ensure continuity, at least two of those three individuals are involved in each release of a Spark Price.

Spark methodologies are designed to clearly describe:

- a. The specifications of the commodity Spark is assessing.
- b. The way Spark collects relevant market assessments.
- c. How these market assessments are used to create the relevant Spark price assessment.

### **3. Spark Principles**

Spark believes that commodity pricing should be based on direct and independent submissions from approved, active market players. Spark delivers this via an intuitive, easily accessible platform, with Spark Prices based on a clear and fit-for-purpose methodology.

Spark advocates for data-driven assessments that are not susceptible to individual judgement or bias. The Spark approach, which sets us apart from traditional PRAs, is designed to produce high quality, robust price assessments in both liquid and illiquid markets.

Spark endeavours to standardise our approach to data collection and price formation wherever possible, whilst allowing for market-specific methodologies when required. This allows Spark to:

- Produce reliable, fair, data-driven and representative price assessments;
- Provide mechanisms aimed at preventing market manipulation;
- Provide greater levels of transparency in illiquid markets by providing a growing amount of anonymised, relevant data; and
- Avoid selective reporting where possible whilst recognising industry dynamics and lack of liquidity.

Spark Prices are automatically calculated based on the methodology outlined below. Market participants can directly enter price information on the platform, removing the need for journalists and assessors to gather data. This allows Spark's senior assessors to focus on identifying anomalous data, and ensuring the platform operates as expected. Data submissions that breach defined tolerance thresholds must be justified by the submitter and can further be reviewed by senior assessors and flagged before price dissemination takes place.

By following a data-centric method that relies predominantly on technology, Spark removes human error and judgement as much as possible from the Spark Prices.

### **4. Our Price Assessments**

The following Spark Prices align to the IOSCO Principles and are in scope of the annual independent audit.

## **LNG Freight:**

Spark25S (Spot)  
Spark30S (Spot)

The Spark LNG Freight Methodology is available for review on the Spark [website](#).

## **Design of Spark methodologies**

The methodologies underpinning Spark Prices are based on extensive conversations and meetings with market participants and brokers in order to assess and verify demand and preferred specifications. The Spark Prices went through two stages of testing with market participants:

- a. Release for testing with market participants and brokers: feedback received and assessments refined where needed.
- b. Release of assessment for market acceptance testing in the form of trial period.

Following completion of the testing phase, the Spark Prices were launched, with all final specifications made available to all users via the platform.

## **Who can submit data?**

Spark Prices are formed by eligible brokers operating in the underlying market. Brokers continue to play a pivotal role in the LNG freight market - they are involved in the vast majority of deals and remain the most impartial market participants. Only data provided by eligible brokers is used in the calculation of the Spark Prices.

Spark also receives data from active, professional market players (including portfolio players and ship owners). These market players must first be approved and permissioned by Spark to submit data. Once onboarded - and trained in use of the platform - those firms are able to provide data which enables Spark to provide a level of transparency that the market has not seen before.

## **Platform Permissions**

Spark manages a strict permission system for users of the platform. Access to the information on the platform is restricted by permission rights which can only be granted by Spark senior assessors.

## **5. Price Assessments and Data**

### **Spark Methodology Documentation**

The Spark LNG Freight methodology is available on the [website](#). It describes the specifications and processes that Spark adheres to in collecting data and the methods Spark uses to calculate Spark Prices from its data inputs.

### **How do we assess Spark prices?**

Data is received from eligible submitters (and other market participants) during the

specified assessment window. Spark Prices are then formed using data from eligible submitters and in accordance with a standardised methodology. However there are some key points to note:

- a. In the absence of technical failures or other extenuating circumstances, submissions can only be submitted via the platform to allow for a robust audit trail;
- b. All submission data is captured and is available for full auditing purposes for a period of five years;
- c. All data is anonymous to other submitters and each submitter is categorised internally by Spark to better understand the organisation type behind the corresponding submission and ensure that only eligible submitters are providing price forming data.

The Spark Senior Assessor reviews all information submitted by eligible submitters to confirm that all data is consistent and conforms to the Spark methodology.

### **Verification of submitted data**

Spark has, using historical data submissions, designed static thresholds at two stages of the price assessment process. The aim of these thresholds is to highlight erroneous data inputs and to flag “off-market” submissions, whilst acknowledging the volatile and illiquid nature of the underlying market..

Firstly, eligible submitters are required to justify any price submission that represents a significant movement from their previous submission. This justification is recorded in the platform and is only viewable by the Spark team. This threshold aims to (a) ensure that the eligible submitter has not made a mistake and (b) furnish Spark with the market intelligence used by the eligible submitter to calculate their submission. Spark is then able to review that information in the context of all other submissions to identify anomalous data.

Secondly, any submission that also represents a significant movement from the previous Spark published price may be subject to a direct follow up from a Spark senior assessor if further information is required. This follow up may be during the assessment window or once the window closes.

All justifications are reviewed weekly by the Head of Risk and Compliance and furthermore, may be discussed by the Spark Compliance and Governance Committee.

On an annual basis the Spark Compliance and Governance Committee reviews all eligible submitters, including for the identification of patterns of anomalous submissions, and reserves the right to escalate such issues with the eligible submitter.

### **Data Hierarchy for Spark Prices**

Spark expects all eligible submitters to submit data based on their assessment of the market as it stands. Naturally, bona fide transactions should play a significant role in that assessment, but in an illiquid market - or where there have been no concluded transactions - eligible submitters should prioritise bids and offers (with genuine and executable bids and offers taking precedence over indicative ones) over other market information. Spark Prices are assessing where the market could transact today, as is market convention when assessing LNG freight costs. The most recent transaction (which may not be recent due to the lack of liquidity in the market) is therefore not automatically the most reliable indicator. Eligible submitters are best placed to make an assessment of where the market could transact today.

