

# Fertecon Price Methodology

## Price Discovery Guidelines: January 2020

### Agribusiness | Fertecon

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## QUALITY AND INTEGRITY OF PRICE METHODOLOGY

Fertecon publishes its market assessment methodology in full on this website and the individual product methodologies can also be accessed via the link found in the Market reports. The methodology is written in clear, easy-to-understand language and is fully available to the public and does not require a user name or password for access.

## RELIABLE, INDICATIVE AND DISTORTION FREE

Fertecon's strategic goal is that it is recognized as a widely accepted fertilizer price benchmark for contract business and competitive positioning. Fertecon is relied upon as a trusted benchmark as, based on its published methodology and internal policies and practices, Fertecon can provide assurance that it remains completely unbiased and independent. Fertecon has no stake in the fertilizer industry and is not funded by any involved parties.

Fertecon does not discriminate between reporting parties that are in good standing and demonstrates a commitment and reputation for truthful and accurate price discovery when calculating its market assessments.

## CRITERIA AND PROCEDURES

Fertecon's Weekly Market Reports are published 51 weeks of the year; there is no full weekly or bi-weekly report published between Christmas and New Year. Supplementary reports are sent out as and when deemed to be necessary in between publications to inform the market of key developments. Changes in price will be reported within the text of such supplementary reports. However, the Fertecon price assessment can only be changed on a weekly (or bi-weekly where relevant) basis.

Prices are assessed from information gathered from key industry participants during the week prior to publication of the report up to 5.00 pm GMT on the day of publication. Sales and price indications received after this time will contribute to the following full publication.

Fertecon's editorial team follows the markets by constant communication with designated and approved parties from all sides to discover concluded business, bids and offers. Fertecon editors communicate with market participants via a variety of means, primarily electronic instant messaging (e.g., skype, WhatsApp, Wechat), email and telephone communication.

Only market data that adheres to Fertecon's methodology is used in the price assessment. These include criteria such as the timing of the transaction, cargo size and shipment period and any other factors appropriate to the respective benchmark, all of which are made publicly available.

Price indications may be quoted as a price range or as a single price quote and unless otherwise stated are net of credit.

Contract price assessments are held in place for the respective period whether it be the month or quarter that is applicable.

The preference for Fertecon price assessments is concluded business. However, in the absence of concluded business, Fertecon will use confirmed competitive bids and offers to set ranges for the respective price assessments. Where the market lacks liquidity, Fertecon can assess the market using a derived assessment, for example from netbacks or movement in a comparable market or, on an indicative basis using a combination of market feedback, editorial expertise and judgement to assess what would be realistically achievable in the prevailing market.

If there has been no business for a period of 4 weeks, a price can be tagged as n.m. (no market) indicating the lack of new business upon which to assess the prevailing price.

Fertecon senior editors routinely review market editors' judgments throughout the trading week and prior to publication of the price assessments. Additionally, Fertecon senior editors will review any market data not used in the assessment and the reasons for exclusion.

## CRITERIA FOR EXCLUDING DATA

Fertecon adheres to its methodology language first and foremost. Any data that does not conform to the methodology's definitions regarding timing, size, specification, volume or verifiability are not included in Fertecon's market assessments.

All data exclusions must be reviewed and approved by a Fertecon senior editor.

Additionally, Fertecon reserves the right to exclude market data received that either: 1) cannot be repeated in the marketplace or not considered reflective of the prevailing market, 2) cannot be confirmed in the marketplace by counter-parties or independent market observers 3) comes from a source that is unidentifiable and/or unverifiable as a “bona fide” source of market data.

Any information received and logged and that has not been published by Fertecon will remain confidential and will not be passed on to any third parties in order to maintain the trust between Fertecon price reporters and their market sources. This can include information on specific deals and/or sources that have been received to provide further confirmation of a particular transaction but where those details are not to be put in the public domain. Fertecon does however seek to provide transparency wherever possible and therefore as much information as is deemed appropriate will be published to justify any market assessment.

## CORRECTIONS

Once published, the price range cannot be amended unless there has been a typographical error or an error in the calculation of the price. If this is the case then a revised price will be published in the form of a new report or in the next week’s report, at the editor’s discretion.

In the case of contract prices, specifically annual or quarterly, these can be revised within the first four week period of the contract if deemed necessary and with a fully justifiable explanation – typically additional information that comes to light from credible sources.

If an external request for correction is made, the editor logs the request including the particular product and assessment being questioned, time of the corrections request, nature of the correction request and all correspondence pertaining the said complaint.

The corrections log is kept in a centrally available repository for no less than five (5) years.

A senior editor then reviews the request and either approves or rejects the corrections request.

If the correction request is rejected, the reason for the rejection is logged and relayed back to the complainant along with all relevant correspondence.

