

Folia Non-Conformity Policy

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1. Purpose and Regulatory Framework

In accordance with Implementing Regulation (EU) 2025/2358, Folia establishes a structured mechanism for managing non-conformities of participating operators. This mechanism provides a clear classification of non-conformities based on their severity level. For each type of non-conformity, the scheme defines transparent rules and procedures to ensure the timely application of corrective measures and sanctions.

This policy is designed to be read in conjunction with Folia's Certification Scheme, the Conflict of Interest Policy, the Whistleblowing Policy and the Internal Monitoring Policy.

2. Scope

This policy applies to all operators participating in the Folia certification scheme. Non-conformities may be identified through:

- Internal monitoring activities conducted by Folia in accordance with the Certification Scheme.
- Audit reports produced by certification bodies appointed under the scheme.
- Complaints submitted under the Folia Complaints Policy.
- Reports submitted under the Folia Whistleblowing Policy.

Where such monitoring or audit results identify elements of non-conformity (whether with the certification scheme in general, or more specifically with the agreed activity and monitoring plan) this policy governs the classification and management of those incidents.

Non-conformities by Certification Bodies (CB) are governed by Section 4.3 of the Folia CB Appointment Manual, which applies the same three-level taxonomy (Critical / High / Low) established in this policy.

3. Classification of Non-Conformity Incidents

Folia defines three severity levels for non-conformity incidents by operators. The following table provides a summary overview:

Level	Reversibility	Description	Resolution Period
Critical	Irreversible	Violation that puts the scheme's reputation at risk	Immediate / Application rejected
High	Potentially reversible	Repeated violation that may lead to project failure	90 days (then escalated to Critical)

Level	Reversibility	Description	Resolution Period
Low	Isolated / temporary	Limited-impact violation that does not risk project failure	Up to 12 months (then escalated to High)

3.1 Critical Level

Definition: An irreversible violation of the norms or procedures of the certification scheme that puts the reputation of the scheme itself at risk.

Examples of Critical Level non-conformities include:

- Failure by an operator or group of operators to declare their participation in other carbon removal certification schemes during the certification process.
- Deliberately incorrect statements in the activity description.
- Falsification of greenhouse gas data.
- Serious errors or gaps in the quantification data collected.
- Significant non-adherence to project activities.

3.2 High Level

Definition: A potentially reversible and repeated violation of the norms or procedures of the certification scheme that may, in the case of systematic behaviour, lead to the complete failure of the project, thereby putting the reputation of the scheme at risk.

Examples of High Level non-conformities include:

- Failure to comply with the activity plan or the monitoring plan.
- Systematic problems with reported greenhouse gas data, for example where incorrect documentation is found in more than 10% of the assertions included in the representative sample.
- Failure to communicate relevant information to the certification body, such as information required for an audit.
- Problems and errors in reporting collected quantification data.
- Failure to comply with the general eligibility conditions subscribed to.

3.3 Low Level

Definition: A violation of the norms or procedures of the certification scheme with limited impact, constituting an isolated or temporary case that, if not corrected, does not entail a risk of project failure.

Example: An operator declares the use of organic seeds as a sustainability co-benefit. Should such seeds be temporarily unavailable, they may be replaced by conventional seeds without compromising the overall conduct of project activities.

4. Corrective Measures and Sanctions

For each severity level, the following corrective measures and sanctions apply.

4.1 Critical Level Non-Conformities

Where non-conformities are identified at the stage of submission of the activity plan and monitoring plan:

- The application is rejected. The operator may resubmit the project no earlier than six months from the date of rejection, providing adequate documentation demonstrating that the critical non-conformities have been resolved.

Where non-conformities are identified during the project execution or monitoring phase:

- Previously issued credits permanently lose their 'certified' status and cannot be restored. New credit issuance is suspended pending full resolution of the critical issue.

4.2 High Level Non-Conformities

- The operator has 90 calendar days to resolve the identified non-conformities, alternatively the operator can propose a mitigation plan to resolve the identified non-conformities justifying why the 90 calendar days is not achievable.
- If the non-conformity is not resolved within this period, it is escalated to Critical Level and the corresponding corrective measures and sanctions are applied.

4.3 Low Level Non-Conformities

- The certification scheme agrees with the operator on a resolution timeline, with a maximum permitted period of 12 months. Alternatively, the operator can propose a mitigation plan to resolve the identified non-conformities justifying why the 12 months period is not achievable.
- Upon expiry of this period, if the operator has not resolved the non-conformity, the certification scheme may decide to escalate it to High Level.
- Exemptions are permitted exclusively in the presence of proven external causes not attributable to the operator.

4.4 Mitigation Plan Approval

Where an operator proposes a mitigation plan as an alternative to the standard resolution period under Sections 4.2 or 4.3, the Head of Compliance assesses the proposal within 10 business days and submits its outcome to the CEO for decision. Upon CEO approval, the approved plan and its revised timeline substitute the standard resolution period and are recorded in the Non-Conformity Register. If the mitigation plan is rejected, the standard resolution period continues to apply.

5. Record Keeping

Folia maintains an internal Non-Conformity Register documenting all identified incidents, their classification, the corrective measures required, and their resolution status. This register is reviewed as part of the semi-annual internal monitoring process and is made available to certification bodies and, where required by applicable regulation, to competent authorities.

Non-conformities identified through complaints or whistleblowing reports are recorded in the Non-Conformity Register and cross-referenced with the originating record in the Monitoring and Complaints Register or the Whistleblowing Register, as applicable.

Aggregate information on non-conformity incidents may be disclosed in Folia's Annual Operations Report, in accordance with the requirements of Regulation (EU) 2024/3012 and Implementing Regulation (EU) 2025/2358.

6. Related documents

- Folia Certification Scheme.
- Folia Conflict of Interest Policy.
- Folia Whistleblowing Policy.
- Folia Internal Monitoring Policy.
- Folia Complaints Policy.
- Folia Advisory Board Terms of Reference.
- Folia Technical Committee Terms of Reference.
- Folia CB Appointment Manual.