Carbonsafe

CARBONSAFE ISSUANCE POLICY

Carbon Credit Issuance, Risk Management, and Liability Control

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Applicable to: Carbonsafe Carbon Farming Projects

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1. Purpose and Scope

This Issuance Policy defines the principles, rules, and controls governing the issuance of carbon credits generated by Carbonsafe JSC under soil carbon farming projects.

The Policy ensures that:

- Issued credits represent real, additional, measurable, and durable carbon removals;
- Identified risks to permanence and integrity are conservatively managed through appropriate mechanisms, including reserves, buffer pools and other risk management tools;
- Issuance decisions are aligned with the Project Risk Assessment, monitoring results, and verification outcomes.
- mechanisms are implemented to prevent over-crediting, as well as procedures for corrections before and after the issuance of credits;
- potential events that could lead to reversals, emission displacement (leakage) or the dropping out of project areas are managed;
- transparency, traceability and reliable documentation of the issued credits are ensured.

This policy applies to all carbon credits generated under Carbonsafe projects, including all sub-projects (farms), all monitoring periods, the entire crediting period and the applicable post-crediting period, as well as all issued and unissued credits.

2. Policy Principles

Carbon credit issuance by Carbonsafe JSC is guided by the following principles:

1. **Environmental Integrity** – Credits are issued only for verified and durable SOC removals.
2. Additionality – Carbon credits are only issued for outcomes that would not have occurred in the absence of the project. The achieved increases in soil organic carbon must exceed the values expected in the baseline scenario and be demonstrated through monitoring and independent verification.

3. **Conservativeness** – Issuance reflects uncertainty, risk, and long-term permanence considerations.
4. **Performance-Based Issuance** – Credits are issued only upon demonstrated and verified performance.
5. **Risk-Adjusted Liability Management** – Residual risks are addressed through reserves, buffers, and issuance controls.
6. **Transparency and Traceability** – All issued credits are fully traceable to verified project data (specific monitoring period, specific farm, measured SOC results, verified data).

3. Preconditions for Credit Issuance

Credits may be issued only when all of the following conditions are met:

- Completion of soil sampling and SOC measurement in accordance with the approved methodology;
- Application of uncertainty deductions and QA/QC procedures;
- Verification of monitoring results by an independent VVB;
- Confirmation that no material non-compliance, reversals, or unresolved grievances exist;
- Validation that project activities remain consistent with the PDD and applicable legal requirements.

Failure to meet any precondition results in withholding or adjustment of issuance.

Table – Preconditions for Credit Issuance

Precondition	Requirements / Checks	Source of Evidence
Completed Monitoring Period	All monitoring activities have been carried out, including: · soil sampling · laboratory analysis · collection of agronomic data · verification of agricultural practices	Monitoring report, laboratory reports, field records
SOC Calculations	Soil Organic Carbon (SOC) calculations have been performed in accordance with: · the applicable methodology · the approved PDD / project documentation	MRV system, calculation files, monitoring report

Precondition	Requirements / Checks	Source of Evidence
	· the MRV system and monitoring report	
Quality Control	Procedures are applied for: · verification of farm data · detection of anomalies · control of calculations · cross-checking prescribed agronomic practices with implemented activities	QA/QC records, internal checks, data analysis
Verification	Monitoring results and calculations have been verified by an independent accredited verifier (VVB)	Verification Report
Project Compliance	It is confirmed that: · the project is implemented in accordance with the PDD / project documentation · there are no material deviations · there are no unresolved complaints or violations	PDD, monitoring reports, complaint and non-conformity records

The credit issuance process includes the following main stages:

- Preparation of monitoring results and calculation of removals by the project operator;
- Independent verification of the results by an accredited VVB;
- Submission of a request for credit issuance to the registry;
- Issuance of credits in the registry based on the verified results.

The management of reserves and the buffer pool is carried out by Carbonsafe in accordance with this policy, the applicable methodology, and the rules of the respective carbon standard or registry.