If a correction is issued, the correction notice with corrected data appears in the next communication to Fertecon subscribers.

## DATA SOURCES

Price data and market feedback from all respondents is taken into account for the compilation of the indices and used in the narrative of the price and market discussion in the report. A comprehensive contact database of the key players is maintained by the analysts and is kept up-to-date. The quality of the data provided is judged based on the proven reliability and trustworthiness of the respondent. New respondents are assessed carefully.

Fertecon requires its market assessors to conduct a broad canvass of the market each week to ensure as far as possible that Fertecon is not “submitter dependent” on any one source for any single portion of data.

## DATA COLLECTION AND PRICE ASSESSMENT

Fertecon market editors sample on a weekly basis a broad cross-section of participants including producers, traders, marketers and end users active in buying, selling or trading physical tonnes. A wide net is cast to capture as many transactions as possible in arriving at the relevant price assessments. Editors take a strict “arm’s length” approach to covering the market.

Fertecon’s editors compile all price indications before the publication of the report with a defensible explanation of each index obtained on the basis of the feedback from market participants.

Price indices are agreed, discussed and reviewed by the editor of the report together with sign off by a senior editor prior to publication. A weekly or bi-weekly (where relevant) price record is maintained comprising details of how any changes were assessed and the source of any new information. This will also be signed off by a senior editor.

All Fertecon data is thoroughly archived and backed up.

## CONSISTENCY BETWEEN ASSESSORS

Each market that Fertecon assesses has three fully trained market editors assigned to it, the primary editor plus a 1<sup>st</sup> and 2<sup>nd</sup> cover editor. Each of these market editors is fully versed in the latest methodology, market participants and market intelligence available for that market. In the event the primary market editor is not available to assess his or her market, the cover editor is fully capable of stepping in to assess the market. Additionally, a third level of editorial continuity is built in the form of a 2<sup>nd</sup> cover position.

New Fertecon market editors undergo apprenticeship training in Fertecon methodology and are required to observe closely as veteran editors assess markets for a period of no less than four (4) weeks prior to assessing those markets themselves.

Additionally, Fertecon market editors report to and are supervised by a core group of veteran Fertecon senior editors who ensure adherence to Fertecon's methodology and that defined practices and procedures for assessing markets are consistently followed.

## TRAINING AND COMPLIANCE

Fertecon editors undergo regular refresher courses on Fertecon's methodology and all Fertecon employees have received training in, and are required to adhere to, IHS Markit policies including Code of Conduct, Anti-Bribery and Corruption, Gifts and Entertainment, and Editorial Code. These policies reflect Fertecon and the wider IHS Markit's commitment to integrity, honesty and acting in good faith in all its dealings.

As part of editorial quarterly training, examinations are administered by supervisory personnel on an annual basis and grades given to the respective editors to ensure they possess a full and complete understanding of Fertecon methodology, the markets they will be covering and the compliance and ethics policy. If any market assessor does not achieve and maintain our internal certification, or a passing grade on this quarterly examination, he or she will not be allowed to assess a market until such time as a passing grade can be achieved. An electronic record of each Fertecon market assessors' test grades will be made available for external audit.

Prior to employment at Fertecon, every market assessor must submit to, undergo and pass a criminal background check.

Fertecon editors write, maintain and review regularly a training file of instructions on how to cover markets that is centrally available to all Fertecon market assessment personnel. This training file is version controlled to ensure only the most recent information is included.

No Fertecon pricing editor or market assessor is directly incentivized in any way on sales of Fertecon products.

## RATIONALE FOR METHODOLOGY ADOPTION

All Fertecon market assessments follow methodologies reflective of the market's actual behaviour with regard to timing of trading, specifications of product, location of trading, and historically established relationships between products.

Fertecon methodologies are carefully crafted through market participant consensus and are designed to be inclusive of all market data that fits Fertecon's published methodology parameters, including restrictions for inclusion of any market data that does not fit those same parameters.

The timeframes in which products are assessed are those requested by the market participants and vary from product to product.

## PROCEDURES FOR INTERNAL REVIEW AND APPROVAL

Fertecon methodology is version controlled and constantly scrutinized for clarity, relevance and comprehensiveness by the relevant market editors and senior editors. It is also reviewed and discussed regularly during monthly current information team meetings. Records of these meetings, subjects covered and editors in attendance are kept in a central electronic file.

Fertecon methodology language and any proposed changes are drafted by relevant market editors and/or senior editors and circulated for review by all other current information staff involved in the market(s) and product(s) addressed by the methodology. All proposed changes are version-controlled and require approval by a senior editor prior to initiating external review.

Additionally, mandatory quarterly reviews of all Fertecon methodology are conducted and documented by relevant Fertecon editors and senior editors to ensure clarity, accuracy and relevance. Records of these quarterly methodology reviews, market participants polled and their feedback received are kept in a central electronic file.

