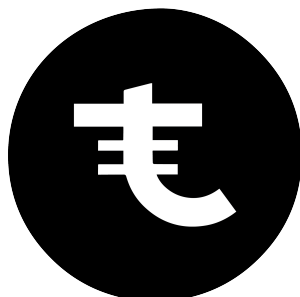




Toco owner's manual

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1. The Foundation

- 1.1 The Carbon Reserve (the Foundation) is a Swiss incorporated non-profit foundation with unlimited duration.
- 1.2 The Foundation is subject to the supervision of the Swiss Federal Supervisory Authority for Foundations (ESA) and is subject to an annual statutory audit.
- 1.3 The Foundation's registered office is in Geneva.
- 1.4 The Foundation is governed by a Board of Trustees. The Board of Trustees has sole authority to manage and administer the foundation and its assets and makes all necessary decisions to achieve its purpose.

2. Key definitions

- 2.1 *Carbon mitigation assets (CMAs)* are defined as any instrument generated as part of a scheme, project or program, the purpose of which is mitigation of carbon emissions, usually measured in base units of tonnes of carbon dioxide equivalent greenhouse gases (tCO₂e).
- 2.2 *Mitigation value (MV)* is defined as the expected mitigation impact measured in tonne CO₂e after discounting for all the risks associated with any unit of reduction claimed (e.g. credit issued, or allowance to emit a tonne of CO₂e).
- 2.3 *Financial value (FV)* is defined as the price a buyer is willing to pay for a unit of a CMA.
- 2.4 *Compliance value (CV)* – In compliance markets, compliance value is defined as the value ascribed by the regulator to a unit of a CMA, at the time it is surrendered for compliance purposes under that regulator's scheme. In the voluntary market, compliance value is defined as the value ascribed by an individual or organisation to a unit of a CMA, at the time it is retired for the purpose of claiming an emissions offset.



3. Foundation mandate

- 3.1 The Foundation mandate is to expand carbon markets and increase carbon market participants by providing global citizens and corporations with a safe, flexible, and stable international unit of trade that enables and supports credible atmospheric carbon reduction.
- 3.2 The Foundation issues and regulates the supply of a global digital unit (toco) to maintain the MV (mitigation value) of each unit in supply as one tCO_{2e}. It performs this function by holding in its custody a portfolio of high quality, verified carbon mitigation assets (CMAs) and by minting tocos that represent the mitigation value achievable.

4. Portfolio objective

- 4.1 The portfolio objective is to deliver stable, long term, liquid mitigation value (MV) for toco owners.



5. Toco ownership

- 5.1 Each toco represents one tonne of mitigation value (MV) in the Foundation portfolio.
- 5.2 Toco owners are individuals and organisations that:
 - 5.2.1 Recognise removals and compensations as important to achieve long-term sustainability goals.
 - 5.2.2 Accept some price volatility to own long term durable and reliable mitigation outcomes that are net zero aligned.
 - 5.2.3 Seek diversification, liquidity, and simplicity with low fees to achieve their mitigation goals.
- 5.3 Toco owners can typically use toco as a combination of the following:
 - 5.4.1 *Medium of exchange* - Individuals and organisations taking climate action use toco as a carbon-based currency for their daily transactions to drive demand for mitigation outcomes.
 - 5.4.2 *Store of value* – Individuals and organisations use toco to invest in the mitigation value and/or financial value of CMAs to achieve their sustainability and/or financial goals.
 - 5.4.3 *Unit of account* – Individuals and organisations use toco to track and measure the number of compensations they can realise to achieve their sustainability goals.
- 5.3 Toco owners may opt to retire¹ toco to permanently claim its mitigation value as means to compensate for emissions.
- 5.4 View the risk disclosure on toco ownership [here](#).

¹ The Foundation retires an equivalent amount of carbon mitigation assets from its portfolio and provides toco owners with evidence of retirement on the underlying carbon registries.



- 5.5 The Foundation may from time to time invest in CMA derivatives, including, but not limited to, forward contracts, futures, and options where the MV is derived from an underlying CMA and bespoke future payment terms are defined and where the Foundation takes delivery of the CMA.
- 5.6 The Foundation has a preference to invest in more recent CMA vintages but under exceptional circumstances to support carbon markets, older vintages may become eligible for inclusion in the portfolio.
- 5.7 The Foundation may allocate up to 5% of the portfolio to venture CMAs to support the expansion and development of the voluntary carbon market. Venture CMAs are defined as CMAs based on new and untested methodologies, technologies, and/or standards.
- 5.8 In executing on its policy objectives, the portfolio composition is managed to achieve:
 - 6.9.1 Stable long term MV.
 - 6.9.2 Diversification of principal MV risks.
 - 6.9.3 A Portfolio composition with net zero alignment.