3.1 Main Stages of the Carbon Credit Issuance Process

Stage	Activities	Responsible Party	Description / Output
Stage 1 – Monitoring	Collection of data on: · soil carbon · agricultural practices · land use · farm management · other relevant parameters	MRV Team / Project Operator (Carbonsafe)	Collection of primary data required to assess changes in soil

Stage	Activities	Responsible Party	Description / Output
			organic carbon and farm activities
Stage 2 – Data Processing	Calculations include: · ΔSOC / changes in soil organic carbon · total removals · uncertainty · conservative adjustments (e.g. on-farm fuel). From the total amount, the following are deducted: · uncertainty · buffer · reserve / guarantee fund · other adjustments where applicable	MRV Team / Data Analyst	Carbon removals are calculated and all necessary adjustments are applied
Stage 3 – Internal Review	Conducted activities include: · internal checks · control and analysis · anomaly detection	MRV Team / Internal Control	Accuracy and consistency of data and calculations are confirmed
Stage 4 – Preparation of Monitoring Report	The report includes: · measurement results · calculated carbon removals · description of applied conservative assumptions	MRV Team	The official monitoring report for the project is prepared
Stage 5 – Verification	Independent verifier checks: · compliance with methodology and standard · absence of material non-conformities · presence of potential risks	Independent Verifier (VVB)	The reliability of monitoring results is confirmed. Verification Report issued
Stage 6 – Approval and Issuance Decision	After positive assessment: · issuance of credits · partial issuance · postponement of issuance. After negative assessment: · clarification of issues · non-issuance of credits	Carbonsafe Management / Project Developer	Final decision on credit issuance is taken. Credit issuance request is prepared

Stage	Activities	Responsible Party	Description / Output
Stage 7 – Registry	Approved credits and projects are submitted to the carbon registry	Carbon Registry	Credits are recorded in the registry and assigned a unique identifier. Issued carbon credits

4. Risk-Based Issuance Framework

Within carbon farming projects, Carbonsafe identifies and manages a range of risks that may affect the quantity, accuracy, or permanence of the reported carbon removals.

The main categories of risks include:

Reversal Risk

This risk arises when a previously recorded increase in soil organic carbon is reduced. Such situations may occur due to soil degradation, changes in agricultural practices, loss of project areas, or extreme climatic events.

In such cases, mechanisms such as performance reserves, buffer pools, or adjustments in future credit issuances are applied.

Leakage Risk

This risk occurs when a reduction in emissions or an increase in removals within the project leads to an increase in emissions outside the project boundary. The risk is assessed through analysis of land use, farm management practices, and other relevant agronomic data.

Land Use Risk

Changes in land ownership or land use rights may result in the removal of areas from the project. In such cases, adjustments to calculations or compensation mechanisms through reserves and buffers may be applied.

These risks are managed through a combination of conservative calculations, monitoring, independent verification, and risk management mechanisms as described in this policy.

Issuance decisions are directly informed by the Project Risk Assessment, which identifies and evaluates climate, agronomic, MRV, market, permanence, leakage, social, legal, and governance risks.

Based on the risk assessment results:

- The overall residual risk for soil carbon permanence is assessed as Low to Moderate;
- No unmitigated high-risk categories are present;
- Conservative issuance measures are applied to ensure residual risks do not result in over-crediting.

5. Conservative Issuance Measures

Within the framework of this policy, two separate risk management mechanisms are applied, which have a different function and are applied at different levels within the project:

Mechanism	Purpose	Level of Application
Sub-project Performance Reserve	Ensures conservativeness in credit issuance by temporarily withholding a portion of the calculated removals until results are confirmed in subsequent monitoring periods. Serves to manage uncertainty and protect against over-crediting.	Sub-project level
Buffer Pool	Serves as a risk management mechanism for reversal risk (loss of sequestered carbon) and covers potential losses caused by natural events or other unforeseen factors.	Project level

Distinction Between Risk Management Mechanisms

Within this policy, two distinct risk management mechanisms are applied – a sub-project performance reserve and a project-level buffer pool.

These mechanisms serve different purposes and operate at different levels:

- The sub-project performance reserve is a conservative mechanism for temporarily withholding a portion of the calculated removals in order to confirm the durability of achieved results in subsequent monitoring periods.
- The project-level buffer pool is a mechanism for managing reversal risk (loss of sequestered carbon) and serves as a safeguard against unforeseen events or force majeure circumstances.

Reserved credits may be released upon demonstrated continued project performance, whereas buffer credits are never issued or sold and may only be used to compensate for verified carbon losses.

To manage identified residual risks, Carbonsafe applies the following issuance controls:

5.1 Sub-Project Performance Reserves

- A portion of calculated removals (75%) is temporarily retained at sub-project level;
- Release of reserved credits occurs only upon confirmed continued performance and compliance in subsequent monitoring cycles.

5.1.1 Rationale for the Reserve

The size of the reserve is fixed and has been determined based on the structure of the monitoring period and the need to confirm the permanence of the reported increases in soil organic carbon (SOC).

For each project participant, four consecutive reporting periods are defined, during which control soil sampling and monitoring of soil organic carbon content are carried out.