## PROCEDURES FOR EXTERNAL REVIEW AND APPROVAL

Fertecon methodologies have been developed over time after substantial consultation with the stakeholder community. They are in-line with market realities and are regularly reviewed on a quarterly basis.

Whenever a Fertecon price point is removed, introduced or incurs any significant change, subscribers are consulted via a two-step process:

1. Subscribers are given adequate time, minimum 3 weeks, to respond in writing with feedback.
2. After subscribers are thus polled and changes are either accepted or rejected, the proposed methodology (or change to methodology) is available to view via a link. Thirty days are given for feedback and any suggested changes are given full consideration by senior editors and market assessors.

Reasons for rejecting stakeholder feedback might include, but are not limited to:

1. suggested changes would tend to make market discovery less transparent
2. suggested changes would exclude full market participation by otherwise bona fide market participants under the parameters of the methodology
3. suggested changes would unfairly favour one market participant or class of trade over another
4. suggested changes would limit the utility of the market assessment
5. suggested changes would distort the true functioning of the market assessment

Additionally, Fertecon reserves the right to reject any feedback it deems to be non-constructive or inherently untenable.

Methodologies are reviewed for relevance at least quarterly or when a material change is observed. A “material” change is defined as an alteration to the typical market activity brought on by either regulatory change or market supply/demand dynamics that alters, among other things, the assessed benchmark’s typical volume, mode of transportation, commonly used nomenclature, chemical specification, trade liquidity or trading day hours.

Further, Fertecon’s Record Retention policy requires that all relevant information, including market assessor notebooks, emails and instant messenger logs are retained for 5 years.

Fertecon has a service agreement with a company that provides it with off-site electronic backup of its data. Assessment communications including back office deal sheets, corrections logs, data exclusion logs and reporters’ worksheets are kept in a centrally accessible SaaS document third-party repository vendor for 5 years, with effect from at least 2019.

## COMPLAINTS

In order for a complaint to enter the formal complaints handling process, the complainant must record the complaint in writing, explaining as fully as possible the background to the complaint, and attaching all relevant materials or evidence where appropriate.

The complaint should be sent to:

IHS Markit Benchmark Administration Ltd.  
Ropemaker Place, 25 Ropemaker Street  
London EC2Y 9LY

Email: [complaints\\_indices@markit.com](mailto:complaints_indices@markit.com)

Complaints may be submitted in relation to any aspect of benchmark administration by the Administrator, including:

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

5. If an employee of the Administrator (or an affiliate of the Administrator) receives an enquiry from a stakeholder which is not formally stated to be a complaint but could be regarded as such, the employee should make the stakeholder aware of this Complaints Policy.

## COMPLAINT HANDLING PROCEDURES

Upon receipt of a complaint, the Regulatory Compliance Officer will undertake the following steps:

1. Acknowledge receipt of the complaint in writing 2 business days;
2. Document the receipt of the complaint in the Administrator's Complaint Register;
3. Investigate the complaint in a timely and fair manner. The investigation will be conducted independently of any personnel who may be or may have been involved in the subject matter of the investigation;
4. Determine whether further escalation to the Board of the Administrator or the Benchmark Oversight Committee is required; and
5. If the Regulatory Compliance Officer determines that escalation is required, the complaint will be referred to and discussed with the Board of the Administrator or, if a Board member is the subject of the complaint, the Benchmark Oversight Committee. The complainant will be advised of this escalation.

The complainant will be advised of the final outcome of the investigation within 60 calendar days, unless such communication would be contrary to the objectives of public policy or the European Market Abuse Regulation (Regulation (EU) No 596/2014). If circumstances warrant a longer time period, the complainant will be informed.

In respect of **commodity benchmarks only**, if a complainant is dissatisfied with the way a complaint has been handled or the decision in the situation, the complainant may, within six months, request that the complaint is referred to an independent third party appointed by the Administrator.

## COMPLAINTS- RECORD KEEPING

All documents relating to a complaint, including those submitted by the complainant, will be retained for at least five years.

## COMPLAINTS - REVIEW

On an at least annual basis, the Regulatory Compliance Officer will review all complaints submitted under this policy to determine the existence of any trends.

This Complaints Handling Policy shall be reviewed by the Administrator's Board at least annually. The Regulatory Compliance Officer's review of trends and the reviewed policy shall be approved by the BOC.

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Email: [AgriSupport@ihsmarkit.com](mailto:AgriSupport@ihsmarkit.com)

Fertecon, Agribusiness, IHS Markit, Ropemaker Place, 25 Ropemaker Street, London, EC2Y 9LY, UK.

Contact the Customer Success team:

EMEA: +44 203-855-3890

AMERICAS: +1 646-679-3070 (New York)/ +1 651-444-7110 (Minneapolis)

APAC: + 852 372-670-59

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