## **Spark's approach to price assessment**

- Provide a full range of data outputs based on data submissions (min/max/average of data received) to those that submit.
- Remove human bias, subjective decision making and "expert judgment" wherever possible.
- Provide comparative data for similar contracts if applicable.
- Provide clarity to the market on the number of submitters involved in submitting to each published Spark Price.
- All inputs are fully auditable.

In order to ensure Spark provides reliable, fair and representative price assessments, at least 50% of the approved and permissioned eligible submitters are required in order to calculate a Spark Price. In the event that threshold is not, Spark will roll forward the prior published price. Spark customers will be informed if such action is necessary.

## **Corrections to assessments**

Spark will - where appropriate - publish a correction to a Spark Price after the publication date. A correction would be appropriate in case of clerical mistake or an error in the calculation. A correction would also be appropriate if an eligible submitter has made a genuine and material mistake in their submission and that was not flagged by the Spark platform. A correction is not appropriate and will not be issued if an eligible submitter merely wanted to change their submission after the close of the submission window.

Corrections will take place as soon as practicably possible and Spark will ensure that all Spark databases and platforms are updated. Spark will also send a notification of any corrections via email to all users and will include an explanation as to why a correction was required. A log showing all historic corrections is available on the Spark platform.

All corrections are retrospectively reviewed by the Spark CGC to ensure consistency and compliance with this policy.

## **Challenging Spark Prices**

Users of the Spark platform are able to challenge a Spark Price for 24 hours following the publication using the dedicated Challenge functionality on the Spark platform. Challenges will be reviewed by a Spark senior assessor as soon as practicably possible.

# **6. Spark Governance and Compliance**

## **Review of methodology**

The Spark Compliance and Governance Committee will conduct at least an annual review of the Spark methodologies and will - in the event of a material change - follow the process outlined below under "Changes to methodology". A material change could be, for example, one that impacts the underlying economic reality of a Spark Price or one that changes how Spark calculates a Spark Price.

Spark will additionally conduct a broad, open methodology review and consultation at least annually. This is an opportunity for all market participants to provide feedback on the Spark Prices, the Spark methodologies and any other element of Spark's operations. This

annual exercise may include the following:

- a. Data reviews
- b. Market player discussions
- c. Annual survey of Spark users

In addition to the above, any market participant can at any time highlight any concerns via e-mail to [governance@sparkcommodities.com](mailto:governance@sparkcommodities.com) or in writing to Spark Commodities, 18 Cross Street, 02-101 Cross Street Exchange, Singapore (048423).

### **Changes to methodology**

Spark follows a clear process for introducing or making material changes to its methodologies. This process is based on full transparency and communication with stakeholders aimed at gaining market acceptance for any proposed change to a methodology.

All material changes will be clearly communicated - along with the corresponding rationale - to stakeholders. There will be a clear consultation period for the market to assess, review and feedback on suggested material changes along with a specified means of communicating feedback. The timeline for implementing the change will vary depending on the nature and materiality of the change.

Any feedback Spark receives will be made public when Spark communicates its decision whether or not to proceed with the methodology change. Stakeholders who do not wish to be attributed to their feedback should request privacy when submitting their feedback.

### **Discontinuing Assessments**

There may be occasions when a Spark Price ceases to be relevant to the marketplace and must be discontinued for another reason. Where possible, Spark will provide at least 120 days' notice of its intention to discontinue a benchmark however in certain circumstances Spark may need to cease publication of a benchmark much quicker. At all times, Spark will communicate as transparently as possible with stakeholders. However, all stakeholders should be clear that it is their responsibility to ensure they have considered the potential alternative benchmarks available to them.

### **Skills and Training**

Spark hires suitable candidates from a wide range of backgrounds. All employees are required to go through an onboarding process to ensure that they have a thorough and adequate understanding of Spark business processes and procedures.

### **Complaints Procedure**

The Complaints Handling Policy is available [here](#).

### **Data Security and Confidentiality**

All Spark data is hosted on Google's Cloud Platform which is compliant with industry best practice. Spark follows their recommendations regarding data security and the Spark Head of Risk and Compliance reviews all compliance related reports produced by Google

and other key service providers to ensure there are no risks to Spark data.

The confidentiality of any data submitted to Spark will be preserved in accordance with the Spark policy and procedure unless required by law.

All Spark employees are prohibited from disclosing any non-public, price sensitive information that they come into contact with. This restriction includes discussions with non-Spark employees about customers, business strategy and product development. Employees are advised to avoid displaying confidential information on laptop computers or other written material, and to refrain from verbal discussions in public areas such as elevators, public transportation, and airports. This also applies to the use of electronic communications such as external emails and instant messages. All Spark employees are forbidden from divulging confidential information, including the names of confidential sources, outside of Spark, unless required by law.

### **Audit and Record Retention**

Spark maintains an audit trail and other documentation as required by the principles and seeks to comply with all applicable laws. All relevant information relating to Spark Price will be retained for a minimum of five (5) years. This shall include any exclusions of data.

Spark engages an independent, third party to conduct an annual audit of Spark's compliance with the IOSCO Principles. The results of that audit are available on the Spark website or by contacting [governance@sparkcommodities.com](mailto:governance@sparkcommodities.com)

### **Third party service providers**

On an annual basis the Head of Risk and Compliance conducts a review of third parties relied upon by Spark and reports the findings to the CGC. The review should incorporate reviewing service providers SOC reports and incident logs. A summary of those third parties is included in the independent audit report mentioned above.