Each reporting period represents approximately 25% of the total monitoring period (100%). For this reason, only a portion of the calculated removals can be issued at a given point in time, while the remaining portion is retained as a reserve until the durability of the results is confirmed in subsequent monitoring cycles.

This approach ensures conservativeness in credit issuance, reduces the risk of over-crediting, and allows for the confirmation of the permanence of accumulated soil carbon.

5.1.2 Conditions for Release of Reserved Credits

The release of reserved credits may only occur when all of the following conditions are met simultaneously:

- a subsequent monitoring cycle has been completed (The term "monitoring cycle" is defined in the document MRV Protocol-Processes, Governance, and Accountability, Section 6. Monitoring Periods and Verification Cycles, as the availability of two consecutive measurements enabling the calculation of net greenhouse gas removals. For the purposes of this policy, this refers to the period between two consecutive completed sampling and laboratory measurement cycles for a specific farm, on the basis of which the reported net greenhouse gas emissions for the relevant period can be determined);
- the monitoring results confirm the persistence of the increase in soil organic carbon (SOC) (a positive net quantity of greenhouse gas emissions removed (positive farm balance) for the relevant monitoring cycle, based on two consecutive completed sampling and laboratory measurement rounds for a specific farm).

The release of reserved credits and their submission to the registry for the issuance of serial numbers may take place following internal confirmation of the carbon balance results based on laboratory data, and prior to the issuance of the verification report by an independent verifier.

In the event of discrepancies between the submitted data and the verification report, the data contained in the verification report shall prevail, and the necessary corrective actions shall be undertaken.

All calculations and assessments of the carbon balance shall be performed in accordance with the applicable methodology and the program rules valid for the respective reporting period.

Table 1 – Rules for Credit Issuance and Reserve Release

Period / Situation	Farm Balance	Action	Credit Issuance	Reserve / Buffer
General Rule	Positive balance	Net carbon removals are calculated	25% submitted for issuance of serial numbers	5% buffer; 75% retained in reserve
General Rule	Negative balance	Result is reported	No credits are issued	Reserve remains retained
First Reporting Period	Positive balance	Standard deductions applied (fuel, uncertainty)	25% issued	75% retained in reserve
First Reporting Period	Negative balance	Result is reported	No credits are issued	No reserve is released
Subsequent Reporting Periods	Positive balance	New net quantities are calculated	25% of new quantities issued	75% of current period retained; 75% from previous period released
Subsequent Reporting Periods	Negative balance	Result is reported	No credits are issued	Reserve remains in the fund
Final Reporting Period	Positive balance	Standard deductions applied	25% of new quantities issued	75% from previous period released
Final Reporting Period	Negative balance	Result is reported	No credits are issued	Reserve may be used for compensation
Reversal (carbon loss)	Loss identified	Carbon loss is assessed	Issued credits remain valid	Reserve is used first; buffer used if needed
Balance = 0	Zero balance	Farm is reported	No credits are issued	75% of reserve is released
Termination of Crediting Period	End of period	Final checks performed	100% of available credits may be issued	—

The 5% buffer credits are deducted proportionally at each time of credits issuance e.g. 5% buffer is deducted from 25 % initially issued and 5% buffer is also deducted from 75% when they are released and issued.

The reserve mechanism is designed to complement the permanence risk management framework established in the applicable methodology and the BCCS standard.

5.2 Project-Wide Buffer Pool

- A project-wide buffer pool (5%) is established to cover potential reversals or unforeseen losses;
- Buffer credits are not sold and may only be cancelled to compensate verified reversals.

5.3 Conservative and Partially Ex-Post Issuance

- Issuance is conservative ex-post, reflecting verified SOC increases rather than projected outcomes;
- Credits are issued only after verification confirms achieved removals.

5.4 Uncertainty Deductions

- Quantified uncertainty related to soil sampling, laboratory analysis, and data processing is deducted prior to issuance;
- Uncertainty deductions are applied in accordance with methodological requirements and QA/QC procedures.

6. Non-Issuance, Adjustment, and Withholding Rules

Credits shall not be issued, or shall be adjusted or withheld, in the following cases:

- Detection of SOC reversals beyond acceptable thresholds;
- Non-compliance with agronomic or monitoring requirements;
- Farmer withdrawal or loss of legal land-use rights;
- Data integrity issues or unresolved verification findings;
- Occurrence of force majeure events affecting permanence.

Where applicable, such events are addressed through:

- Performance reserve retention;
- Buffer pool compensation;
- Exclusion of affected areas from issuance.

6.1 Restrictions on Credit Issuance

The issuance of carbon credits may be limited, partially deferred, or temporarily suspended where circumstances exist that may call into question the accuracy of calculations, the permanence of carbon removals, or the project's compliance with applicable requirements.

