Folia Internal Monitoring Policy
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Contents

1. Purpose and Regulatory Framework

Folia is committed to operating its certification scheme with transparency, integrity, and a rigorous approach to quality assurance. This Internal Monitoring Procedure establishes the operational framework through which Folia conducts systematic oversight of certified projects and of the work carried out by certification bodies operating under the scheme.

The procedure is established in accordance with:

- Article 5(1) of Commission Implementing Regulation (EU) 2025/2358, which requires certification schemes to set up a system of internal monitoring to verify compliance of operators with the scheme's rules and procedures and to ensure the quality of the work carried out by the auditors of the certification bodies.
- Regulation (EU) 2024/3012, which establishes the Carbon Removal Certification Framework (CRCF) and the obligations of certification schemes operating thereunder.

The procedure is designed to be read in conjunction with Folia's Conflict of Interest Policy, the Whistleblowing Policy, and the Non-Conformity Policy.

2. Scope and Definitions

2.1 Scope

This procedure applies to all projects certified under the Folia scheme that are in an active certification status at the time of each monitoring cycle. It covers the following objects of oversight:

- Compliance of operators with the rules, procedures, and documentation requirements of the Folia Certification Scheme.
- Quality and completeness of audit reports produced by certification bodies appointed under the scheme.
- Accuracy and internal consistency of quantification data uploaded to the Folia platform.
- Effective implementation of project activities, verified through field visits for a sub-sample of monitored projects.

2.2 Key definitions

Operator. Any natural or legal person or public entity carrying out a carbon farming activity eligible for certification under Regulation (EU) 2024/3012, including farmers, forestry managers, and groups of operators.

Certification body (CB). An independent third-party organization accredited or recognized to carry out certification audits, re-certification audits, and monitoring audits under the Folia scheme, in accordance with Article 13 of Implementing Regulation (EU) 2025/2358.

Head of Compliance. The individual designated by Folia's management as responsible for coordinating the operational execution of the internal monitoring process. The Head of Compliance manages the process but does not hold decision-making authority on remediation measures or sanctions, which remains with the CEO and, where applicable, the Board of Directors.

Technical Team. The Folia staff members with scientific and agronomic competence designated by the Head of Compliance to carry out the documentary review and field visits under this procedure. For field visits, Folia seeks to avoid assigning staff who have been directly involved in advisory activities with the operator under review in the preceding 12 months. Where this is not practicable due to resource constraints, the assignment must be disclosed and documented.

Non-conformity. A failure by an operator or certification body to comply with the rules, procedures, or standards of the Folia Certification Scheme classified as Critical, High, or Low

Monitoring cycle. A single six-month period of internal monitoring, covering either January–June or July–December of a given calendar year.

3. Monitoring Frequency

Internal monitoring is conducted on a **semi-annual basis**, exceeding the minimum annual frequency required by Article 5(1) of Implementing Regulation (EU) 2025/2358. The two monitoring cycles per calendar year are defined as follows:

- **First cycle:** covers the period January–June. The cycle must be initiated no later than 15 July of the same year.
- **Second cycle:** covers the period July–December. The cycle must be initiated no later than 15 January of the following year.

4. Roles and Responsibilities

The following table sets out who is responsible for each activity in the internal monitoring process.

Activity	Responsible	Escalation
Sample selection and documentation	Head of Compliance	—
Remote documentary review	Technical Team	Head of Compliance
Field visit planning and execution	Head of Compliance	—
Classification of findings	Head of Compliance	—
Opening of non-conformity procedures	Head of Compliance	CEO (High or Critical non-conformities)

Actions vis-à-vis certification bodies	Board of Directors	—
Approval and receipt of the Semi-Annual Monitoring Report	Board of Directors	—
Technical advice on methodological findings	Technical Committee	—
Maintenance of the monitoring register	Head of Compliance	—

The CEO recuses themselves from evaluation and decision-making in any case where a conflict of interest is present. In such cases, responsibilities attributed to the CEO are transferred to the Chairman of the Board of Directors, in accordance with Folia's Conflict of Interest Policy.

5. Sample Selection

5.1 Composition of the documentary sample

The monitoring sample for each cycle is constructed using a **mixed random and risk-based approach**, as required by Article 5(1) of Implementing Regulation (EU) 2025/2358, which mandates that internal monitoring cover a random and risk-based sample of audit reports by each certification body.

Random component. At least **20% of all projects in active certification status** at the start of the monitoring cycle are selected at random through the Folia platform. Each active project has an equal probability of being selected, regardless of its stage of certification.

Risk-based component. The following factors increase the probability of a project being included in the sample:

- presence of non-conformities (including Low) recorded in the preceding 12 months;
- audit report submitted after the deadline established in the project activity plan;
- initial certification or first re-certification cycle;
- variation in quantification data exceeding 15% compared to the preceding monitoring period;
- change of certification body compared to the preceding cycle;
- complaints received in relation to the project.

The Head of Compliance documents the selection criteria applied in each cycle in the internal monitoring register. The composition of the sample is formally established before the documentary review begins.

5.2 Sub-sample for field visits

In addition to the remote documentary review, a mandatory sub-sample of projects is subject to **field visits** by the Folia technical team in each monitoring cycle.

Size of the sub-sample. The number of projects to be visited in the field is determined by applying the **square root** of the total number of projects included in the documentary sample for that cycle, rounded up to the nearest integer. This approach, consistent with the group auditing sampling methodology set out in Article 12(4) of Implementing Regulation (EU) 2025/2358, ensures that field visit coverage scales proportionally with portfolio growth.