6. Portfolio restrictions

- 6.1 The Foundation will not invest in CMAs where there is evidence that its origination has caused either social or environmental harm.
- 6.2 The Foundation will not invest in CMAs that originate from high-risk countries related to factors such as corruption.
- 6.3 The Foundation will not invest in CMAs that originate from mitigation activities it considers as part of the ordinary course of business and good corporate citizenship.
- 6.4 The Foundation will not invest in CMAs where the MV is assessed to be lower than half the claimed reduction.
- 6.5 The Foundation will not invest in CMAs that do not aim to ensure permanence.
- 6.6 The Foundation will not invest in CMAs based on methodologies where, at the time of the investment, there is evidence that new methodologies overcome shortcomings in the older methodology.

7. Portfolio risk factors

- 7.1 The portfolio MV per toco can fluctuate.
- 7.2 The portfolio is subject to risks which could affect the portfolio performance.
- 7.3 Country/regional risk is the chance that country specific events will adversely affect the mitigation value of mitigation outcomes that originate from a project or scheme located in a specific country.
- 7.4 Delivery risk is the risk that pre-purchased mitigation outcomes are not delivered to the Foundation at the contracted value.
- 7.5 Quantification and verification risk is the risk that a mitigation outcome has an overstated mitigation value due to incorrect quantification or verification.



- 7.6 Double counting risk is the risk that a mitigation outcome has an overstated mitigation value due to double counting.
- 7.7 Double claiming risk is the risk that a mitigation outcome has an overstated mitigation value due to double claiming.
- 7.8 Project developer concentration risk is the risk that the portfolio performance may be impacted disproportionately by the influence that a project developer has on its projects, including fraudulent behaviour.
- 7.9 Non-diversification risk, which is the risk that the portfolio performance may be impacted disproportionately by the deficient performance of a few CMAs.
- 7.10 Non-permanence risk is the risk that mitigation outcomes reverse.



8. Portfolio policies

- 8.1 The Foundation has stringent selection criteria on which CMAs may be included in the portfolio and are those which in the opinion of the Portfolio Manager:
 - 6.1.1 Reduce emissions that would otherwise occur, or which sequester Greenhouse Gases (GHGs) from the atmosphere, in both cases, compared to a defensible baseline.
 - 6.1.2 Are real, measurable, and verifiable.
 - 6.1.3 Originates from recognised registries based on globally recognised standards; or from emerging registries based on standards that rely on aspects of known methodologies and the principles of internationally recognised carbon offset standards with independent third-party verification.
 - 6.1.4 Originates from compliance markets, if it is issued by recognised governments or regulatory bodies under an emissions cap-and-trade system with a clearly communicated cap.
- 8.2 The Foundation will invest in CMAs on a global basis.
- 8.3 The Foundation will invest in CMAs in both the compliance and voluntary markets.
- 8.4 In the voluntary carbon market, the Foundation will invest in CMAs originating from nature-based and engineered solutions.
- 8.5 The Foundation will invest in both ex-post CMAs and in CMAs via pre-funding contracts with developers, such that the pooled funds support project developers to initiate mitigation activity that otherwise will not take place.



9. Portfolio risk management

- ¹
- 9.1 Target asset allocation aims to ensure diversification across portfolio risk factors.
 - 9.2 The Foundation attempts to fully mitigate delivery risk by taking insurance cover, however, such risks may not be fully mitigated and result in losses.
 - 9.3 Limits are applied to ensure that country concentration risk and project developer concentration risk is avoided.
 - 9.4 The Foundation maintains a CMA buffer to account for adverse risk events that can impact mitigation value of the portfolio, either at an individual CMA level or at a portfolio level or at both.
 - 9.5 The Foundation maintains a liquidity buffer in cash or cash equivalents to support liquidity risk over the short to medium term while carbon markets develop more depth from a trading and liquidity perspective.

10. Portfolio MV assessment

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- 10.1 The Foundation performs an assessment of MV risk of all CMAs it holds in its portfolio.
 - 10.2 The Foundation applies, based on its MV assessment, a risk discount to the claimed reduction value of a carbon mitigation asset to arrive at the MV.
 - 10.3 MV assignment takes place at time of inclusion in the portfolio and periodically thereafter, subject to scheduled review or when ad-hoc events are identified.
 - 10.4 The process of risk assessment and assignment ensures that the portfolio is continuously maintained at its risk-adjusted MV.
 - 10.5 Detail on the risk assessment approach is outlined in the Foundation *Mitigation Value Risk Assessment Framework*.



11. Portfolio manager

- 11.1 The Foundation functions as Portfolio Manager.
- 11.2 The Board of Trustees approve portfolio transactions within the specified policy framework and applicable restrictions.
- 11.3 The Board of Trustees are advised by its CMA advisory panel.

12. Exchange rate determination

- 12.1 The Foundation sets the price (exchange rate) at which it is willing to buy and sell tocos from time to time with consideration of a range of factors, including the demand for toco, the supply of CMAs and their current and forward prices, to achieve its mandate.
- 12.2 The buy and sell prices are published on the Carbon Reserve website and in the [tocos app](#).