Restrictions on issuance may be applied in the following cases:

- presence of reversal risk (loss of sequestered carbon) or other events that may lead to a reduction in soil organic carbon;

- suspected errors or inconsistencies in the data used for calculations;
- incomplete or negative verification of monitoring results;
- existence of legal or administrative disputes related to land ownership or land use;
- identification of material deviations from the project documentation (PDD) or the applicable methodology.

In such cases, Carbonsafe may decide to

- partially issue credits;
- temporarily defer issuance until the circumstances are clarified;
- refrain from issuing credits for the affected areas or monitoring period.

7. Reversal and Liability Management

7.1 Issuance Correction Mechanism

During the processes of monitoring, verification, or after the issuance of carbon credits, errors, inconsistencies, or new information may be identified that require correction of the results.

To ensure the accuracy, transparency, and environmental integrity of issued credits, Carbonsafe applies a correction mechanism that covers both pre-issuance and post-issuance corrections.

7.1.1 Pre-Issuance Corrections

Prior to the submission of a request for credit issuance, corrections may be made in relation to:

- errors in farm-level data;
- laboratory results or sample processing;
- calculations of soil organic carbon (SOC);
- area boundaries or included agricultural parcels.

Such corrections are carried out within the framework of quality control procedures and internal data verification processes.

7.1.2 Post-Issuance Corrections

Following the issuance of credits, additional inconsistencies or errors may be identified that require correction of already issued credits.

In such cases, the following measures may be applied:

- administrative corrections in documentation or registry records;
- adjustments in future credit issuances;
- cancellation of credits;
- compensation through the buffer pool or other risk management mechanisms.

All corrections are documented and retained as part of the Monitoring, Reporting, and Verification (MRV) system.

7.1.3 Correction Procedure

Table 1 – Procedure for Identifying and Addressing Errors

Step	Action	Description
1	Identification of the issue	Identification of the presence of an error, inconsistency, or anomaly in data, calculations, or documentation
2	Root cause analysis	Determination of the source of the error (data, laboratory results, calculations, administrative inaccuracies, etc.)
3	Impact assessment	Assessment of whether the error affects the quantity of issued or to-be-issued carbon credits
4	Definition of corrective actions	Identification of the necessary measures to correct the identified issue
5	Documentation of the correction	All actions taken are documented and retained as part of the monitoring, reporting, and control process

Table 2 – Classification of Corrections

Type of Correction	When It Occurs	Characteristics	Examples	Possible Actions
Administrative	In case of technical or documentary inaccuracies	Do not affect the quantity of credits	technical errors; documentation inaccuracies	correction of documentation or records
Quantitative (Pre-Issuance)	Before credit issuance	Affect calculations but are corrected prior to submission for audit	calculation errors; laboratory anomalies; incorrectly entered data	data correction and recalculation prior to audit submission
Material (Post-Issuance)	After credit issuance	May lead to over-crediting or incorrectly issued credits	over-crediting; SOC calculation error; incorrect area; calculation errors	credit cancellation; compensation; use of buffer or guarantee fund

In the event of verified SOC reversals:

- Carbonsafe first applies sub-project performance reserves;
- If insufficient, project-wide buffer credits are cancelled;

- Issuance from affected areas is suspended until compliance and recovery are demonstrated.

This layered approach ensures that issued credits remain valid and that reversal liabilities do not transfer to buyers.

7.2 Materiality Threshold

To ensure the accuracy and environmental integrity of issued carbon credits, the principle of materiality is applied in the processing and analysis of data.

Materiality refers to the extent to which an identified deviation, error, or inconsistency may affect the quantity of carbon credits to be issued or the reliability of the results.

In cases where deviations or inconsistencies are identified, an assessment is performed to evaluate their impact on the results of soil organic carbon (SOC) calculations and the quantity of credits eligible for issuance.

Where an identified deviation exceeds the predefined materiality threshold, the following actions may be undertaken:

- re-analysis of data;
- recalculation of results;
- additional checks or verification;
- temporary postponement of credit issuance until the deviation is resolved.

The materiality threshold and the procedures for its application are defined within the MRV procedures and internal quality control mechanisms, with reference to the Correction Mechanism.

7.3 Suspension of Credit Issuance

The issuance of carbon credits may be temporarily suspended where circumstances exist that may affect the reliability of data, the accuracy of calculations, or the compliance of the project with applicable requirements.