> *Example: a documentary sample of 9 projects requires field visits to at least 3 projects (√9 = 3). A documentary sample of 12 projects requires at least 4 field visits (√12 = 3.46, rounded up to 4).*

Selection of projects for field visits. Projects are selected for field visits using a mixed approach:

- **At least one project** is drawn at random from all projects included in the documentary sample, irrespective of any risk flags.
- **The remaining projects** are selected on a risk-based basis, giving priority to projects with risk flags identified during the documentary review (e.g. anomalous quantification of data, incomplete documentation, initial certification).

The selection logic ensures that field visits are both unpredictable and proportionate. The Head of Compliance documents the rationale for selection of each project visited in the internal monitoring register.

6. Conduct of the Review

6.1 Remote documentary review

The documentary review is conducted remotely, through access to the project documentation available on the Folia platform. The operational sequence is as follows:

1. Sample extraction and internal notification, no later than 5 working days from the initiation of the cycle.
2. Documentary review of selected projects, to be completed within a maximum of 4 weeks from initiation.
3. Where documentation is missing or incomplete, a formal request is sent to the operator, with a response deadline of 10 working days.
4. Classification of findings for each reviewed project: no issue identified / observation / non-conformity (with the applicable severity level pursuant to Chapter 13 of the Certification Scheme).
5. Identification of the sub-sample for field visits (see Section 5.2).

6. Drafting of the Semi-Annual Internal Monitoring Report.

6.2 Field visits

Field visits are conducted by the Folia technical team and are mandatory in every monitoring cycle. They are not a substitute for, but a complement to, the remote documentary review.

Each field visit shall include at minimum the following elements:

- verification of the effective implementation of the activities declared in the project activity plan;
- visual assessment of the consistency between the monitoring reports and the condition observed on site;
- collection of photographic or documentary evidence where relevant;
- interview with the operator's designated contact person.

The findings of each field visit are documented in a **field visit report**, which is appended to the Semi-Annual Monitoring Report and recorded in the internal monitoring register. Where a material discrepancy is identified between what has been declared and what is observed in the field, a non-conformity procedure is automatically opened pursuant to Chapter 13 of the Folia Certification Scheme.

6.3 Object of the review

For each project included in the documentary sample, the review covers the following areas:

a) Completeness of operator documentation. Verification that the project section on the Folia platform is up to date and contains all required documents: the activity plan, the monitoring plan, the most recent monitoring report, and the audit report of the certification body.

b) Operator compliance with the scheme. Verification of the consistency between declared activities and the project documentation; assessment of any deviations from the approved activity plan.

c) Quantification data. Plausibility and internal consistency check of the climate benefit quantification data uploaded to the platform. Where anomalies are identified, the Head of Compliance may request additional supporting documentation from the operator.

d) Quality of the certification body's audit report. Verification that the audit report is compliant with the standard templates set out in Annexes II–IV of Implementing Regulation (EU) 2025/2358, that the risk analysis is adequately developed, and that the auditor's conclusions are supported by documented evidence. The sample shall cover audit reports from each certification body active under the scheme.

7. Reporting

At the end of each monitoring cycle, the Head of Compliance prepares the **Semi-Annual Internal Monitoring Report**, which is submitted to the Board of Directors within 30 days of the close of the monitoring period. The report includes:

- the size and composition of the documentary sample, with the rationale for selection;
- the size and composition of the field visit sub-sample, with the rationale for selection;
- aggregated findings by area of review (documentary, quantification data, CB audit report quality, field visits);
- a list of identified findings with their classification (observation, Low non-conformity, High non-conformity, Critical non-conformity);
- a comparison with the preceding monitoring cycle to identify trends;
- recommendations, where applicable, for updates to the Certification Scheme or to operational procedures.

The Semi-Annual Internal Monitoring Report is a **confidential internal document**. Its contents, in aggregated and anonymized form with respect to individual operators, are incorporated into the **Annual Operations Report** published by Folia pursuant to Article 9 and Annex V of Implementing Regulation (EU) 2025/2358. The Annual Operations Report shall include, in accordance with Annex V (4), an overview of the internal monitoring system and its periodic review, a description of how the system effectively prevents fraudulent activities, and where appropriate, the number of cases of fraud or irregularities detected.

8. Findings and Follow-Up

The findings of the monitoring process trigger the mechanisms provided for under the Folia Certification Scheme according to the type of issue identified.

Finding	Action	Responsible	Timeline
Observation	Informal communication to the operator; recorded in the monitoring log	Head of Compliance	Within 10 working days of the closing of the report
Non-conformity (any severity level)	Opening of non-conformity procedure pursuant to Chapter 13 of the Certification Scheme	Head of Compliance	Within 5 working days
Finding relating to a certification body's conduct	Formal communication to the CB and assessment of corrective measures or suspension of accreditation	Board of Directors	Within 15 working days
Systemic or methodological finding	Referral to the Technical Committee for advice; possible initiation of a Scheme update procedure	Board of Directors	To be determined on a case-by-case basis

Findings, actions taken, and closure status of the internal monitoring activities are maintained by the Head of Compliance in a dedicated register in the Monitoring and Complaints Register that includes also all complaints and is available upon request by the European Commission or the competent national authorities, pursuant to Article 5(3) of Implementing Regulation (EU) 2025/2358.

9. Related documents

- Folia Technical Committee Terms of Reference;
- Folia Conflict of Interest Policy;
- Folia Whistleblowing Policy;
- Folia Non-Conformity Policy;
- Folia Complaints Policy;
- Folia CB Appointment Manual;
- Folia Certification Scheme.