13. Buy, sell or trade toco

- 13.1 The Foundation buys and sells tocos via the tocos app and its web platform.
- 13.2 Buy and sell transactions are executed at the published exchange rate and are displayed at the time of transaction execution.
- 13.3 Transactions are instant and irreversible.
- 13.4 The Foundation, at its discretion, decides on the number of tocos that it is willing to buy and sell.
- 13.5 The Foundation may, in coordination with the financial intermediary, temporarily suspend, without notice to toco owners, buy, and sell functionality, if the Foundation is of the opinion that due to exceptional circumstances, there is good and sufficient reason to do so having regard to the interest of all toco owners.
- 13.6 Buy and sell functionality is available 24 hours, 7 days a week.



- 13.7 Approved sell requests are processed by the financial intermediary within 48 hours of submission.
- 13.8 User access to buy and sell functionality is subject to anti-money laundering and counter terrorism financing checks as required by regulation.
- 13.9 A wallet may be deactivated for legitimate reasons, without prior user permission, if for legitimate reasons, including user refusal to provide anti-money laundering and counter terrorism information upon request, non-adherence to the terms and conditions² of wallet use and if requested by regulatory authorities.

² View terms and conditions [here](#).



14. Fees

- 14.1 A 1% transfer fee is levied, calculated on the value of tocos sent, charged in toco to the sender and deducted from the toco wallet balance.
- 14.2 A 1% transfer fee is levied, calculation on the value to tocos sold back to the Foundation, charged in toco to the sender and deducted from the toco wallet balance.
- 14.3 Buy and sell transactions may incur third party fees, such as those levied by payment gateway providers and intermediary banks.
- 14.4 When a toco owner elects to retire tocos, up to a 5% retirement fee may be levied, calculated on the value of tocos retired, charged in toco, and deducted from the toco wallet balance.

15. Portfolio benefits

- 15.1 *Low-cost diversification.* Zero fees are charged to actively manage a diverse portfolio of CMAs.
- 15.2 *Active management.* The Foundation responds to changes in market conditions, regulations, and technological advancements, optimizing the portfolio for long term stable MV. Active management ensures diversification of portfolio risk factors.
- 15.3 *Net zero aligned asset allocation.* The Foundation aims to align the asset allocation of its portfolio to net zero aligned best principles.
- 15.4 *Liquidity and fungibility of MV.* Toco can be traded or sold back to the Foundation at the prevailing exchange rate, offering liquidity to toco holders and a low friction means to trade MV.
- 15.5 *Retirement service.* The Foundation offers toco holders an option to retire toco.



16. Regulations

- 16.1 The Foundation is the issuer of a payment token as defined in terms of Swiss financial market regulation
- 16.2 The Foundation has appointed Toco AG (and its subsidiaries) as its financial intermediary, responsible for the performance of AML/CTF activities.
- 16.3 Toco owners are subject to verification and onboarding, subject to applicable regulatory thresholds.
- 16.4 All transactions are subject to monitoring and Toco AG may report suspicious transactions to the relevant financial intelligence unit.
- 16.5 Toco AG is supervised by the self-regulating organisation SO-FIT and is required to remain in good standing.
- 16.6 Subsidiaries of Toco AG are subject to country specific licensing and supervision requirements.



Glossary of terms

AML/CTF	Anti-money laundering and counter terrorism financing.
Baseline	A fixed, initial reference point or starting value used for comparison purposes. It serves as a benchmark or standard against which changes, progress, or performance can be measured over time.
Claimed reduction	Defined as the face value or stated value of a carbon credit or allowances, in tCO ₂ e.
CMA	Any instrument generated as part of a scheme, project or program, the purpose of which is mitigation of carbon emissions, usually measured in base units of tonnes of carbon dioxide equivalent greenhouse gases (tCO ₂ e). CMAs can take the form of an 'allowance' or a 'credit/offset'.
CO₂e	Carbon dioxide equivalent.
Compensations	Compensation involves the calculation of one's carbon footprint and purchasing an equivalent amount of carbon credits to "offset" those emissions.
Compliance value (CV)	In compliance markets, compliance value is defined as the value ascribed by the regulator to a unit of a CMA, at the time it is surrendered for compliance purposes under that regulator's scheme. In the voluntary market, compliance value is defined as the value ascribed by an individual or organisation to a unit of a CMA, at the time it is retired for the purpose of claiming an emissions offset.
GHG	Greenhouse gas emissions.
Financial value (FV)	The price a buyer is willing to pay for a unit of a CMA.
Minting	Minting is the process of creating units of toco.
Mitigation value (MV)	The expected mitigation impact measured in tonne CO ₂ e after discounting for all the risks associated with any unit of reduction claimed (e.g. credit issued, or allowance to emit a tonne of CO ₂ e).
tCO₂e	Tonnes of carbon dioxide equivalent.
toco	Global digital unit, issued by the Carbon Reserve, representative of the value of a portfolio of high-quality, verified CMAs.
Retire toco	Retirement of toco refers to the elective action, undertaken by a toco owner, to permanently remove a toco from the monetary system. When tocos are retired, the Carbon Reserve retires an equivalent number of CMAs (at mitigation value) from its portfolio and provides evidence of such retirement to toco owners.



Directory of contact details

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Switzerland

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