Suspension of issuance may be applied in the following cases:

- doubts regarding the accuracy or completeness of monitoring data;
- identification of material non-conformities during verification;
- ongoing checks, audits, or investigations related to the project;
- existence of unresolved complaints or reports that may affect the results;
- occurrence of events that may lead to significant loss of stored carbon.

Credit issuance shall be resumed once the identified issues have been assessed, appropriate corrective actions have been implemented, and compliance with applicable requirements has been confirmed.

7.4 Documentation and Traceability

All stages of the carbon credit issuance process are documented and retained as part of the Monitoring, Reporting, and Verification (MRV) system.

The documentation aims to ensure transparency, traceability, and the possibility for independent verification of the results.

The retained documentation may include, but is not limited to:

- monitoring reports;
- laboratory results from soil organic carbon analysis;
- data on agricultural practices and agronomic activities;
- verification reports;
- carbon removal calculations;
- records of applied corrections;
- carbon registry records.

All documents are stored within the project management system and may be made available upon request during verification, audit, or registry review processes.

7.5 Grievance and Non-Conformity Management

Carbonsafe maintains a mechanism for managing complaints, reports, and identified non-conformities related to carbon farming projects and the credit issuance process.

In cases of:

- complaints from stakeholders;
- reports of potential errors or inconsistencies;
- concerns regarding the accuracy of data or calculations,

an assessment of the relevant circumstances is performed. Depending on the outcome, the following actions may be undertaken:

- additional data analysis;
- corrections in calculations;
- temporary suspension of issuance;
- implementation of corrective measures.

All complaints and actions taken are documented as part of the project management system.

7.6 Responsibilities

The management and implementation of this Policy are carried out by the relevant responsible persons and teams within Carbonsafe.

The main responsibilities include:

Carbonsafe Management

Responsible for the approval and implementation of this Policy, as well as for making final decisions related to the issuance of carbon credits.

MRV Team

Responsible for:

- collection and processing of monitoring data;

- calculation of carbon removals;
- application of quality control procedures;
- preparation of monitoring reports and credit issuance requests.

Independent Verifier (VVB)

Performs independent verification of monitoring results and confirms the project's compliance with the applicable methodology and standard.

Carbon Registry

Registers issued credits, assigns a unique identifier to each credit, and ensures public traceability of transactions.

All issued carbon credits are registered in an official carbon registry in accordance with the rules of the applicable standard.

The registry ensures:

- a unique identification number for each issued credit;
- traceability of ownership and transactions;
- transparency of issued, transferred, or cancelled credits.

Within the registry, the following actions may be performed:

- issuance of credits based on verified results;
- transfer of credits between participants;
- correction of metadata;
- cancellation of credits;
- management of buffer mechanisms.

All actions are documented and subject to traceability.

8. Governance, Oversight, and Review

Issuance decisions are approved by authorized Carbonsafe management based on verified data;

All issuance records are maintained within Carbonsafe's registry systems;

This Policy is reviewed periodically and updated as needed to reflect:

- Changes in methodology;
- Regulatory developments;
- Updated risk assessments;
- Lessons learned from verification cycles.

8.1 Procedure for Changes to Issuance Rules

The rules for credit issuance may be reviewed and updated when necessary, including as a result of:

- changes in the applicable methodology;
- requirements of the carbon standard or registry;
- regulatory changes;

- outcomes of audits, verifications, or monitoring cycles.

Proposed changes shall be reviewed and approved by the management of Carbonsafe. In the case of significant changes, stakeholders and project participants shall be informed through updates to the public project documentation or through the publication of an updated version of this Policy.

Changes to the issuance rules shall not be applied retroactively to credits that have already been issued, unless such application is required by the applicable standard or registry.

8.2 Periodic Review of the Policy

This Issuance Policy is subject to periodic review to ensure its continued relevance, effectiveness, and compliance with applicable standards, methodologies, and regulatory requirements.

The policy review may be conducted in the following cases:

- at the beginning of a new monitoring cycle;
- following changes in the applicable methodology or carbon standard;
- in the event of regulatory or legislative changes;
- following identified non-conformities or results from audits and verifications;
- where improvements to risk management or credit issuance procedures are required.

Where necessary, an updated version of the Policy shall be prepared, approved by the management of Carbonsafe, and applied to all future carbon credit issuances.

9. Transparency and Disclosure

Carbonsafe ensures that:

- Issuance volumes reflect conservative risk-adjusted calculations;
- Buyers are informed of the existence and role of reserves and buffers;
- Issuance practices are consistent with public project documentation and registry disclosures.

10. Entry into Force

This Issuance Policy enters into force on the date of adoption and applies to all carbon credits issued by Carbonsafe JSC under soil carbon farming projects unless explicitly superseded.